

MINUTES



Financial Accounting
Standards Board

To: FASB Board Members

From: Leases Team
(Phillips, x443)

Subject: Minutes of the July 23, 2009, Joint Board - Meeting: Leases—Lessor Accounting **Date:** September 9, 2009

cc: FASB: Golden, Bielstein, Lott, Proestakes, Stoklosa, Mechanick, Zeyher, Helmus, Homant, Gonzales, Martin, Phillips, C. Smith, Brickman, Hood, Glotzer, Gabriele, Sutay, FASB Intranet, McGarity, Klimek, Willis; FASAC: Chookaszian, Posta, Guasp; IASB: Leisenring, Francis, Knubley, Lian, Vatrenejak, Kim

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 a final Statement, Interpretation, or FASB Staff Position.

Topic: Leases

Basis for Discussion: Memorandum No. 35—Cover Note
Memorandum No. 36—Lessor Accounting

Length of Discussion: 11:15 a.m.–12:45 p.m. (EDT)

Attendance:

Board members present: **FASB:** Herz, Linsmeier, Siegel, Seidman, and L. Smith
IASB: Tweedie, Cooper, Danjou, Engström, Finnegan, Garnett, Gélard, Gomes, Kalavacherla, Leisenring, McConnell, McGregor, J. Smith, Yamada, and Wei-Guo

Board members participating by phone: None

Board members absent: None

Staff in charge of topic:	FASB: Zeyher
Other staff at Board table:	FASB: Golden, Stoklosa IASB: Francis, Knubley FASB via video conference: Homant, Helmus, Martin, and Phillips

Summary of Decisions Reached

The Boards discussed how assets and liabilities arising in a lease arrangement should be measured.

The Boards made the following tentative decisions:

1. Initial measurement of the lessor's right to receive rental payments would follow existing literature for the accounting for financial assets under either International Financial Reporting Standards (IFRSs) or U.S. generally accepted accounting principles (GAAP) (IAS 39, *Financial Instruments: Recognition and Measurement*, for IFRSs and Section 310-10-30 of the *FASB Accounting Standards Codification*TM for U.S. GAAP).
2. Initial measurement of the lessor's right to receive rental payments under U.S. GAAP would be discounted using the interest rate implicit in the lease.
3. Initial measurement of the lessor's performance obligation would equal the customer consideration received (that is, on initial measurement the performance obligation would equal the lessor's receivable).
4. Subsequent measurement of the lessor's performance obligation would reflect decreases in the entity's obligation to permit the lessee to use the leased item over the lease term.

The Boards also discussed subsequent measurement of the lessor's right to receive rental payments and presentation of the lessor's assets and liabilities. However, no decisions were reached.

These tentative decisions were reached on the basis of a model that would result in the lessor's recognizing a performance obligation. However, the Boards asked the staff to provide additional analysis on an accounting model for lessors that would result in partial derecognition of the leased item. Consequently, the Boards will revisit those tentative decisions following discussion of this additional analysis.

In September, the Boards will discuss an analysis of the comment letters received on the Discussion Paper, *Leases: Preliminary Views*.

Follow-up Items:

As noted above, the Boards directed the staff to provide additional analysis on an accounting model for lessors that would result in a partial derecognition of the leased item.

General Announcements:

None.