MINUTES

To: FASB Board Members

From: Leases Team (Phillips, x443)

Subject: Minutes of the April 22, 2010, Board Meeting: Leases **Date:** April 26, 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, Vatrenjak, 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. 88—Lessor Disclosures
FASB Memo No. 83—Lessor Accounting: Impairment of Assets Supplement

Length of Discussion: 11:30 AM to 12:30 PM (EDT)

Attendance:

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

Board members participating via videoconference:

IASB: Leisenring and Yamada

Board members participating via teleconference:

IASB: Garnet and Kalavacherla

Board members absent: IASB: Zhang

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

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

Staff participating via videoconference:
FASB: Golden, Stoklosa, Helmus, Homant, Gonzales, Phillips, and Woo

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. Lessor disclosure requirements
2. Lessor accounting for impairment of assets.

Lessor Disclosure Requirements

The Boards tentatively approved a set of disclosure requirements for the forthcoming Exposure Draft.

An entity would disclose the quantitative and qualitative financial information that:

1. Identifies and explains the amounts recognized in its financial statements arising from lease contracts
2. Enables users to evaluate the nature and extent of the amount, timing, and uncertainty of cash flows arising from lease contracts and how the entity manages those cash flows. (IASB: unanimous; FASB: unanimous)

Those disclosures would include:

1. The nature of the lease arrangement, if leasing arrangements are a significant part of the lessor's business activities in terms of revenue, net income, or assets, disaggregated (for example, by nature or function), including:
    a. A general description of those leasing arrangements
    b. The existence and terms of renewal, termination, and purchase options
    c. A description of how the effect of contingent rentals on the carrying amounts of the lease receivable and performance obligation is determined
    d. Initial direct costs incurred.
2. In addition to the disclosures already required for the leased asset, a description of any restrictions placed on leased assets as a result of any lease arrangements and a description of the existence and terms of any residual value guarantees.
3. For its lease receivables, a maturity analysis on an annual basis for the first five years, and a lump figure for the remaining amounts, comparing the potential differences in cash flow attributable to those that are the minimum contractual receivables and those that are the total estimated lease receivable. A lessor would not be required to disclose the fair value of its lease receivable.
4. The disclosures required by the Revenue Recognition project for its performance obligations. For example, a lessor would disclose a maturity analysis surrounding the satisfaction of performance obligations. For all remaining performance obligations in contracts expected to be completed after one year from contract inception, an entity would disclose the amount of the transaction price allocated to the performance obligations that are expected to be satisfied between one and two years, between two and three years, and after three years from the end of the reporting period.
5. A reconciliation between opening and closing balances for its receivable and its performance obligation. That reconciliation would follow the disaggregation principle in the Financial Statement Presentation project to provide useful information. The Boards asked the staff to consider whether changes (for example, increases and decreases attributable to changes in estimates due to options, contingent rents, and residual value guarantees) should be shown gross or net.
6. For IFRS preparers, information relating to risks surrounding a lease receivable in accordance with IFRS 7, *Financial Instruments: Disclosures*, and for U.S. GAAP preparers, information in accordance with the proposed Accounting Standard Update relating to credit quality upon final issuance to help users to evaluate the nature and extent of the amount, timing, and uncertainty of future cash flows arising from lease contracts, and the way in which the lessor manages those uncertainties.
7. The fact that a lessor applied a simplified form of lease accounting for short-term leases, if applicable. The lessor would also disclose the gross amount recognized in the statement of financial position that was accounted for under the simplified accounting model.

Lessor Accounting for Impairment of Assets

The Boards discussed impairment of assets under the performance obligation approach to lessor accounting and tentatively decided that the lease receivable would first be evaluated for impairment. Any impairment to the lease receivable would result in an adjustment to the lease receivable and the performance obligation, with any difference being recorded in profit or loss. Lessors would also have to evaluate their leased asset for impairment. The Boards instructed the staff to consider further how the underlying asset would be assessed for impairment under IAS 36, *Impairment of As*sets, and the impairment guidance in Topic 360 of the *FASB Accounting Standards Codification*™. (IASB: unanimous; FASB: unanimous)

The Boards will continue discussion of lessee and lessor accounting at the May 2010 meeting.

General Announcements: None