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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: Subleases – Supplemental (Agenda Paper 8D)

Introduction

1. Following the FASB education session on 12 November 2008, some staff members have formed the view that the problems associated with subleases should be resolved prior to publication of the discussion paper. These staff members believe that resolution of the subleases issue may require the boards to reconsider their decision to defer consideration of lessor accounting.
2. This alternative staff view is reproduced below.
3. Other staff members, having analysed the problems associated with subleases, believe that a technically feasible solution can be found. However, before recommending a particular approach to the board, they would like to obtain input from constituents on which of the possible approaches they would prefer. These staff members believe that this input can best be obtained from responses to the discussion paper. Consequently, these staff members continue to recommend that the discussion paper includes:
 - a description of the problems associated with subleases
 - a description of the possible solutions to these problems

- a question asking for respondents' views on which of the possible solutions they would favour and why.
4. The staff note that attempting to resolve the problems of subleases will delay publication of the discussion paper. Any decision to add lessor accounting back into the scope of the project will result in a significant delay to the publication of a new lease accounting standard.

Alternative staff view

5. There are some staff members that are highly sceptical of whether or not a technically feasible solution to the problems associated with subleases can be achieved without a reconsideration of the entire lessor accounting model. In other words, some staff members are unsure that the lessor accounting model in the current literature can be applied to a "right of use" asset. Those staff members believe it would be unfortunate for the staff and Board to realize this after the discussion paper is released. As such, those staff members believe a more thorough analysis of how the current lessor accounting model would be applied to the "right of use" asset needs to be developed prior to releasing the discussion paper.
6. It is possible that this additional analysis would indicate that it is not technically feasible to apply the current lessor accounting model to the right of use asset. If that is the case, then the same staff members would recommend that the Board reconsider their decision to defer consideration of lessor accounting. Those staff members do not believe developing a new model just for sub-lessors, or scoping sub-lessors out of the new lessee standard, are acceptable alternatives.
7. The same staff members making this recommendation note that timing was the primary reason that the project team recommended to defer consideration of lessor accounting. Those staff members believed (and continue to believe) that the only way in which an improvement to lease accounting can be made before June 2011 is if lessor accounting is deferred. However, those staff members believe that the desire to achieve a deadline is not a valid reason to defer consideration of an issue that could represent a fatal flaw of the new model.