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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:** 20 November 2008, London  
**Project:** LEASE ACCOUNTING  
**Subject:** Leases: Cover note (Agenda Paper 8)

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### **Introduction**

1. A staff draft of the Leases Discussion Paper (DP) was distributed to board members on 15 September 2008. The staff and some board members met with the leases working group on 7 October 2008 in Norwalk. The purpose of the meeting was to discuss the staff draft of the DP. The working group provided useful comments on how to improve the draft DP.
2. At the working group meeting, some board members (FASB and IASB) raised concerns about the DP as currently drafted. These board members have two main concerns:
  - (a) In a number of areas, the IASB and FASB were unable to reach the same preliminary view. These board members would like to try to resolve these differences before publication.
  - (b) There are a number of areas neither board has discussed that these board members believe should be resolved before publication.
3. The purpose of the November papers is to attempt to address these concerns.

## Summary of papers

4. We will present the following papers at this meeting:
- (a) *Agenda paper 8A/Memo No. 22 - Consideration of Lease Term, Purchase Options, Contingent Rentals and Residual Value Guarantees*  
The purpose of this paper is to get preliminary views from the boards on the initial recognition and measurement of the lessee's obligation to pay rentals. Specifically, the staff would like to clarify which cash flows to include in the initial measurement of the lessee's obligation to pay rentals when the lease includes optional periods, purchase options, contingent rental arrangements or residual value guarantees.
  - (b) *Agenda paper 8B/ Memo No. 23 – Subsequent Measurement*  
The purpose of this paper is to obtain preliminary views on the subsequent measurement of the lessee's right-of-use asset and its obligation to pay rentals. It includes a discussion of whether reassessment of the lease term and the obligation to pay rentals should be required.
  - (c) *Agenda paper 8C/Memo No. 24 – Presentation of Leases*  
This paper seeks the boards' preliminary views on how the assets, liabilities and expenses arising in a lease contract should be presented in the statement of financial position and the income statement.
  - (d) *Agenda paper 8D/Memo No.25 – Subleases*  
The purpose of this paper is to explore different possible approaches to accounting for subleases.

## Proposed next steps

5. If you are unable to reach preliminary views on these areas at the November meeting, we do not propose to ask you to reconsider them before publication, as this could result in a significant delay in publication of the DP and ultimately the final standard. Instead the staff proposes that the DP should include:
- A description of the unresolved issue
  - A description of possible accounting approaches
  - Questions that asks respondents for their views on which of the accounting approaches they would favour and why.

## Implications for the project timetable

6. We had originally planned to publish the DP in November. Consequently, meeting with you in November will delay publication of the DP. However, the staff believes it should be possible to publish the DP in February of 2009.
7. Reaching preliminary views on the issues discussed in the November board papers before publication of the DP may save us some time at the ED stage of the project. Consequently, our assessment is that these changes will not significantly delay the publication of a final standard. A revised project timetable is shown below:

<b>Date</b>	<b>Project milestone</b>
10 December	Pre-ballot draft
January - February 2009	Ballot and publish the DP
June 2009	Comment letter deadline
September 2009	Comment letter analysis to the Board
October – February 2009	Board discussions on ED
April 2010	Ballot and publish ED
August 2010	Comment letter deadline
October 2010	Comment letter analysis to the Board
November – February 2011	Redeliberations
April 2011	Ballot and publish standard