

MINUTES



To: FASB Board Members

From: Leases Team (Phillips, x443)

Subject: Minutes of the May 19, 2010, Board Meeting: Leases **Date:** June 2, 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. 94—Derecognition Approach—Residual Asset Supplementary Memo

FASB Memo No. 95—Derecognition Approach—Treatment of Options Supplementary Memo

FASB Memo No. 96—Derecognition Approach—Contingent Rentals and Residual Value Guarantees

FASB Memo No. 98— Derecognition Approach—Accounting for Subleases

FASB Memo No. 99—Derecognition Approach—Presentation

FASB Memo No. 100—Derecognition
Approach— Disclosures

FASB Memo No. 101—Questions for the
Boards and Next Steps

Length of Discussion: 3:00 AM to 4:55 AM (EDT)

Attendance:

Board members present: IASB: Tweedie, Cooper, Danjou, Engström,
Finnegan, Garnet, Gélard, Gomes,
Kalavacherla, Leisenring, McConnell,
McGregor, J. Smith, Yamada, and Zhang

FASB: Herz, Linsmeier, Seidman, Siegal, L.
Smith

Board members absent: None

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

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 the third quarter of 2010.

Summary of Decisions Reached:

At this meeting, the Boards discussed a derecognition approach to lessor accounting. If the Boards adopt a derecognition approach to lessor accounting, the Boards tentatively decided to adopt a partial derecognition approach. Under that approach, the Boards discussed:

1. Accounting for options
2. Accounting for contingent rentals and residual value guarantees
3. Accounting for subleases
4. Presentation
5. Disclosures.

Accounting for Options

The Boards tentatively decided that accounting for a reassessment of the expected lease term would be treated as a new derecognition/re-recognition event. That is, the lessor would derecognize/reinstate a portion of its residual asset.

The Boards asked the staff to provide additional analysis on accounting for purchase options under lessee and lessor accounting. (FASB: 4 to 1; IASB 10 to 5)

Accounting for Contingent Rentals and Residual Value Guarantees

The Boards tentatively decided that changes in amounts receivable under all types of contingent rentals (FASB: 5 to 0; IASB: 9 to 6 on performance-based contingent rentals ;FASB: 3 to 2; IASB 9 to 6 on usage-based contingent rentals) and residual value guarantees would be recognized in profit or loss. (FASB: Unanimous; IASB: Unanimous)

Accounting for Subleases

The Boards tentatively decided that different measurement guidance would not be provided for assets and liabilities arising under a sublease. Also, intermediate lessors would present all assets and liabilities arising under a sublease gross in the statement of financial position. (FASB: Unanimous; IASB: Unanimous)

Presentation

The Boards tentatively decided that a lessor would present:

1. Lease receivables separately from other receivables in the statement of financial position. (FASB: Unanimous; IASB: Unanimous)
2. Residual assets separately with property, plant, and equipment in the statement of financial position with disclosures by class of assets. (FASB: Unanimous; IASB: Unanimous)
3. Revenue and cost of sales based on the lessor's business model, that is, some lessors would present gross and other lessors would present net in the statement of comprehensive income. (FASB: 3 to 2; IASB 9 to 6)

Disclosures

The Boards tentatively agreed to a set of disclosure requirements for lessors under the derecognition approach including the following:

1. Additional disclosures about the residual asset
2. Additional disclosures about the service obligations.

The Boards instructed the staff to consider the disclosure requirements in the Derecognition project. (FASB: Unanimous; IASB: Unanimous)

The FASB expressed a preference for the performance obligation approach for lessors. (FASB: 4 to 1) The IASB expressed a preference for a hybrid model, which the lessor would apply the derecognition approach for some leases and the performance obligation approach for others. The IASB instructed the staff to develop proposals for deciding when to apply which model. (IASB: 9 to 6)

The Boards will continue discussing lease accounting at the joint meeting in June.

General Announcements: None