

## MINUTES



## MEMORANDUM

**To:** Board Members  
**From:** Leases Team (Verbeek x443)  
**Subject:** Minutes of November 11, 2015 Board Meeting  
**Date:** November 17, 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 Memos 326-330: Cover Memo, Sweep Issue—Remaining Economic Life Lease Classification Criterion, Effective Dates—Linkage, Effective Date, Consideration of Benefits and Costs

Length of Discussion: November 11, 2015—11:15 AM to 11:35 PM and 1:00 PM to 3:00 PM

Attendance:

Board members present: Golden, Kroeker, Buck, Linsmeier, Schroeder, Siegel, Smith

Board members absent: N/A

Staff in charge of topic: Zeyher

Other staff at Board table: Cosper, Esposito, C. Smith, Muir, Kaestle, Gwizdala, Verbeek

Outside participants: N/A

**Type of Document and Timing Based on the Technical Plan:**

The Board continued redeliberating the proposals in the May 2013 Exposure Draft, *Leases*, specifically discussing the following topics:

1. Sweep issue—remaining economic life lease classification criterion
2. Effective date
3. Consideration of benefits and costs.

**Tentative Board Decisions:**

*Remaining Economic Life Lease Classification Criterion*

The Board's current decisions would classify a lease as a finance lease (for lessees) or a sales-type lease (for lessors) if the term of the lease is *for the major part of the remaining economic life of the underlying asset* (the lease term criterion). The Board decided to provide an exception to the lease classification test whereby entities will not consider the lease term criterion when performing the lease classification test for leases that commence "at or near the end" of the underlying asset's economic life. The Board also decided that the final leases standard should include implementation guidance that *one* reasonable approach to determining the applicability of this exception would be to conclude that a lease that commences in the final 25 percent of an asset's economic life is "at or near the end" of the underlying asset's economic life.

(FASB: 7-0)

*Effective Date*

The Board decided that for public business entities, the final leases standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

(FASB: 7-0)

For nonpublic business entities, the final leases standard will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020.

(FASB: 7-0)

Early application will be permitted for all public business entities and all nonpublic business entities upon issuance of the final standard.

(FASB: 6-1)

*Consideration of Benefits and Costs*

The Board decided that it has received sufficient information and analysis to make an informed decision on the perceived benefits and related costs of the changes to GAAP that will result from the final leases standard. The Board concluded that the benefits of those changes justify the related costs and directed the staff to draft a final Accounting Standards Update for vote by written ballot.

(FASB: 6-1)

**General Announcements:** The Board has directed the staff to draft a final Accounting Standards Update for a vote by written ballot.