

MINUTES



MEMORANDUM

To: Board Members

From: Liabilities and Equity—Targeted Improvements Team (Jones x298)

Subject: Minutes of April 19, 2017 Liabilities and Equity—Targeted Improvements Board Meeting

Date: April 27, 2017

cc: Dawn Tosches

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board’s deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue an Accounting Standards Update or a Statement of Financial Accounting Concepts.

Topic: Liabilities and Equity—Targeted Improvements

Basis for Discussion: Fasn Memo No. 17

Length of Discussion: 1:00 p.m. to 1:45 p.m.

Attendance:

Board members present: Golden, Kroeker, Botosan, Monk, Schroeder, Siegel, and Smith

Board members absent: None

Staff in charge of topic: Mazzella and Sangiuolo

Other staff at Board table: Cosper, Esposito, and Jones

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a final Accounting Standards Update addressing the accounting for certain financial instruments with down round features and replacing the indefinite deferral for mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable noncontrolling interests with a scope exception.

The Board has not yet determined the timing of the release of that final Accounting Standards Update.

Tentative Board Decisions:

The Board discussed the project direction for accounting for instruments with down round features.

Accounting for Instruments with Down Round Features

The Board decided that the existence of a down round feature in a financial instrument would not preclude equity classification of that instrument and that an entity would not need to recognize the effect of the trigger of the down round feature in the balance sheet or income statement. Instead, the Board decided that a public business entity should reflect the effect of the trigger of a down round feature as an adjustment to earnings per share (EPS). The Board asked the staff to perform additional research to develop this EPS adjustment as well as any related disclosures.

(Vote: 4 to 3)

General Announcements: None