

MINUTES



To: FASB Board Members

From: Leases Team (Phillips, x443)

Subject: Minutes of the April 20, 2010 Board Meeting: Leases **Date:** April 23, 2010

cc: FASB: Golden, Bielstein, Lott, Proestakes, Stoklosa, Mechanick, Zeyher, Helmus, Homant, Gonzales, Phillips, Woo, C. Smith, Brickman, Hood, Glotzer, Gabriele, Sutay, FASB Intranet, McGarity, Klimek
FASAC: Chookaszian, Posta, Guasp; GASB: Finden, Avis; 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 an Accounting Standards Update or a Statement of Financial Accounting Concepts.

Topic: Leases

Basis for Discussion: FASB Memo No. 85—Accounting for subleases—Performance obligation model

FASB Memo No. 87—Accounting for the lessor's performance obligation, including consideration of recognizing profit/loss at lease commencement

FASB Memo No. 89—Sale and leaseback Transactions

Length of Discussion: 8:15 AM to 11:15 AM (EDT)

Attendance:

Board members present: IASB: Cooper, Danjou, Engström, Finnegan, Gélard, Gomes, McConnell, McGregor, and J. Smith

Board members participating via videoconference:

FASB: Herz, Linsmeier, Seidman, Siegal, L. Smith
IASB: Tweedie, Leisenring, Yamada, and Zhang

Board members participating via teleconference:

IASB: Garnet and Kalavacherla

Board members absent: None

Staff in charge of topic: FASB: Zeyher
IASB: Knubley

Other staff at Board table: IASB: Francis, Lian, and Kim

Staff participating via videoconference:

FASB: Golden, Stoklosa, Helmus, Gonzales, Phillips, and Woo
IASB: Teixeira

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 proposed Accounting Standards Update addressing leases.

The Board's technical plan calls for the document to be issued in August 2010.

Summary of Decisions Reached:

The Boards discussed:

1. Accounting for sale and leaseback transactions
2. Lessor accounting for the performance obligation, including consideration of recognizing profit/loss at lease commencement
3. Accounting for subleases.

Accounting for Sale and Leaseback Transactions

The Boards tentatively decided that a sale and leaseback transaction should be accounted for as a sale and leaseback rather than a financing if it is determined that the underlying asset has been sold. The underlying asset has been sold if at the end of the contract control of the underlying asset has been transferred and all but a trivial amount of the risks and benefits associated with the underlying asset have been transferred to the buyer/lessor. (IASB: 10 to 4; FASB: 5 to 0)

The Boards also tentatively decided that if a sale and leaseback transaction results in a sale of the underlying asset and both the sale and the leaseback are established at fair value, gains or losses arising from the transaction should not be deferred. If the sale or the leaseback is not established at fair value, an entity should adjust the asset, liabilities, gains, and losses recognized to reflect current market rentals. (IASB: 13 to 1; FASB: unanimous)

Lessor Accounting for the Performance Obligation

The Boards tentatively decided that the amortization of the performance obligation should be performed in a systematic and rational manner based on the pattern of use of the underlying asset by the lessee (for example, over time, based on hours of use, etc.). (IASB: 12 to 2; FASB: 5 to 0)

The Boards instructed the staff to provide additional analysis on when and how revenue should be recognized upon lease commencement.

Accounting for Subleases

The Boards tentatively decided that:

1. An intermediate lessor, as a lessee in a head lease, should account for its assets and liabilities arising from the head lease in accordance with the lessee model developed by the Boards. Similarly, the intermediate lessor, as a lessor in a sublease, should account for its assets and liabilities arising from the sublease in accordance with the lessor model developed by the Boards. (IASB: unanimous; FASB: unanimous)
2. Intermediate lessors should present all assets and liabilities, excluding their obligation to pay rentals to the head lessor, arising from lease contracts with subleases together, in the statement of financial position, gross with a net subtotal. The obligation to pay rentals to the head lessor should be presented separately. (IASB: 8 to 6; FASB: unanimous)
3. Intermediate lessors should disclose in its financial statements the nature and amount of significant subleases. (IASB: unanimous; FASB: unanimous)

General Announcements: None