

Summary of Decisions Reached—FASB Board Meeting 7-23-08

At the July 23, 2008 Board meeting, the Board decided to defer the development of a new accounting model for lessors; the project will only address lessee accounting. The Board also agreed with an overall approach to generally apply the finance lease model in International Accounting Standard (IAS) 17, *Leases*, adapted where necessary, for all leases.

The Board decided to include options to extend or terminate the lease in the measurement of the right-of-use asset and the lease obligation based on the best estimate of the expected lease term. The Board also agreed that contractual factors, non-contractual factors and business factors should be considered when determining the lease term.

The Board decided to require lessees to include contingent rentals in the measurement of the right-of-use asset and the lease obligation based on their best estimate of expected lease payments.

The Board decided that both the right-of-use asset and the lease obligation should be initially measured at the present value of the best estimate of expected lease payments for all leases. The Board also decided to require the best estimate of expected lease payments to be discounted using the lessee's secured incremental borrowing rate.

The Board discussed the subsequent measurement of both the right-of-use asset and the lease obligation but was not able to reach a decision. The Board also discussed whether there should be criteria to distinguish between leases that are an in-substance purchases and leases that are a right to use an asset but was not able to reach a decision.

FASB meeting summaries are provided on an informational basis for the convenience of constituents and are not substitutes for the detailed project updates on our website at www.fasb.org. All of the conclusions reported are tentative and may be changed at future board meetings. Formal decisions of the board require a vote of its members by written ballots.