

MINUTES



**To:** FASB Board Members

**From:** Leases Team (Phillips, x443)

**Subject:** Minutes of the May 18, 2010, Board Meeting: Leases **Date:** June 2, 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, 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 or a Statement of Financial Accounting Concepts.*

Topic: Leases

Basis for Discussion: FASB Memo No. 92—Lessor Accounting—Lessor Performance Obligation  
FASB Memo No. 93—Derecognition Approach to Lessor Accounting  
FASB Memo No. 94— Derecognition Approach—Residual Asset  
FASB Memo No. 95— Derecognition Approach—Treatment of Options

Length of Discussion: 3:00 AM to 7:00 AM (EDT)

Attendance:

Board members present: IASB: Tweedie, Cooper, Danjou, Engström, Finnegan, Garnet, Gélard, Gomes, Kalavacherla, Leisenring, McConnell, McGregor, J. Smith, Yamada, and Zhang

FASB: Herz, Linsmeier, Seidman, Siegal, L. Smith

Board members absent: None

Staff in charge of topic: FASB: Zeyher  
IASB: Knubley

Other staff at Board table: IASB: Teixeira, Francis, Lian, and Kim

Staff participating via videoconference:

FASB: Golden

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 leases.

The Board's technical plan calls for the document to be issued in the third quarter of 2010.

### **Summary of Decisions Reached:**

The Boards discussed:

1. Lessor accounting for the performance obligation
2. Derecognition approach to lessor accounting.

#### *Lessor Accounting for the Performance Obligation*

The Boards tentatively decided that under a performance obligation approach to lessor accounting, the lessor has a single performance obligation to continue to permit the lessee to use the leased asset over the lease term. That performance obligation would be satisfied, and revenue recognized, continuously over the lease term. (FASB: Unanimous; IASB: Unanimous)

#### *Derecognition Approach to Lessor Accounting*

The Boards discussed an alternative approach to lessor accounting, the derecognition approach. The Boards then discussed two possible models—a full derecognition approach and a partial derecognition approach. (FASB: Unanimous; IASB: Unanimous)

If the Boards adopt a derecognition approach to lessor accounting, they tentatively decided to adopt a partial derecognition approach. Under that approach, the Boards discussed:

1. Accounting for residual assets
2. Accounting for options.

#### *Accounting for Residual Assets*

The Boards tentatively decided that the residual asset would be an allocation of the previous carrying amount of the underlying asset (FASB: Unanimous; IASB: 11 to 4). The residual asset would not be remeasured unless for impairment. (FASB: Unanimous; IASB: 9 to 6)

#### *Accounting for Options*

The Boards tentatively decided that initial measurement of the residual asset recognized by the lessor would be based on the assessed lease term, that is, the longest possible lease term that is more likely than not to occur. (FASB: 4 to 1; IASB: 8 to 7)

**General Announcements:** None