

MINUTES



Financial Accounting
Standards Board

To: Board Members

From: Leases Team

Subject: Minutes of April 13, 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 159—Types of leases—cover memo

FASB Memo 160—Types of leases—is more than one accounting approach necessary?

FASB Memo 161—Determining a lease to be a finance lease or an other-than-finance lease

FASB Memo 162—Lessee accounting—other-than-finance lease

FASB Memo 163—Lessor accounting—other-than-finance leases

FASB Memo 164—Lessee accounting—
finance leases

FASB Memo 165—Lessor accounting—
finance leases (underlying asset)

FASB Memo 166—Lessor accounting—
finance leases (measurement)

Length of Discussion:

3:30AM to 8:50AM 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

IASB: Rees, Buchanan, Vatrenjak

Staff participating via video:

FASB: 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:

One or Two Accounting Approaches for Leases

The Boards tentatively decided that:

1. There should be two accounting approaches for leases for both lessees and lessors.
2. Both lessees and lessors would use guidance similar to that in IAS 17, *Leases*, to determine which accounting approach to apply.

(Lessee decision: FASB: 6 to 1; IASB: 8 to 7)

(Lessor decision: FASB: 6 to 1; IASB: 10 to 5)

Lessee Accounting Approaches

The Boards discussed the two accounting approaches that would be applied by lessees.

For both lessee accounting approaches, the Boards affirmed their proposals in the *Leases Exposure Draft* that a lessee would:

1. Initially recognize a liability to make lease payments and a right-of-use asset, both measured at the present value of lease payments.
2. Subsequently measure the liability to make lease payments using the effective interest method. (FASB: unanimous; IASB: unanimous)

For finance leases, a lessee would, consistent with the proposals in the *Exposure Draft*:

1. Amortize the right-of-use asset on a systematic basis that reflects the pattern of consumption of the expected future economic benefits in accordance with IAS 38, *Intangible Assets*, and Topic 350 *Intangibles—Goodwill and Other*.
2. Present amortization of the right-of-use asset and interest expense on the liability to make lease payments, either in profit or loss or in the notes. (FASB: unanimous; IASB: unanimous)

For other-than-finance leases, a lessee would:

1. Amortize the right-of-use asset in a manner which would result in total lease expense (representing the sum of amortization of the right-of-use asset and interest expense on the liability to make lease payments) being recognized over the lease term on a straight-line basis unless another systematic basis is more representative of the time pattern of the total lease expense. (FASB: unanimous; IASB: 12 to 3)
2. Present amortization of the right-of-use asset and interest expense on the liability to make lease payments together as a single line item within operating expense (for example, as rent expense). (FASB: 6 to 1; IASB: 11 to 4)

Lessor Accounting Approaches

The Boards held an education session to discuss the two accounting approaches that would be applied by lessors. The session was for educational purposes only and the Boards were not asked to make any decisions on these issues.

General Announcements: None.