MINUTES

To:	FASB Board Members
From:	Leases Team (Woo, x393)
Subject:	Minutes of the March 17, 2010, Joint Board Meeting: Leases **Date:** April 21, 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, FASAC: Chookaszian, Posta, Guasp; GASB: Finden, Avis; IASB: Leisenring, Francis, Knubley, Lian, Vatrenjak, 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 or a Statement of Financial Accounting Concepts.

Topic: Leases

Basis for Discussion:
FASB Memo No. 76—Disclosures for lessees
FASB Memo No. 77—Lessor Accounting—Transition
FASB Memo No. 75—Measurement at initial recognition
FASB Memo No. 78—Lessor Accounting—Residual Value Guarantees

Length of Discussion: 11:00 AM to 1:15 PM (EDT)

Attendance:

Board members present: FASB: Herz, Linsmeier, Seidman, Siegel, and L. Smith

	IASB: Tweedie, Cooper, Danjou, Engström, Finnegan, Garnet, Gélard, Gomes, Kalavacherla, Leisenring, McConnell, McGregor, J. Smith, Yamada, and Zhang
Board members absent:	None
Staff in charge of topic:	FASB: Zeyher
	IASB: Knubley
Other staff at Board table:	IASB: Francis, Lian, and Kim
Staff participating via video conference:	FASB: Stoklosa, Helmus, Homant, Gonzales, Phillips, and Woo
Outside participants:	None

<u>Type of Document and Timing Based on the Technical Plan</u>:

The Board met to discuss issues relating to the development of an Exposure Draft addressing leases.

The Board's technical plan calls for that Exposure Draft to be issued in June 2010.

<u>Summary of Decisions Reached</u>:

The Boards discussed:

1. Lessee disclosure requirements
2. Lessor transitional provisions
3. Measurement at initial recognition
4. Lessor accounting for residual value guarantees.

Lessee Disclosure Requirements

The Boards tentatively approved a set of disclosure requirements for the forthcoming Exposure Draft.

An entity should disclose the quantitative and qualitative financial information that identifies and explains the amounts recognized in its financial statements arising from lease contracts. That disclosure should include:

1. A general description of the lessee's leasing activities, including disaggregated information about its leasing activities (e.g., by nature or function).
2. If a lessee applies a simplified form of lease accounting for short-term leases, that fact should be disclosed. The lessee should also disclose the amounts recognized in the financial statements under the simplified model.
3. If a lessee enters into a sale and leaseback transaction, the lessee should disclose that fact, any material terms and conditions related to that transaction, and any gains or losses arising from that transaction, separately from other types of sales of assets.
4. A lessee should provide a reconciliation between opening and closing balances for its right-of-use assets and its obligation to pay rentals.
5. A lessee should provide a narrative disclosure of its assumptions and estimates on the amortization method used, options, contingent rentals, residual value guarantees, and the discount rate used.
6. A lessee should disclose a maturity analysis of the gross obligation to pay rentals showing the remaining contractual maturities and total obligations. The lessee would also have to reconcile the total gross obligation to the total obligation to pay rentals presented in the financial statements. In addition, the lessee would disclose a maturity analysis on an annual basis for the first five years and a lump-sum figure for the remaining amounts.
7. A lessee should disclose the quantitative and qualitative financial information that helps users to evaluate the nature and extent of the amount, timing, and uncertainty of future cash flows arising from lease contracts, and the way in which the lessee manages those uncertainties.

The Boards also tentatively decided not to require the fair value disclosures of a lessee's obligation to pay rentals.
(FASB: unanimous, IASB: unanimous)

Lessor Transitional Provisions

The Boards tentatively decided:

1. To require a lessor to recognize and measure all outstanding leases as of the date of initial application of the proposed new leases requirements using a simplified retrospective approach. Under that approach, the lessor's receivable would be measured at the present value of the remaining lease payments. The performance obligation should be measured on the same basis as the receivable. (FASB: unanimous, IASB: unanimous)
2. The original rate that the lessor is charging the lessee should be used to discount the lease payments. (FASB: unanimous, IASB: unanimous)
3. A lessor should reinstate previously derecognized leased assets at depreciated cost, adjusted for impairment and revaluation (IFRS preparers only). (FASB: unanimous, IASB: unanimous)

4. For IFRS preparers, transition disclosures should be required in accordance with the guidance in IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* without the disclosure of adjusted basic and diluted earnings per share. (FASB: unanimous, IASB: 11 to 4)

Measurement at Initial Recognition

The Boards tentatively decided that initial measurement of assets and liabilities arising in lease contracts should be determined at the inception of the lease. (FASB: unanimous, IASB: unanimous)

Lessor Accounting for Residual Value Guarantees

The Boards tentatively decided that:

1. The lease receivable recognized by the lessor would include amounts payable under a residual value guarantee if the amount could be measured reliably.
2. The receivable would be measured using an expected outcome technique; however, not every possible scenario would need to be taken into account when measuring the receivable.
3. The carrying amount of the receivable would be reassessed at each reporting date if any new facts or circumstances indicate that there is a material change in the receivable.
4. Any change in the receivable arising from a change in amounts payable under a residual value guarantee would be treated as an adjustment to the lessor's receivable and performance obligation, consistent with the Boards' tentative decision on the accounting for contingent rentals.
5. Residual value guarantees from an unrelated third party would be accounted for in accordance with the accounting for other guarantees.

(FASB: unanimous, IASB: unanimous)

General Announcements: None