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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:** 22 March 2007, London

**Project:** Leases

**Subject:** Covering Memo (Agenda paper 12)

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### **Introduction**

1. The purpose of this paper is to explain the form and content of the papers distributed to Board members.

### **Summary of papers**

#### **Agenda paper 12A/2 – Identification of assets and liabilities arising in a simple lease**

2. The purpose of this paper is to identify the assets and liabilities that arise in a simple lease contract; that is, a lease contract with no options or complex clauses. The paper starts by examining the rights and obligations of the lessee and the lessor that arise from the exchange of promises in a simplified lease contract and then considers whether these rights, obligations, and promises meet the definitions of assets and liabilities in the IASB Framework and FASB Concepts Statement No. 6, *Elements of Financial Statements* (CON 6). As the analysis in this paper only focuses on a simple, non-cancellable lease, the tentative conclusions reached may need to be refined as we discuss more complex lease transactions, scope, recognition, and measurement.

3. This paper also considers whether the exchange of promises gives rise to assets and liabilities under the revised definitions of assets and liabilities proposed in the Conceptual Framework project. However, this analysis may change as the working definitions are further discussed and refined by the Board and as more complex lease transactions, scope, recognition, and measurement issues are considered.
4. Agenda paper 12A/2 is based on a paper discussed at the Leasing Working Group meeting held on 15 February 2007. The comments of Working Group members are summarised at the end of the Agenda paper 12A/2.
5. This paper includes a number of detailed questions for Board members to consider.

**Agenda paper 12B/3 – Analysis of different accounting models for a simple lease**

6. The purpose of this paper is to describe a number of alternative accounting models that have been suggested for lease contracts and compare the assets and liabilities recognised under these models to those identified in paper 12A/2. The conclusions reached in this paper are based upon a conceptual analysis of the assets and liabilities arising in a simple lease contract. The staff is looking for direction from the Board to pursue one (or more) of these models further. As more complex lease contracts are analysed, there may need to be refinements to these models.
7. This paper is, also, based upon a paper discussed at the February 2007 Leasing Working Group meeting. The comments of Working Group members are summarised at the end of the Agenda paper 12B/3.
8. This paper includes a number of staff recommendations and questions for the Board.

**Agenda paper 12C/4 – History of lease accounting**

9. This paper will not be discussed at the Board meeting. However, the paper provides an interesting overview of the history of lease accounting with a particular focus on the underlying models and bases for conclusions used in standards issued prior to Statement 13 and IAS 17. This paper also briefly summarises lease accounting guidance after the initial issuance of Statement 13 and IAS 17.

**Agenda paper 12D/5 – Academic research on lease accounting**

10. This paper reviews and summarises the academic research on lease accounting. As with agenda paper 12C/4, it will not be discussed at the Board meeting.