

MINUTES



MEMORANDUM

To: Board Members
From: Williams
Subject: Minutes of Board Meeting **Date:** February 14, 2019
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: Leases: Codification Improvements

Basis for Discussion: FASB Memo 21, “Leases (Topic 842)—Codification Improvements for Lessors, Comment Letter Feedback Summary,” and FASB Memo 22, “Leases (Topic 842)—Codification Improvements for Lessors, Staff Analysis and Recommendations”

Length of Discussion: 10:50 a.m. to 11:05 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: Kuhaneck and Williams

Outside participants: None

Type of Document:

The Board met to redeliberate the proposed Codification improvements to Topic 842, Leases, for issues related to lessor accounting in Topic 842.

Tentative Board Decisions:

The Board redeliberated proposed Codification improvements to Topic 842, Leases, for issues related to that Topic.

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

The Board affirmed its decision that notwithstanding the definition of *fair value* in Topic 842 (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 guidance is consistent with that 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 affirmed its decision that lessors that are depository and lending institutions within the scope of Topic 942 would present all “principal payments received under leases” within investing activities.

[Vote: 6-0]

Issue 3: Transition and Effective Date

The Board affirmed the following for the amendments related to Issues 1 and 2.

The effective date is for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years for any of the following:

1. A public business entity
2. A not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market
3. An employee benefit plan that files financial statements with the U.S. Securities and Exchange Commission.

For all other entities, the effective date is for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020.

Early application is permitted. An entity should apply the amendments at the date that it first applied Topic 842, using the same transition methodology in accordance with paragraph 842-10-65-1(c).

[Vote: 6-0]

Issue 4: Lessor Collectibility Criteria

The Board decided to not add a project to its technical agenda to reconsider the lessor collectibility requirements for sales-type leases in paragraph 842-30-25-3.

[Vote: 6-0]

Issue 5: Lessor Costs

The Board clarified that costs paid directly by a sublessee to a head lessor for the right to use an underlying asset do not constitute lessor costs and, thus, are not accounted for in accordance with paragraph 842-10-15-40A. Rather, those payments are accounted for by the sublessor as variable payments.

[Vote: 6-0]

Issue 6: Transition Disclosures Related to Topic 250, Accounting Changes and Error Corrections

The Board decided to make a Codification improvement in the final Update to clarify that entities are not subject to the interim disclosure requirements in paragraph 250-10-50-3.

[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 the expected benefits of the amendments justify the expected costs.

[Vote: 6-0]

Next Steps

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

[Vote: 6-0]

General Announcements: None.