

MINUTES



MEMORANDUM

To: Board Members
From: Williams
Subject: Minutes of Board Meeting **Date:** December 5, 2018
cc: Tosches

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: Codification Improvements for Lessors

Basis for Discussion: FASB Memo 20, “Leases Implementation, Codification Improvements—Leases (Topic 842)”

Length of Discussion: 9 a.m. to 9:20 a.m. EST

Attendance:

Board members present: Golden, Kroeker, Botosan, Buesser, Hunt, and Schroeder

Board members absent: None

Staff in charge of topic: Roberge

Other staff at Board table: Moffat and Williams

Outside participants: None

Type of Document:

The Board met to discuss issues relating to the development of an Exposure Draft addressing two Codification improvements relating to Topic 842, Leases.

Tentative Board Decisions:

The Board decided to add a project to its technical agenda to address the following issues:

Issue 1—Determining fair value of the underlying asset by lessors that are not manufacturers or dealers

Issue 2—Presentation on the statement of cash flows—sales-type and direct financing leases.

[Vote: 6-0]

Issue 1—Determining Fair Value of the Underlying Asset by Lessors That Are Not Manufacturers or Dealers

The Board decided that notwithstanding the definition of *fair value* in Topic 842, Leases (which is the same as that in Topic 820, Fair Value Measurement), if a lessor is not a manufacturer or a dealer, the fair value of the underlying asset at lease commencement is its cost, reflecting any volume or trade discounts that may apply. However, if there has been a significant lapse of time between the acquisition of the underlying asset and lease commencement, the definition of *fair value* should be applied. This exception is similar to the exception provided in Topic 840, Leases.

[Vote: 6-0]

Issue 2—Presentation on the Statement of Cash Flows—Sales-Type and Direct Financing Leases

The Board decided that lessors within the scope of Topic 942, Financial Services—Depository and Lending, would present all “principal payments received under leases” within investing activities as opposed to operating activities.

[Vote: 6-0]

Transition and Effective Date

The Board decided that the amendments would be effective for all entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early application would be permitted.

The amendments would be applied at the date that an entity first applied Topic 842 in accordance with paragraph 842-10-65-1(c).

[Vote: 6-0]

Analysis of Costs and Benefits

The Board concluded that it has received sufficient information and analysis to make an informed decision on the issues presented and that, subject to what it learns through comment letters, the expected benefits of the amendments justify the expected costs.

[Vote: 6-0]

Next Steps

The Board directed the staff to draft a proposed Accounting Standards Update for vote by written ballot.

[Vote: 6-0]

The Board decided to provide a comment period of the later of 15 days or January 15, 2019.

[Vote: 6-0]

General Announcements: None.