

Consolidation — FASB Tentatively Decides to Make Technical Corrections and Improvements to ASU 2015-02

January 25, 2016 — At its January 20, 2016, meeting, the FASB tentatively decided to amend the guidance in ASC 810-10-25-42,¹ as amended by ASU 2015-02.² The FASB staff indicated that the catalyst for this tentative decision was a technical inquiry submitted to the staff regarding the implementation of ASU 2015-02.

After adopting ASU 2015-02, when evaluating whether the economics criterion has been met, a reporting entity that has a variable interest in a variable interest entity is required to consider interests held by its related parties (including de facto agents) only if the reporting entity has a direct interest in the related parties.³ If the related party is not under common control, the indirect interest is considered on a proportionate basis. However, if the related party is under common control, the reporting entity must include the related party's entire interest in its economics-criterion evaluation.⁴

At the meeting, the Board tentatively decided to remove the last sentence in ASC 810-10-25-42 that states, "Indirect interests held through related parties that are under common control with the decision maker should be considered the equivalent of direct interests in their entirety."

The removal of this sentence may affect consolidation conclusions reached under ASU 2015-02.

Next Steps

The Board instructed the FASB staff to evaluate whether any amendments to the guidance in ASC 810-10 that addresses fees paid to decision makers or service providers⁵ will need to be made as result of the Board's tentative decision to amend ASC 810-10-25-42.

The Board expects to issue a separate proposed ASU related to this amendment for a 30-day comment period.

¹ For titles of *FASB Accounting Standards Codification* (ASC) references, see Deloitte's "[Titles of Topics and Subtopics in the FASB Accounting Standards Codification](#)."

² FASB Accounting Standards Update No. 2015-02, *Amendments to the Consolidation Analysis*.

³ This guidance is only applicable for a reporting entity that is a single decision maker.

⁴ On the basis of the guidance in ASC 810-10-25-42.

⁵ ASC 810-10-55-37 through 55-37D address fees paid to decision makers or service providers in the context of evaluating whether fees are variable interests. ASC 810-10-25-38H through 25-28J also address fees paid to a decision maker.

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