

MINUTES



MEMORANDUM

To: Board Members

From: Share-Based Consideration Payable to a Customer Team

Subject: Minutes of July 31, 2019 Board Meeting **Date:** August 5, 2019

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: Codification Improvements—Share-Based Consideration Payable to a Customer

Basis for Discussion: FASB Memo No. 4 *Comment Letter Feedback Summary, Staff Analysis, and Staff Recommendations*

Length of Discussion: 9:00 a.m. to 9:35 a.m. EDT

Attendance:

Board members present: Golden, Kroeker, Botosan, Cospier, Hunt, Buesser, and Schroeder

Board members absent: None

Staff in charge of topic: Starkey

Other staff at Board table: Casas, Mazzella, and Swartz

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss comment letter feedback and redeliberate issues related to the proposed Accounting Standards Update, *Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements—Share-Based Consideration Payable to a Customer*.

Refer to the current technical plan for information about project deadlines.

Tentative Board Decisions:

The Board's discussion focused on the following topics:

1. Redeliberation issues
2. Transition and effective date
3. Analysis of costs and benefits
4. Next steps.

Redeliberation Issues

The Board affirmed its decisions to require (1) that an entity measure and classify the share-based awards in accordance with Topic 718 **(Vote: 7-0)** and (2) that post-grant-date changes in measurement of the share-based awards due to the form of consideration should not be recognized in revenue and should be recognized elsewhere in the income statement. **(Vote: 7-0)**

The Board decided to clarify the amendments in the proposed Update as follows:

1. An entity should follow Topic 718 to evaluate conditions that affect the vesting and fair value of the share-based awards. **(Vote: 7-0)**
2. An entity should estimate the fair value of the share-based awards when a grant date has not been achieved but goods and services have been delivered to a customer. **(Vote: 7-0)**
3. A nonpublic entity making the election to measure its liability-classified share-based awards not issued to customers at intrinsic value should initially and subsequently measure share-based awards issued to customers at fair value. **(Vote: 7-0)**
4. An entity should assess the fair value of distinct goods and services received from a customer when determining whether the share-based awards reduce the transaction price. **(Vote: 7-0)**

The Board decided not to amend the Codification for the following areas raised by stakeholders in response to the proposed Update:

1. The attribution of post-grant-date changes in the measurement of the share-based awards when they are liability classified **(Vote: 7-0)**

2. The establishment of a new grant date for the share-based awards **(Vote: 7-0)**
3. The accounting for modifications of the share-based awards **(Vote: 7-0)**
4. The accounting for share-based awards granted by a lessor to a lessee as a lease incentive **(Vote: 7-0)**
5. The accounting for the share-based awards by the customer receiving the awards **(Vote: 7-0)**
6. The determination of when the entity that has received the share-based awards is no longer a customer of the grantor **(Vote: 7-0)**
7. The disclosure requirements applicable to the grantor of the share-based awards. **(Vote: 7-0)**

Transition and Effective Date

The Board affirmed the transition guidance in the proposed Update subject to the following:

1. A clarification of when the cumulative catch-up adjustment to retained earnings should be recorded
2. An option to apply the amendments in the final Update either as of the beginning of the fiscal year they are adopted or the beginning of the fiscal year when the amendments in Accounting Standards Update No. 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, were adopted.

(Vote: 7-0)

The Board decided that the amendments should be effective for:

1. *Public business entities that have not adopted the amendments in Update 2018-07 and all entities that have adopted the amendments in Update 2018-07:* Fiscal years beginning after December 15, 2019, and interim periods within those years
2. *All others:* Fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020.

(Vote: 7-0)

The Board decided to allow an entity to adopt the amendments in a final Update early, but no earlier than an entity's adoption of the amendments in Update 2018-07. **(Vote: 7-0)**

Analysis of Costs and Benefits

The Board concluded that it has received sufficient information and analysis to make an informed decision on the expected costs of the changes and that the expected benefits would justify the expected costs of the amendments included in a final Update. **(Vote: 7-0)**

Next Steps

The Board directed the staff to draft a final Update for vote by written ballot.

(Vote: 7-0)

General Announcements: None.