

STAFF PAPER

21 May–25 May 2012
REG FASB | IASB Meeting

Project	Investment Entities / Investment Companies		
Paper topic	Cover Paper		
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This paper has been prepared by the staff of the IFRS Foundation and the FASB for discussion at a public meeting of the FASB or IASB. It does not purport to represent the views of any individual members of either board. Comments on the application of US GAAP or IFRSs do not purport to set out acceptable or unacceptable application of U.S. GAAP or IFRSs. The FASB and the IASB report their decisions made at public meetings in FASB *Action Alert* or in IASB *Update*.

Introduction

1. The investment entities¹ project is a joint effort between the FASB and the IASB to develop converged criteria for determining whether an entity is an investment entity.
2. In August 2011, the IASB published the Exposure Draft, *Investment Entities* (IASB ED), which provides an exception to the consolidation principle in IFRS 10 *Consolidated Financial Statements*, for entities that qualify as investment entities. The comment period for the IASB ED ended on January 5, 2012.
3. In October 2011, the FASB issued proposed Accounting Standards Update, *Financial Services—Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements* (FASB ED), which proposes amendments to the existing guidance in U.S. generally accepted accounting principles (GAAP) for investment companies. The comment period for the FASB ED ended on February 15, 2012.

¹ The investment entities project is called the investment companies project on the FASB agenda because similar entities are referred to as investment companies in the United States and current U.S. GAAP provides guidance for investment companies. For the purpose of these agenda papers, the terms *investment entity* and *investment company* are used interchangeably.

IASB Agenda ref	8
FASB Memo No.	46

4. At the April 17, 2012 joint Board meeting, the staff provided the Boards with summaries of feedback received on the EDs.

Summary of Papers

5. The following papers will be discussed at this joint Board meeting:
 - (a) IASB Agenda Paper 8A/FASB Memo No. 46A—The criteria to be an investment entity. This paper discusses whether any changes are necessary to each criterion to be an investment entity in light of feedback received on the EDs.
 - (b) IASB Agenda Paper 8B/FASB Memo No. 46B—The overall approach to assessing the criteria. This paper discusses whether an entity should be required to meet all six criteria proposed in the EDs or whether an alternative approach to assessing the criteria should be used to determine whether the entity is an investment entity. This paper also discusses whether the IASB should develop an asset-based approach rather than the entity-based approach that was proposed in the IASB ED.
 - (c) IASB Agenda Paper 8C/FASB Memo No. 46C—Summary of the staff’s recommendations. This paper contains a summary of the staff’s recommendations in Agenda Papers 8A and 8B and includes the questions for the Boards.
6. The staff presents a full summary of the staff’s recommendations and Board questions as the last Board paper in the series because the analysis and recommendations in Agenda Papers 8A and 8B are very interrelated. The staff thinks that it is premature for the Boards to take decisions about the issues in one paper before they have considered the issues and analysis presented in both papers.