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**International  
Accounting Standards  
Board**

*This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.*

*These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.*

## **INFORMATION FOR OBSERVERS**

**Board Meeting:** 19 July 2006, London

**Project:** Leases

**Subject:** Leasing (Agenda Paper 9)

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## **INTRODUCTION**

1. Under the Memorandum of Understanding published in February 2006, the IASB and FASB have undertaken to consider and make a decision about the scope and timing of a potential leasing project by 2008.
2. The IASB agenda paper 9A (FASB paper #4) proposes adding a leasing project to the Board's agenda. This paper is substantially unchanged from the draft proposal that was presented to the IASB and FASB at the April 28, 2006 joint meeting. Included in agenda paper 9A/#4 is a revised timetable and work plan (See paragraphs 44 – 49 and appendix 3 of agenda paper 9A/#4).
3. Covering lessee accounting, lessor accounting and leases of real estate, the proposed project would reconsider all aspects of lease accounting. The staff believe that it is not possible to significantly improve the accounting for lease contracts through minor amendments to the current leasing model (for example, by changing the criteria for determining whether a lease is a finance/capital lease). Consequently, agenda paper 9A/#4 proposes a fundamental review of the rights and obligations conveyed by lease contracts.

4. The purpose of this paper is to provide a summary of the discussions that have already taken place regarding the leasing project and ask the Board to formally make a decision to add a leasing project to its agenda.

## **SUMMARY OF DISCUSSIONS**

5. At its public meeting held on 28 March, 2006, the Board of the IASB discussed a draft proposal to add a leasing project to its agenda. Although the Board was broadly supportive of the proposal no decision was made at the March meeting as the proposal had not been discussed by the Standards Advisory Council (SAC) or the Trustees<sup>1</sup>.
6. At its Education Session held on 5 April, 2006, the Board of the FASB also discussed the draft proposal. Most FASB Board members expressed a preference for this project to be conducted as a joint project with the IASB. However, some FASB members expressed concern over the FASB Board's capacity to take on such a project at this time.
7. Consequently, at the joint meeting of the FASB and the IASB held in London in April, 2006, the staff presented a paper setting out three possible approaches to how the leasing project could be carried forward. It was agreed at that meeting that a joint leasing project between the IASB and the FASB would be preferable. However, it was also agreed that the staff would not bring papers to the Boards until the first half of 2007.
8. Once again, no formal agenda decision was made at this meeting.
9. In June, 2006, the SAC and the Trustees (IASB) discussed the proposal to add a leasing project to the IASB's agenda. Members of the SAC and the Trustees expressed support for this proposal.

## **AGENDA DECISION**

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<sup>1</sup> The "IASB Due Process Handbook" published in April 2006 requires the IASB to discuss with the SAC and its Trustees proposed additions to the Board's technical agenda.

10. The FASB and IASB members are now asked to make a formal decision to add a leasing project to the Boards' agendas. As discussed in agenda paper 9A/#4, it is proposed that the staff will work towards a discussion paper to be issued jointly by the IASB and FASB in the third quarter of 2008.

**Does the Board agree with the staff recommendation to add a leasing project to the Board's agenda?**