

Interpretation of the Emerging Accounting Issues (E) Working Group

**INT 08-07: EITF 07-6: Accounting for the Sale of Real Estate
Subject to the Requirements of FASB Statement No. 66
When the Agreements Includes a Buy-Sell Clause**

4. Per EITF 07-6, the issue is whether a buy-sell clause would be considered a prohibited form of continuing involvement under paragraph 26 of FAS 66 and therefore preclude partial sale and profit recognition.

INT 08-07 Discussion

5. EITF 07-6 provides guidance that a buy-sell clause, in and of itself, does not constitute a prohibited form of continuing involvement that would require partial sales treatment under FAS 66. However, EITF 07-6 provides guidance promoting judgment and consideration of all facts and circumstances at the time the real estate is sold. As noted in EITF 07-6, if the buy-sell clause provides the buyer an in-substance option to put their interest in the jointly owned entity back to the seller, or gives the seller an in-substance option to acquire the buyer's interest in the jointly owned entity (thereby reacquiring the real estate), the buy-sell agreement may be considered to reflect a substantive continuing involvement with the property after the sale by the seller and thus prevent profit from being recognized under the full accrual method.

6. As the EITF consensus requires evaluation of all relevant facts and circumstances pertaining to a buy-sell clause as part of determining whether continuing involvement exists and this evaluation complies with the statutory accounting principle concept of recognition, the Working Group issued a consensus to adopt the consensus reached in EITF 07-6. Thus, a buy-sell clause should be evaluated for substance of the options in assessing continuing involvement with property after a sale pursuant to paragraph 18 of SSAP No. 40. As illustrated in SSAP No. 40, profit for real estate property sold in which a substantial continuing involvement exists shall not be recognized by the full accrual method.

INT 08-07 Status

7. No further discussion planned.