

MINUTES



To: Board Members

From: Leases Team

Subject: Minutes of March 14, 2011, Joint Board Meeting

Date: March 17, 2011

cc: FASB: Cospers, Bielstein, Lott, Proestakes, Stoklosa, Mechanick, Zeyher, Bauer, Helmus, Gonzales, Paul, Spreitzer, C. Smith, Brickman, Glotzer, Gabriele, Sutay, FASB Intranet, McGarity, Klimek; FASAC: Chookaszian, Posta, Guasp; GASB: Finden, Avis; IASB: Rees, Humphreys, Lian, Vatrenejak, Kim, Davidson, Buchanan, Geisman

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 142—Distinguishing between a lease and a purchase or sale

FASB Memo 143—Accounting for purchase options

Length of Discussion: 10:50AM to 12:45PM EST

Attendance:

Board members present: FASB: Buck, Golden, Linsmeier, Schroeder Seidman, Seigel, Smith

IASB: Tweedie, Cooper, Danjou, Engström, Finnegan, Gomes, Kalavacherla, König, McConnell, McGregor, Pacter, Scott, Smith, Yamada, Zhang

Staff in charge of topic: FASB: Zeyher

IASB: Humphreys

Other staff at Board table: FASB: Bauer, Donoghue, Gonzales, Helmus,
Paul, Spreitzer

IASB: Kim, Rees

Outside participants: Mackintosh, Taguchi

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a final Accounting Standards Update addressing leases.

The Board's technical plan calls for that document to be issued at the end of the second quarter of 2011.

Summary of Decisions Reached:

The IASB and the FASB discussed how to distinguish between a lease and a purchase or a sale, and the accounting for purchase options.

Distinguishing between a Lease and a Purchase or a Sale

The Boards discussed whether the leases standard should provide guidance for distinguishing a lease from a purchase or a sale.

The Boards tentatively decided that guidance should not be provided in the leases standard for distinguishing a lease of an underlying asset from a purchase or a sale of an underlying asset. That is, if an arrangement does not contain a lease, it should be accounted for in accordance with other applicable standards (for example, property, plant, and equipment or revenue recognition).

Accounting for Purchase Options

The Boards discussed how lessees and lessors should account for options to purchase the underlying assets that are included within an arrangement that contains a lease.

The Boards tentatively decided that lessees and lessors should include the exercise price of a purchase option (including bargain purchase options) in the measurement of the lessee's liability to make lease payments and the lessor's right to receive lease payments, if the lessee has a significant economic incentive to exercise the purchase option. If it is determined that the lessee has a

significant economic incentive to exercise the purchase option, the right-of-use asset recognized by the lessee should be amortized over the economic life of the underlying asset, rather than over the lease term.

The Boards also discussed whether a lessee and a lessor should reassess how to account for a purchase option included within an arrangement that contains a lease in subsequent periods. The Boards tentatively indicated a preference for specifying the same reassessment guidance for purchase options as was tentatively decided for options to extend or terminate a lease. However, the Boards instructed the staff to seek input through targeted outreach on the costs and benefits of requiring reassessment.

The Boards will continue their redeliberations of the Leases Exposure Draft at future meetings.

General Announcements: None.