

MINUTES



Financial Accounting
Standards Board

To: FASB Board Members

From: Leases Team
(Phillips, x443)

Subject: Minutes of the January 20, 2010, Joint Board Meeting: Leases—Subsequent measurement of leases with options and contingent rentals under amortized cost, Scope—Exclusion of short-term leases, Lessor Accounting—investment properties

Date: January 22, 2010

cc: FASB: Golden, Bielstein, Lott, Proestakes, Stoklosa, Mechanick, Zeyher, Helmus, Homant, Gonzales, Phillips, Woo, C. Smith, Brickman, Hood, Glotzer, Gabriele, Sutay, FASB Intranet, McGarity, Klimek, Willis; FASAC: Chookaszian, Posta, Guasp; GASB: Finden, Avis; IASB: Leisenring, Francis, Knubley, Lian, Vatrenejak, Kim

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.

Topic: Leases

Basis for Discussion:

FASB Memo No. 61—Subsequent measurement of leases with options and contingent rentals under amortized cost
FASB Memo No. 62—Scope—Exclusion of short-term leases
FASB Memo No. 63—Lessor Accounting—Investment properties

Length of Discussion:

3:00 a.m.–6:15 a.m. (EST)

Attendance:

Board members present:

IASB: Tweedie, Cooper, Danjou, Engström, Finnegan, Garnett, Gélard, Gomes, Kalavacherla, Leisenring, McConnell, J. Smith, Yamada, and Zhang

FASB: Herz, Linsmeier, Seidman, Siegel, and L. Smith

Board members participating via videoconference:

IASB: McGregor

Staff in charge of topic:

Zeyher (FASB) and Knubley (IASB)

Other staff at Board table:

IASB: Francis, Li, and Kim

FASB: Golden

Summary of Decisions Reached:

The Boards discussed:

1. How to measure leases after initial recognition with options and contingent rentals under the amortized cost-based approach
2. Whether to provide a concession for short-term leases
3. How to account for investment properties held by lessors.

Measurement after initial recognition of leases with options and contingent rentals under amortized cost

The Boards tentatively decided that:

1. The lessee's discount rate should not be revised when there are subsequent changes in the expected lease term.
2. The lessee's discount rate should not be revised when there are subsequent changes in the amounts payable under contingent rentals unless the rentals are contingent on variable reference interest rates.
3. The discount rate used by the lessor should not be revised when there are subsequent changes in the expected lease term.

4. The discount rate used by the lessor should not be revised when there are subsequent changes in the amounts payable under contingent rentals unless the rentals are contingent on variable reference interest rates.

Concession for short-term leases

The Boards tentatively decided:

1. To permit lessees to use a simplified form of lease accounting for short-term leases
2. That under this simplified accounting, the lessee would recognize the gross amounts payable and a corresponding right-of-use asset under a short-term lease in the statement of financial position
3. To provide an optional concession for short-term leases for lessors
4. That short-term leases would be defined as those leases that have a maximum possible lease term of less than 12 months.

Investment properties

The Boards tentatively decided that the new lessor accounting requirements would be required if the lessor measures its investment properties at cost.

The IASB tentatively decided that if a lessor of investment properties measures its investment properties at fair value in accordance with IAS 40, *Investment Property*, it would not apply the new lessor accounting requirements to the lease.

Because the FASB does not have an option to measure investment properties at fair value, it instructed its staff to prepare an agenda request discussing whether to permit or require investment properties to be carried at fair value under U.S. generally accepted accounting principles.

Follow-up Items:

None.

General Announcements:

The Boards will continue discussion of lessee and lessor accounting at the February 2010 meeting.