

MINUTES



MEMORANDUM

To: Board Members
From: Padgett (x442)
Scheb (x462)
Subject: Minutes of the November 20, 2019 Board Meeting: EITF Ratification
Date: November 26, 2019
cc: 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: Board ratification of the consensus reached on EITF Issue No. 19-A

Basis for Discussion: EITF Ratification Memorandum

Length of Discussion: 9:34 to 9:53

Attendance:

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

Board members absent: None

Staff in charge of topic: Cyderman

Other staff at Board table: Kuhaneck, Padgett, Scheb

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss the issuance of an Update resulting from the consensus reached on EITF Issue No. 19-A, “Financial Instruments—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815.”

Tentative Board Decisions:

Ratification of an EITF consensus. The Board ratified the following consensus reached by the EITF at its November 7, 2019 meeting and directed the staff to draft an Update reflecting the consensus for vote by written ballot.

Issue No. 19-A, “Financial Instruments—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815.”

An entity should consider observable transactions that would require an investor to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative under Topic 321, Investments—Equity Securities, immediately before applying or upon discontinuing the equity method under Topic 323, Investments—Equity Method and Joint Ventures.

(Vote: 7-0)

For the purpose of applying paragraph 815-10-15-141(a) an entity should not consider whether, upon settlement of the forward contract or exercise of the purchased option, individually or with existing investments, the underlying securities would be accounted for under the equity method or the fair value option in accordance with Topic 825, Financial Instruments.

(Vote: 7-0)

An entity is required to apply the amendments in the Update prospectively and to disclose the nature of and reasons for the change in accounting principle, the transition method, and a qualitative description of the financial statement line items affected by the change is required.

The amendments in the Update will be effective for public business entities for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. For non-public business entities, the amendments in the Update will be effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Additionally, early adoption is permitted in any interim period after the issuance of the Update.

(Vote: 7-0)

General Announcements:

The Board also discussed the Task Force's decision to remove the issue related to recognizing investee losses when an investor has other equity investments in the investee from the scope of Issue 19-A. The Board directed the staff to conduct outreach with the Private Company Council and the Small Business Advisory Committee to identify any unnecessary costs, confusion, and lack of investor awareness associated with the equity method of accounting for investments. The staff plans on updating the Board with its research at a future meeting.