

## MINUTES



**To:** Board Members

**From:** Leases Team

**Subject:** Minutes of June 15, 2011, Joint Board Meeting

**Date:** June 16, 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, Geisman, Davidson, Buchanan

*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 182—Subleases  
FASB Memo 183—Accounting for short-term leases

Length of Discussion: 3:00AM – 4:00AM EST

Attendance:

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

IASB: Tweedie, Cooper, Danjou, Engström, Finnegan, Gomes,

Kalavacherla, König, McConnell Pacter,  
Scott, Smith, Yamada, Zhang

Board members absent	McGregor
Staff in charge of topic:	FASB: Zeyher IASB: Humphreys
Other staff at Board table:	IASB: Rees, Buchanan
Staff participating via video:	FASB: Bauer, Helmus, Cappiello, Paul
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 final Accounting Standards Update addressing leases.

The Board's technical plan calls for that document to be issued in the third quarter of 2011.

### **Summary of Decisions Reached:**

#### ***Subleases***

The Boards discussed the accounting for subleases under the proposed leases requirements for lessees and lessors and tentatively decided the following:

1. A head lease and a sublease should be accounted for as separate transactions. (*FASB: unanimous; IASB: unanimous*)
2. An intermediate lessor, as a lessee in a head lease arrangement, should account for its assets and liabilities arising from the head lease in accordance with the decisions-to-date for all lessees. (*FASB: unanimous; IASB: unanimous*)
3. An intermediate lessor, as a lessor in a sublease arrangement, should account for its assets and liabilities arising from the sublease in accordance with the decisions-to-date for all lessors. (*FASB: unanimous; IASB: unanimous*)
4. If the Boards decide that there should be more than one approach to lessor accounting, an intermediate lessor, as a lessor in a sublease, should evaluate its right-of-use asset, not the underlying asset, to

determine the appropriate lessor accounting approach to apply to the sublease. (*FASB: unanimous; IASB: unanimous*)

### ***Short-Term Leases***

The Boards discussed the accounting for short-term leases by lessees. A short-term lease is defined as follows:

A lease that, at the date of commencement of the lease, has a maximum possible term, including any options to renew, of 12 months or less.

The Boards tentatively decided that for short-term leases a lessee need not recognize lease assets or lease liabilities. For those leases, the lessee should recognize lease payments in profit or loss on a straight-line basis over the lease term, unless another systematic and rational basis is more representative of the time pattern in which use is derived from the underlying asset. (*FASB: 6 to 1; IASB: 9 to 5*)

The Boards also tentatively decided that a lessee may elect to apply the recognition and measurement requirements in the leases guidance to short-term leases. (*FASB: 6 to 1; IASB: 9 to 5*)

The Boards expressed support for requiring disclosure of the rental expense recognized in the current period and a statement about the extent to which that expense is expected to be representative of rental expense in future periods. The Boards will continue to discuss disclosures for short-term leases, as well as lessor accounting for short-term leases, at a future meeting.

**General Announcements:** None.