

MINUTES



To: Board Members

From: Leases Team

Subject: Minutes of July 21, 2011, Joint Board Meeting

Date: July 26, 2011

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

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 187—Presentation:
Lessee Statement of Financial Position

FASB Memo 188—Lessee Statement of Cash Flows

FASB Memo 189—Lessee Disclosures – Short Term Leases

FASB Memo 190—Lessee Disclosures

Length of Discussion: 4:00AM to 6:15AM EST
8:10AM to 8:35AM EST

Attendance:

Board members present:	FASB: Buck, Golden, Linsmeier, Schroeder, Seidman, Seigel, Smith IASB: Hoogervorst, Mackintosh, Cooper, Danjou, Engström, Finnegan, Gomes, Kalavacherla, König, McConnell, Ochi, Pacter, Scott, Smith, Zhang
Board members absent:	None
Staff in charge of topic:	FASB: Zeyher IASB: Humphreys
Other staff at Board table:	FASB: Stoklosa, Cappiello IASB: Rees, Buchanan
Staff participating via video:	FASB: Helmus, Paul, Kersey
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:

The FASB and IASB discussed reexposure and the presentation and disclosure requirements for lessees, including presentation in the statement of financial position and on the statement of cash flows.

Leases Announcement—Reexposure

The Boards agreed unanimously to reexpose their revised proposals for a leases standard.

Reexposing the revised proposals will provide interested parties with an opportunity to comment on revisions that the Boards have undertaken since the publication of the Exposure Draft on leases in August 2010.

Lessee Presentation and Disclosure

The Boards discussed lessee disclosures and tentatively decided that a lessee should disclose the following:

1. A reconciliation of the opening and closing balance of right-of-use assets, disaggregated by class of underlying asset. (FASB: unanimous; IASB: 14 to 1)
2. A reconciliation of the opening and closing balance of the liability to make lease payments (unlike the Exposure Draft, a lessee would *not* be required to disaggregate the reconciliation by class of underlying asset). (FASB: unanimous; IASB: 14 to 1)
3. A maturity analysis of the undiscounted cash flows that are included in the liability to make lease payments. The maturity analysis should show, at a minimum, the undiscounted cash flows to be paid in each of the first five years after the reporting date and a total of the amounts for the years thereafter. The analysis should reconcile to the liability to make lease payments. (FASB: unanimous; IASB: unanimous)
4. Information about the principal terms of any lease that has not yet commenced if the lease creates significant rights and obligations for the lessee. (FASB: 4 to 3; IASB: 13 to 2).
5. Information required in paragraphs 73(a)(ii)-73(a)(iii) of the Exposure Draft (the Boards will provide guidance, illustrations, or both about those requirements). (FASB: unanimous; IASB: unanimous)
6. All expenses relating to leases recognized in the reporting period, in a tabular format, disaggregated into (a) amortization expense, (b) interest expense, (c) expense relating to variable lease payments not included in the liability to make lease payments, and (d) expense for those leases for which the short-term practical expedient is elected, to be followed by the principal and interest paid on the liability to make lease payments. (FASB: unanimous; IASB: 10 to 5)
7. Qualitative information to indicate if circumstances or expectations about short-term lease arrangements are present that would result in a material change to the expense in the next reporting period as compared with the current reporting period. (FASB: 5 to 2; IASB: 10 to 5)

The Boards also tentatively decided that a lessee should:

1. Present or disclose separately interest expense and interest paid relating to leases. (FASB: unanimous; IASB: unanimous)
2. *Not* combine interest expense and amortization expense and present as lease or rent expense. (FASB: unanimous; IASB: unanimous)

Additionally, the Boards tentatively decided that a lessee is not required to disclose the following:

1. The discount rate used to calculate the liability to make lease payments. (FASB: 6 to 1; IASB:13 to 2)
2. The range of discount rates used to calculate the liability to make lease payments. (FASB: unanimous; IASB: 13 to 2)
3. The fair value of the liability to make lease payments. (FASB: unanimous; IASB: 11 to 4)
4. The existence and principal terms of any options for the lessee to purchase the underlying asset, or initial direct costs incurred on a lease. (FASB: 5 to 2; IASB: 8 to 7)
5. Information about arrangements that are no longer determined to contain a lease. (FASB: unanimous; IASB 14 to 1)

With regard to future contractual commitments:

1. The IASB tentatively decided that a lessee is not required to disclose the future contractual commitments associated with services and other non-lease components that are separated from a lease contract. (IASB: 10 to 5)
2. The FASB tentatively decided that a lessee should disclose the future contractual commitments associated with services and other non-lease components that are separated from a lease contract. (FASB: 4 to 3)

Presentation: Lessee Statement of Financial Position

The Boards discussed presentation in the lessee statement of financial position and tentatively decided that a lessee should:

1. Separately present in the statement of financial position or disclose in the notes to the financial statements right-of-use assets and liabilities to make lease payments. If right-of-use assets and liabilities to make lease payments are not separately presented in the statement of financial position, the disclosures should indicate in which line item in the statement of financial position the right-of-use assets and liabilities to make lease payments are included. (FASB: 5 to 2; IASB: 10 to 5)

2. Present the right-of-use asset as if the underlying asset were owned. (FASB: unanimous; IASB: unanimous)

The Boards also decided that it is not necessary to clarify whether the right-of-use asset is a tangible or an intangible asset. (FASB: 6 to 1; IASB: 13 to 2)

Presentation: Lessee Statement of Cash Flows

The Boards discussed the lessee's statement of cash flows and tentatively decided that a lessee should:

1. Classify cash paid for lease payments relating to the principal within financing activities. (FASB: 5 to 2; IASB: 13 to 2)
2. Classify or disclose cash paid for lease payments relating to interest in accordance with applicable IFRSs or U.S. GAAP on the statement of cash flows. (FASB: 5 to 2; IASB: 13 to 2)
3. Classify cash paid for variable lease payments not included in the measurement of the liability to make lease payments as operating activities. (FASB: 4 to 3; IASB: 13 IASB to 2)
4. Classify cash paid for short-term leases not included in the liability to make lease payments as operating activities. (FASB: 6 to 1; IASB: unanimous)

The Boards tentatively decided that a lessee should disclose:

1. The expense recognized in the reporting period for variable lease payments not included in the liability to make lease payments. (FASB: unanimous; IASB: unanimous)
2. The acquisition of a right-of-use asset in exchange for a liability to make lease payments as a supplemental noncash transaction disclosure. (FASB: unanimous; IASB: unanimous)

General Announcements: None.