



**International
Accounting Standards
Board**

**30 Cannon Street, London EC4M 6XH, United Kingdom
Phone: +44 (0)20 7246 6410, Fax: +44 (0)20 7246 6411
Email: iasb@iasb.org Website: <http://www.iasb.org>**

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: March 2006, London

Project: Leasing (Agenda Paper 4)

PRELIMINARY DISCUSSION OF A PROJECT ON LEASES (PAPER 4)

INTRODUCTION

1. [Paper 4A, not included in Observer Notes] sets out a draft proposal for the Board to add a leasing project to its agenda.
2. The proposal has not yet been considered by the SAC; accordingly, it is not being put forward for approval by the Board at this stage. Furthermore, it is intended that this should be a joint project with FASB, and consultation with FASB staff is taking place on the form of this project.
3. Staff believe that this project could:
 - (a) result in the recognition of significant obligations that are currently 'off balance sheet'
 - (b) provide information that is more useful to users than under the current standard and as a result reduce the need for users to make their own estimated balance sheet adjustments to reflect such obligations

- (c) result in financial reporting more consistent with the economic substance of leasing arrangements and reduce the opportunities for structuring financing transactions to achieve a desired balance sheet treatment
- (d) reduce complexity by setting out clear principles that reduce or eliminate the need for detailed application guidance; however, the measurement of assets and liabilities recognised will continue, of necessity, to require complex calculations, and the project may require such methods for a wider range of lease transactions
- (e) result in accounting principles for leases that are more consistent with the Framework and other developing standards; however, the project should focus on leases and not attempt, at least in its initial phases, to address a wider range of transactions such as service concessions and public finance arrangements.

4. The Board is asked at this meeting:

- (a) for its preliminary views on the potential agenda proposal, including the assessment of the agenda criteria, the proposal for a working group and the outline project timetable;
- (b) for any further points that should be made to the SAC in its consideration of the agenda proposal;
- (c) for its views on the form a joint project with FASB could take;
- (d) whether and when consultation through an advisory working group or focus groups would be appropriate, and the form such consultation could take.

5. The Board is also asked for any comments on the initial issues set out [in paper 4A, not included in the Observer Notes]. However, the paper does not set out a full analysis of the issues to be addressed and accordingly staff are not requesting any conclusions or decisions on these issues at this stage.

[Given the preliminary nature of this Board discussion, the Observer Notes are more limited than is usually provided.]