

## MINUTES



**To:** Board Members  
**From:** Leases Team  
**Subject:** Minutes of December 14, 2011,  
Joint Board Meeting **Date:** December 22, 2011  
**cc:** Sutay

*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 221—Cancellable leases  
FASB Memo 222—Rental income recognition for investment properties  
FASB Memo 223—Disclosures for leases excluded from the receivable and residual approach

Length of Discussion: 6:30AM – 8:15AM 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: Buchanan
Other staff at Board table:	FASB: Stoklosa IASB: Rees, Lion, Lian, Geisman, Vatrenjak
Staff participating via video:	FASB: Bauer, Walsh, Cappiello, 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 an Exposure Draft addressing leases.

The Board's technical plan calls for that document to be issued in the first quarter of 2012.

**Summary of Decisions Reached:**

The IASB and the FASB discussed cancellable leases, and revenue recognition and disclosure requirements for lessors with leases of investment property not within the scope of the receivable and residual approach.

*Cancellable Leases*

The Boards discussed the accounting treatment for leases that (1) are cancellable by both the lessee and lessor with minimal termination payments or (2) include renewal options that must be agreed to by both the lessee and the lessor. The Boards tentatively decided that the lease proposals should be applied only to periods for which enforceable rights and obligations arise. Therefore, such cancellable leases would meet the definition of short-term leases if the initial noncancellable period, together with any notice period, is less than one year. (FASB: 6 to 1; IASB: 12 to 3) In reaching that decision, the Boards also tentatively decided not to change their previous decisions on the definitions of short-term leases and lease term. (FASB: unanimous; IASB: 10 to 5)

*Revenue Recognition for Lessors with Leases of Investment Property*

The IASB tentatively decided that, for leases of investment property, a lessor should recognize rental income on a straight-line basis or another systematic basis if that basis is more representative of the pattern in which rentals are earned from the investment property.

*(IASB: 14 to 0. 1 abstained from voting)*

The FASB tentatively decided that, for leases of investment property, a lessor that is not an investment property entity or investment company should recognize rental income on a straight-line basis or another systematic basis if that basis is more representative of the pattern in which rentals are earned from the investment property.

*(FASB: unanimous)*

The Boards also tentatively decided that a lessor with leases of investment property not within the scope of the receivable and residual approach should recognize only the underlying investment property on its statement of financial position (as well as any accrued or prepaid rental income).

*(FASB: unanimous; IASB: 14 to 0. 1 abstained from voting)*

#### *Disclosure Requirements for Lessors with Leases of Investment Property*

The Boards discussed the disclosure requirements for lessors with leases of investment property not within the scope of the receivable and residual approach. The Boards tentatively decided to require disclosure of the following:

1. A maturity analysis of the undiscounted future noncancellable lease payments. The maturity analysis should show, at a minimum, the undiscounted cash flows to be received in each of the first five years after the reporting date and a total of the amounts in the years thereafter. That maturity analysis would be separate from the maturity analysis of the payments related to the right to receive lease payments under the receivable and residual approach.
2. Both minimum contractual lease income and variable lease payment income within the table of lease income.
3. The cost and carrying amount of property on lease or held for leasing by major classes of property according to nature or function, and the amount of accumulated depreciation in total.
4. Information about leases that are not within the scope of the receivable and residual approach consistent with paragraph 73 of the 2010 Exposure Draft, updated for decisions the Boards have reached to date. That information would include the following:
  - a. A general description of those lease arrangements
  - b. Information about the basis and terms on which variable lease payments are determined
  - c. Information about the existence and terms of options, including for renewal and termination
  - d. A qualitative description of purchase options, including information about the percentage of assets subject to such agreements
  - e. Any restrictions imposed by lease arrangements.

*(FASB: unanimous; IASB: 14 to 1)*

**General Announcements:** None.