

MINUTES



MEMORANDUM

To: Board Members
From: Lewis, x462
Subject: Minutes of the July 22, 2020,
Accounting by a Joint Venture for
Nonmonetary Assets Contributed by
Investors Board Meeting
Date: July 23, 2020
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: Accounting by a Joint Venture for
Nonmonetary Assets Contributed by
Investors

Basis for Discussion: FASB Memo No. 2R, "Measurement
Alternatives (Reissued)," and FASB
Memo No. 4, "Definition and Fair Value
Application Issues"

Length of Discussion: 10:00 a.m. to 10:40 a.m. (EST)

Attendance:

Board members present: Jones, Kroeker, Schroeder, Botosan, Hunt,
Buesser, Cosper

Board members absent: None

Staff in charge of topic: Friend

Other staff at Board table: Kuhaneck, Posta, Bohdan, Lewis

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board continued its initial deliberations on the project. The Board discussed the measurement alternatives and the staff's recent research.

Tentative Board Decisions:

The Board decided to:

1. Retain the definition of *joint venture* as it currently appears in the Master Glossary of the Codification.

(Vote 7-0)

2. Require that a joint venture, upon formation, account for contributions by the venturers as though the joint venture was the acquirer of a business within the scope of Subtopic 805-10, Business Combinations—Overall. That Subtopic requires that the acquirer recognize and measure the identifiable assets acquired and liabilities assumed at fair value (with certain exceptions).

(Vote 5-2)

3. Expand the scope of the project to include all contributions, irrespective of whether they are monetary or nonmonetary.

(Vote 7-0)

4. Require that a joint venture apply guidance that is similar to the guidance in Topic 805 when measuring assets and liabilities at fair value upon formation as follows:
 - a. A joint venture can be formed using a newly created legal entity or a former subsidiary.
 - b. A joint venture would apply the fresh-start method, which would be equivalent to identifying a newly formed joint venture as the acquirer. The joint venture would be required to recognize and measure the net assets contributed to it upon formation.
 - c. A joint venture would recognize and measure identifiable assets and liabilities in accordance with Subtopic 805-20, Business Combinations—Identifiable Assets and Liabilities, and Any Noncontrolling Interest, including exceptions to the fair value measurement principle, and would recognize goodwill (if any) in accordance with Subtopic 805-30, Business Combinations—Goodwill or Gain from Bargain Purchase, Including Consideration Transferred. The newly formed joint venture would be required to apply Subtopics 805-20 and 805-30 regardless of whether it meets the definition of a business.

(Vote 7-0)

5. Develop guidance for *formation date* and *formation* by leveraging existing guidance in Topic 805 for acquisition date and in Topic 810, Consolidation, for when multiple arrangements should be accounted for as a single transaction.

(Vote 7-0)

General Announcements:

None.