MINUTES

FASB FINANCIAL ACCOUNTING STANDARDS BOARD

MEMORANDUM

To:	Board Members		
From:	FASB Staff		
Subject:	Minutes of the May 13, 2026 Equity Method of Accounting: Targeted Improvements Board Meeting	**Date:**	May 14, 2026
cc:	Tosches		

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue an Accounting Standards Update or a Statement of Financial Accounting Concepts.

Topic: Equity Method of Accounting: Targeted Improvements

Basis for Discussion: FASB Board Memo No.5 "Targeted Improvements, Transition, Benefits-Costs, and Comment Period"

Length of Discussion: 9:57 a.m. to 11:25 a.m. (EDT)

Attendance:

Board members present:	Jones, Salo, Botosan, Cannon, Cosper, Hunt, Joseph, and Shakespeare (observing)
Board members absent:	None
Staff in charge of topic:	Tisckos
Other staff at Board table:	Day, Debbeler, Sangiuolo, Switter, Garcia, Hinaman, and Wall
Outside participants:	None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a proposed Accounting Standards Update addressing the operability of the accounting for equity method investments.

The Board has not yet determined the timing of the release of that proposed Accounting Standards Update.

Tentative Board Decisions:

The Board discussed feedback on the Equity Method of Accounting: Targeted Improvements project and made the following decisions.

Issue A—Scope of Topic 323

The Board decided to require a single threshold (significant influence) for applying the equity method, regardless of the type of entity. **[Vote: 7-0]**

The Board decided to make the following improvements to the significant influence guidance in Subtopic 323-10, Investments—Equity Method and Joint Ventures—Overall:

1. Change the 20 percent presumptive threshold to remove the presumption that an entity does not have significant influence when it holds less than 20 percent of an investee **[Vote: 5-2]**
2. Amend the board of directors indicator to include functionally equivalent governing bodies **[Vote: 7-0]**
3. Add a requirement that a noncontrolling general partner (or functional equivalent) has significant influence. **[Vote: 7-0]**

The Board decided not to add the following to the significant influence guidance in Subtopic 323-10:

1. A rebuttable presumption that an investor with substantive participating rights has significant influence **[Vote: 7-0]**
2. Guidance on protective rights. **[Vote: 7-0]**

The Board decided not to explore requiring an entity to apply the in-substance common stock guidance in Subtopic 323-10 to investments in partnerships and similar entities. **[Vote: 7-0]**

Issue B—Complex Allocation Structures

The Board decided to move the guidance in Subtopic 970-323, Real Estate—General—Investments—Equity Method and Joint Ventures, that is not industry or transaction specific to Subtopic 323-10. **[Vote: 7-0]**

The Board decided not to pursue changes to the guidance in paragraph 970-323-35-17 that would require an entity to disregard terms and conditions that only apply in remote circumstances **[Vote: 7-0]** or only follow those terms and conditions that are currently in effect. **[Vote: 6-1]**

The Board decided to add illustrative examples to Topic 323 to show a possible method that could be used to allocate equity in earnings in complex allocation structures. **[Vote: 7-0]**

Consequential Amendments

The Board decided not to change the population of investments that are currently eligible for proportionate consolidation. **[Vote: 7-0]**

The Board decided that the proposed amendments to address Issue A should not affect the population of investments that are currently eligible for the proportional amortization method. **[Vote: 7-0]**

The Board decided to make consequential amendments to the guidance in Topic 810, Consolidation, on allocating income to noncontrolling interest holders to reference the guidance in Topic 323 on complex allocation structures. **[Vote: 7-0]**

The Board decided to remove the guidance in paragraphs 970-810-25-1 through 25-3. **[Vote: 7-0]**

Transition and Early Adoption

The Board decided that entities should apply the amendments related to Issue A as follows **[Vote: 6-1]**:

1. **Investments accounted for under the measurement alternative**. If an entity elects the measurement alternative for an investment that is no longer within the scope of Topic 323 after applying the proposed amendments for Issue A, it would apply the proposed amendments using a modified prospective approach. Under this approach, an entity would use the carrying amount of its equity method investment on the date of adoption as the new cost basis under the measurement alternative in Topic 321, Investments—Equity Securities.

2. **Investments not accounted for under the measurement alternative.** If an entity does not elect the measurement alternative for an investment that

is no longer within the scope of Topic 323 after applying the proposed amendments for Issue A, it would apply the proposed amendments using a modified retrospective approach. Under this approach, an entity would apply the amendments as of the beginning of the period of adoption, with a cumulative-effect adjustment to the opening balance of retained earnings as of the date of adoption.

The Board decided that entities should apply the amendments related to Issue B on a prospective basis. **[Vote: 7-0]**

The Board decided that under the transition methods for Issue A, an entity would disclose the nature of and reason for the change in accounting principle and the cumulative effect of the change on retained earnings as of the date of adoption (if applicable). **[Vote: 7-0]**

The Board decided that under the transition method for Issue B, an entity should disclose the nature of and reason for the change in accounting principle. **[Vote: 7-0]**

The Board decided that transition disclosures would be required in each interim and annual reporting period in the fiscal year of adoption. **[Vote: 7-0]**

The Board decided to permit early adoption for all entities in an interim or annual reporting period. The Board specified that if an entity adopts the amendments in an interim period, the entity would be required to adopt them as of the beginning of the annual reporting period that includes that interim period. **[Vote: 7-0]**

Benefits and Costs

The Board concluded that it has received sufficient information and analysis to make an informed decision on the expected benefits and expected costs of the amendments and that the expected benefits of those amendments would justify the expected costs. **[Vote: 7-0]**

Next Steps

The Board directed the staff to draft a proposed Accounting Standards Update for vote by written ballot and decided that the proposed Update should have a 75-day comment period. **[Vote: 7-0]**

General Announcements: None.