



Audit



Contracts



Finance

# EITF discusses three issues at June 13 meeting

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The EITF met on June 13 to discuss the following issues:

- Issue 18-A, “Recognition under Topic 805 for an Assumed Liability in a Revenue Contract”.
- Issue 19-A, “Financial Instruments – Clarifying the Interactions between Topic 321 and Topic 323”.
- Issue 19-B, “Revenue Recognition – Contract Modifications of Licenses of Intellectual Property.”

The Task Force’s discussion of Issue 19-A resulted in a consensus-for-exposure on the following two topics:

- An entity should remeasure equity securities without readily determinable fair value carried under the measurement exception in ASC 321 at fair value both:
  - as of the date when the investee becomes subject to the equity method of accounting.
  - as of the date when the investee is no longer subject to the equity method of accounting.
- An entity should account for forward and option contracts for equity securities with all of the following characteristics as equity securities under ASC 321, regardless of whether the equity securities would, upon exercise of the forward or option, be within the scope of the equity method of accounting:

**The Task Force’s discussion of Issue 19-A resulted in a consensus-for-exposure on two topics: remeasurement of some equity securities and accounting for equity securities’ forward and option contracts.**

- terms of the contract require physical settlement by delivery of the securities that will be accounted for under ASC 321.
- contract is not a derivative instrument subject to ASC 815.
- contract, if a purchased option, has no intrinsic value at acquisition.

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No tentative decisions were reached on Issue 18-A and Issue 19-B. The Task Force also did not reach any tentative decision on a third issue within Issue 19-A on allocating an equity method investee's losses to an investor's other investments in the investee when the amortized cost of the investor's equity method investment has been reduced to zero.

Source:

Grant Thornton, On the Horizon June 20, 2019.

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