

MINUTES



MEMORANDUM

To: Board Members
From: Leases Team (Gwizdala x263)
Subject: Minutes of January 21, 2015 Joint Board Meeting
Date: January 26, 2015
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 302-304: Cover Memo, Lessee Disclosure Requirements – FASB, Lessee Disclosure Requirements – IASB

Length of Discussion: January 21, 2015—8:00AM to 12:10PM EST

Attendance:

Board members present: FASB: Golden, Kroeker, Buck, Schroeder, Siegel, Smith
IASB: Hoogervorst, Mackintosh, Cooper, Danjou, Edelmann, Finnegan, Gomes, Kabureck, Lloyd, Ochi, Scott, Suh, Tokar, Zhang

Board members absent: Linsmeier

Staff in charge of topic: FASB: Zeyher
IASB: Buchanan

Other staff at Board table: FASB: Cospers, Esposito, Muir, Muehlbauer, Cappiello, Smith, Winkler, Gwizdala
IASB: Shields, Rees, Geisman, Ravelli, Donkersley

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The FASB and the IASB (the Boards) continued redeliberating the proposals in the May 2013 Exposure Draft, *Leases*, specifically discussing lessee disclosure requirements.

Tentative Board Decisions:

Overall Disclosure Objective

The Boards decided that the final leases standard should include a disclosure objective, which would be to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Boards also decided to retain the 2013 ED proposal requiring a lessee to consider the level of detail necessary to satisfy the disclosure objective.

(FASB: 7-0; IASB: 14-0)

Quantitative Disclosure Requirements

The Boards decided not to retain the 2013 ED proposal requiring a lessee to disclose a reconciliation of the opening and closing balances of its lease liabilities.

(FASB: 7-0; IASB: 12-2)

The IASB also decided not to retain the 2013 ED proposal requiring a lessee to disclose a reconciliation of the opening and closing balances of its right-of-use (ROU) assets.

(IASB: 12-2)

The FASB decided to require a lessee to disclose the following quantitative items:

1. Type A lease expense, segregated between amortization of ROU assets and interest on lease liabilities. (FASB: 7-0)
2. Type B lease expense. (FASB: 7-0)
3. Short-term lease expense, excluding expenses relating to leases with a lease term of one month or less. (FASB: 5-1¹)
4. Variable lease expense. (FASB: 7-0)
5. Sublease income. (FASB: 7-0)

¹ Tom was not present to vote on this item.

6. Cash paid for amounts included in the measurement of lease liabilities, segregated between operating and financing cash flows and between Type A and Type B leases. (FASB: 4-3)
7. Supplemental noncash information on lease liabilities arising from obtaining ROU assets, segregated between Type A and Type B leases. (FASB: 6-0²)
8. Weighted-average remaining lease term, disclosed separately for Type A and Type B leases. (FASB: 7-0)
9. Weighted-average discount rate for Type B leases as of the reporting date. (FASB: 7-0)
10. Gains and losses arising from sale and leaseback transactions. (FASB: 7-0)

The FASB decided not to require a lessee to present lessee disclosures in a tabular format.

(FASB: 5-2)

The FASB decided to clarify that the expense items disclosed would also include any amounts capitalized as part of the cost of another asset.

(FASB: 6-0²)

The IASB decided to require a lessee to disclose the following quantitative items:

1. Amortization of ROU assets, split by class of underlying asset. (IASB: 14-0)
2. Interest on lease liabilities. (IASB: 14-0)
3. Short-term lease expense, excluding expenses relating to leases with a lease term of one month or less. (IASB: 11-3)
4. Small asset lease expense. (IASB: 13-1)
5. Variable lease expense. (IASB: 14-0)
6. Income from subleasing ROU assets. (IASB: 10-4)
7. Total cash outflow for leases. (IASB: 13-1)
8. Additions to ROU assets. (IASB: 14-0)
9. Gains and losses arising from sale and leaseback transactions. (IASB: 10-4)
10. Closing carrying amount of ROU assets, split by class of underlying asset. (IASB: 14-0)

The IASB decided to require a lessee to present all lessee disclosures in a single note or separate section in its financial statements.

(IASB: 10-4)

² Tom was not present to vote on this item.

The IASB also decided to require a lessee to present the quantitative lessee disclosures in a tabular format, unless another format is more appropriate.

(IASB: 9-5)

The FASB decided to retain the 2013 ED proposal for a lessee to disclose a maturity analysis of its lease liabilities, showing the undiscounted cash flows on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years, and reconciling the undiscounted cash flows to the discounted lease liabilities recognized in the statement of financial position.

(FASB: 7-0)

The FASB decided not to retain the 2013 ED proposal requiring a lessee to disclose a maturity analysis of commitments for nonlease components related to a lease.

(FASB: 6-1)

The FASB decided not to require a lessee to provide qualitative disclosures about the existence, and terms and conditions, of significant nonlease commitments it has taken on as a result of entering lease contracts. Four FASB members agreed.

(FASB: 4-3)

The IASB decided that a lessee should be required to disclose a maturity analysis of its lease liabilities in accordance with paragraphs 39 and B11 of IFRS 7, Financial Instruments: Disclosures. A lessee would be required to disclose this maturity analysis separately from the maturity analyses of other financial liabilities.

(IASB: 14-0)

Qualitative Disclosure Requirements

The FASB decided to retain the qualitative disclosure requirements proposed in the 2013 ED, requiring a lessee to disclose the following qualitative items:

1. Information about the nature of its leases (and subleases), including:
 - a. A general description of those leases;
 - b. The basis, and terms and conditions, on which variable lease payments are determined;
 - c. The existence, and terms and conditions, of options to extend or terminate the lease. A lessee should provide narrative disclosure about the options that are recognized as part of the ROU assets and lease liabilities and those that are not;

- d. The existence, and terms and conditions, of residual value guarantees provided by the lessee; and
- e. The restrictions or covenants imposed by leases.
2. Information about leases that have not yet commenced but that create significant rights and obligations for the lessee.
3. Information about significant assumptions and judgments made in applying the requirements of the leases standards, which may include the following:
 - a. The determination of whether a contract contains a lease;
 - b. The allocation of the consideration in a contract between leases and nonlease components; and
 - c. The determination of the discount rate.
4. The main terms and conditions of any sale and leaseback transactions.
5. Whether an accounting policy election was made for the short-term lease exemption.

(FASB: 4-3)

The FASB decided not to include disaggregation guidance, similar to the guidance in Topic 606 on revenue from contracts with customers, when describing the level of detail with which qualitative disclosures should be presented.

(FASB: 4-3)

The IASB decided not to retain the qualitative disclosure requirements proposed in the 2013 ED and, instead, require a lessee to disclose sufficient additional information to satisfy the overall disclosure objective. The IASB decided to supplement this requirement with a list of specific disclosure objectives and to include illustrative examples in the final leases standard to demonstrate how a lessee might comply with this requirement.

(IASB: 14-0)

Nonpublic Business Entity Considerations

The FASB decided not to provide any specified reliefs from the disclosure requirements for nonpublic business entities (that is, all other entities besides public business entities). Therefore, the lessee disclosure package is equally applicable to both public and nonpublic business entities.

(FASB: 7-0)

Next Steps

The Boards will continue their redeliberations at a future Board meeting.

General Announcements:

Russ asked the staff to follow up as to whether we should require a disclosure of the weighted-average discount rate for Type A leases as of the reporting date. The vote was 3-3 with Tom absent and not able to vote.