

## TENTATIVE BOARD DECISIONS

*Tentative Board decisions are provided for those interested in following the Board's deliberations. All of the reported decisions are tentative and may be changed at future Board meetings.*

### **Wednesday, November 13, 2019 FASB Board Meeting**

Conceptual framework—measurement. The Board provided its views on the issuance of an Invitation to Comment on the measurement chapter of the Conceptual Framework. No Board decisions were made. The chairman directed the staff to begin work on the Invitation to Comment with input from the Board.

Conceptual framework—elements. The Board continued its initial deliberations on the elements phase of the Conceptual Framework project. The Board decided that:

1. The definition of *equity* (net assets) should remain as the residual interest in the assets of an entity that remains after deducting its liabilities.
2. Subject to drafting improvements, the term *owner* should be explained as the holder of an instrument (or other arrangements, such as partnerships or proprietorships) that creates no obligation of the entity other than in liquidation.
3. The definition of *comprehensive income* should remain as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. It includes all changes in equity during a period except those resulting from investments by and distributions to owners.
4. The Concepts Statement should be consistent with the amendments in Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*.

Reference rate reform: facilitation of the effects of the interbank offered rate transition on financial reporting. The Board discussed comments received on the proposed Accounting Standards Update, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, and made the following decisions.

#### *Contract Modifications Relief*

The Board affirmed its decisions on:

1. The scope of contracts qualifying for relief
2. Which critical terms would be permitted to be modified
3. The relief guidance for Topics explicitly specified
4. A principle that would give relief from contract modification requirements in other Topics not explicitly specified
5. The option for an entity to apply relief on a Topic-by-Topic basis.

The Board decided to clarify the examples of terms related and unrelated to reference rate reform to improve the operability and auditability of the guidance.

#### *Hedge Accounting Relief*

1. The Board affirmed its decisions to provide optional relief for:
  - a. Changes in critical terms for all hedging relationships
  - b. Hedge effectiveness assessments of cash flow hedges

- c. Changes to the designated hedged risk for fair value hedges subject to a revision that would require an entity to immediately recognize the change in the fair value hedge basis adjustment in earnings.
2. The Board affirmed its decision that an entity would apply the relief on a hedge-by-hedge basis.
3. The Board decided to provide an additional optional relief for excluded components in hedge accounting relationships that are affected by reference rate reform.

#### *Additional Issues Identified*

The Board decided to provide an additional optional relief to allow a one-time transfer of held-to-maturity securities that are affected by reference rate reform.

#### *Transition*

1. The Board decided to provide certain hedge accounting relief for entities that have not adopted the amendments in Accounting Standards Update No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*.
2. The Board affirmed its decision that an entity that elects to apply the relief guidance should apply that guidance on a prospective basis. The Board clarified that an entity can apply the guidance from the beginning of an interim period that includes the adoption date.

#### *Termination Date*

The Board affirmed its decision that an entity cannot apply the guidance on or after January 1, 2023.

#### *Disclosures*

1. The Board affirmed its decision to require entities to disclose the nature of and reason for electing the accounting relief in each interim financial statement of the fiscal year of change and in the annual financial statement of the period of change.
2. The Board considered but rejected additional disclosure requirements related to an entity's:
  - a. Application of optional expedients in the guidance
  - b. Exposure related to reference rate reform.

#### *Analysis of Costs and Benefits*

The Board concluded that it has received sufficient information and analyses to make an informed decision on the perceived costs of the guidance and that the expected benefits would justify the expected costs of the optional expedients.

#### *Next Steps*

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