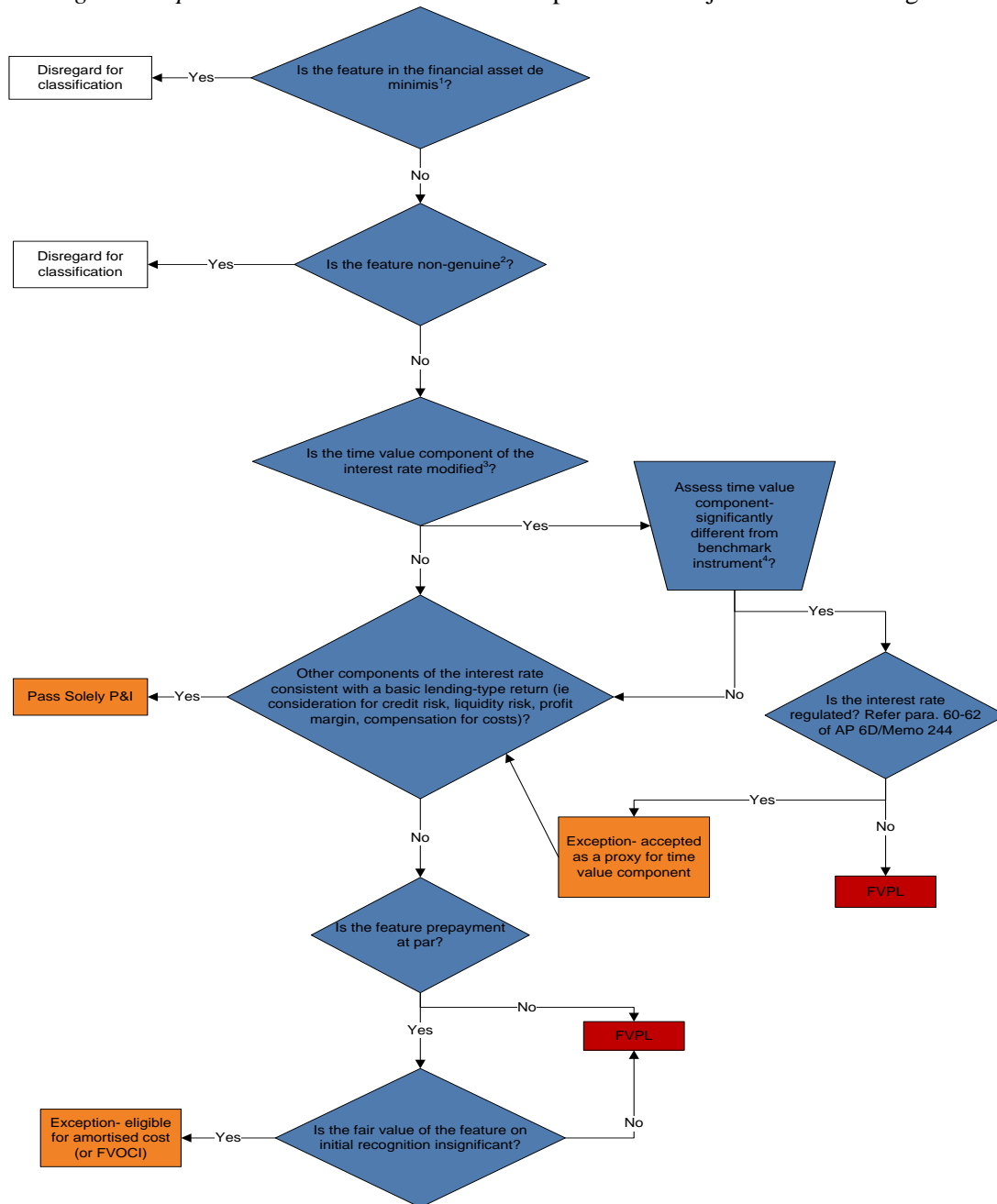


## Appendix A to Agenda Papers 6C–6F/FASB Memos 243–246 from September 2013 joint board meeting

This flowchart represents staff recommendations in Agenda Papers 6C–6D/FASB Memos 243–244. This flowchart *presents a combination of Alternative A in Agenda Paper 6E/FASB Memo 245 and Alternative C in Agenda Paper 6F/FASB Memo 246* for the September 2013 joint board meeting.<sup>A</sup>



<sup>A</sup> This flowchart is provided to help the boards understand the overall application of the clarified solely P&I condition and the alternative staff views in the September 2013 joint board papers. It does not replace the detailed analysis in those papers and should not be considered in isolation of that full analysis.

<sup>1</sup> A de minimis feature is a contractual provision that could impact a financial asset's contractual cash flows by only a de minimis amount in all scenarios in each individual period and cumulatively. The notion of 'de minimis' focuses on the *magnitude* of the impact on cash flows (that is, cash flows that are too trivial or minor to merit consideration). De minimis features are discussed in paragraph 19 through 24 of Agenda Paper 6D/Memo 244.

<sup>2</sup> A non-genuine feature is a feature that affects the instrument's contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal, and very unlikely (but, if it happens, the impact on cash flows will be more than de minimis). The notion of 'non-genuine' focuses on whether the payment could really ever happen – so focuses on the *probability* of the impact on cash flows.

<sup>3</sup> The assessment is not limited to modifications due to leverage and interest rate mismatch feature. Rather, any modification to the time value component of the interest rate (for example, the use of an average or a lagging rate) needs to be considered.

<sup>4</sup> The objective of the assessment of a modified time value of money is to establish whether that component of the interest rate provides consideration for just the passage of time. An entity can satisfy itself that the time value component of the interest rate meets the objective of providing consideration just for the passage of time by using a qualitative or a quantitative approach. Assessing a time value component of the interest rate is discussed in paragraph 38 through 59 of Agenda Paper 6D/Memo 244.