

MINUTES



Financial Accounting
Standards Board

To: Board Members

From: Leases Team

Subject: Minutes of April 12, 2011, Joint
Board Meeting

Date: April 19, 2011

cc: FASB: Cospers, Bielstein, Lott, Proestakes, Stoklosa, Mechanick, Zeyher, Bauer, Helmus, Gonzales, Paul, Spreitzer, C. Smith, Brickman, Glotzer, Gabriele, Sutay, FASB Intranet, McGarity, Klimek; FASAC: Chookaszian, Posta, Guasp; GASB: Finden, Avis; IASB: Rees, Humphreys, Lian, Vatrenejak, Kim, Geisman, Davidson, Buchanan

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 156—Accounting for variable lease payments—disguised minimum lease payments

FASB Memo 157—Accounting for variable lease payments—high threshold lease payments

FASB Memo 158—Definition of a lease

FASB Memo 158 appendix—Definition of a lease—application examples

Length of Discussion: 5:45AM to 9:30AM EST

Attendance:

Board members present:	FASB: Buck, Golden, Linsmeier, Schroeder Seidman, Seigel, Smith IASB: Tweedie, Cooper, Danjou, Engström, Finnegan, Gomes, Kalavacherla, König, McConnell, McGregor, Pacter, Scott, Smith, Yamada, Zhang
Board members absent:	None
Staff in charge of topic:	FASB: Zeyher IASB: Humphreys
Other staff at Board table:	FASB: Bauer, Helmus IASB: Rees, Buchanan
Staff participating via video:	FASB: Stoklosa, Gonzales, Cappiello, Spreitzer, Paul
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 final Accounting Standards Update addressing leases.

The Board's technical plan calls for that document to be issued in the third quarter of 2011.

Summary of Decisions Reached:

Variable Lease Payments

At the February 2011 joint Board meeting, the FASB and the IASB tentatively decided that the lessee's liability and the lessor's receivable should include:

1. Lease payments that meet a high threshold
2. Lease payments for which the variability lacks economic substance
3. Lease payments that depend on an index or a rate.

At that meeting, the Boards directed the staff to perform targeted outreach on those tentative decisions.

Lease payments that meet a high threshold

The Boards tentatively decided that the measurement of the lessee's liability and the lessor's receivable should not include variable lease payments that meet a high threshold. (FASB: 4 to 3; IASB: 11 to 4)

Lease payments for which the variability lacks economic substance

The Boards tentatively decided that the measurement of the lessee's liability and the lessor's receivable should include lease payments that are in-substance fixed lease payments but are structured as variable lease payments in form. (FASB: 5 to 2; IASB 13 to 2)

Lease payments that depend on an index or a rate

The Boards will discuss lease payments that depend on an index or a rate, including reassessment, at a future meeting.

In addition, the Boards directed the staff to consider appropriate disclosures for variable lease payments for future discussions.

Definition of a Lease

In the *Leases Exposure Draft*, the Boards defined a lease as a contract in which the right to use a specified asset (the underlying asset) is conveyed, for a period of time, in exchange for consideration.

The Boards tentatively decided the following in relation to applying that definition, having considered feedback received from targeted outreach meetings held during March 2011 as well as feedback received in comment letters and through other outreach:

1. An entity would determine whether a contract contains a lease on the basis of the substance of the contract, by assessing whether:
 - a. The fulfilment of the contract depends on the use of a specified asset; and
 - b. The contract conveys the right to control the use of a specified asset for a period of time.
2. A contract would convey that right to control the use if the customer has the ability to direct the use, and receive the benefit from use, of a specified asset throughout the lease term. Guidance on separating the use of a specified asset from other services should be aligned with the Boards' tentative decisions in March 2011 relating to the separation of lease and non-lease components.

3. A “specified asset” refers to an asset that is explicitly or implicitly identifiable.
4. A physically distinct portion of a larger asset of which a customer has exclusive use is a specified asset. A capacity portion of a larger asset that is not physically distinct (for example, a capacity portion of a pipeline) is not a specified asset. (FASB: unanimous; IASB: unanimous)

General Announcements: None.