

PROPOSED FASB STAFF POSITION

No. FIN 46(R)-a

Title: Technical Correction of FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*, Relating to Its Effects on Question No. 12 of EITF Issue No. 96-21, “Implementation Issues in Accounting for Leasing Transactions involving Special-Purpose Entities”

Comment Deadline: April 12, 2004

The Board directed the staff to issue this FASB Staff Position.

In Question No. 12 of Issue No. 96-21, “Implementation Issues in Accounting for Leasing Transactions involving Special-Purpose Entities,” the EITF specifies how a guarantor-lessee should account for a residual value guarantee of real estate under an operating lease. FASB Interpretation No. 45, *Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, nullified Question 12 except for the guidance for the timing of the guarantor-lessee’s accrual for a contingent loss under the guarantee. Appendix F of FASB Interpretation No. 46 (revised December 2003) (Interpretation 46(R)), *Consolidation of Variable Interest Entities*, states that Interpretation 46(R) fully nullified Question 12. The nullification identified in Appendix F of Interpretation 46(R) was incorrect in that the nullification should apply only to a guarantor-lessee that is the primary beneficiary of a lessor that is a variable interest entity. A guarantor-lessee that is *not* the primary beneficiary of the lessor under Interpretation 46(R) should continue to apply the Question 12 guidance for the timing of the accrual for a contingent loss under the guarantee.

Effective Date and Transition

The guidance in this FSP shall be applied in accordance with the effective date and transition provisions of Interpretation 46(R). Appendix F of Interpretation 46(R) will be revised to reflect the guidance in this FSP.