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**International
Accounting Standards
Board**

This observer note is provided as a convenience to observers at IFRIC meetings, to assist them in following the IFRIC's discussion. Views expressed in this document are identified by the staff as a basis for the discussion at the IFRIC meeting. This document does not represent an official position of the IFRIC. Decisions of the IFRIC are determined only after extensive deliberation and due process. IFRIC positions are set out in Interpretations.

Note: The observer note is based on the staff paper prepared for the IFRIC. Paragraph numbers correspond to paragraph numbers used in the IFRIC paper. However, because the observer note is less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

IFRIC meeting: September 2008, London
**Project: Recognition of Lease Expense under an Operating Lease
(Agenda Paper 4A)**

Introduction

1. In July 2008, the IFRIC published a tentative agenda decision not to take onto its agenda a project to provide guidance on how a lessee should determine an appropriate pattern of recognition of expense for an operating lease with non-level payments in accordance with IAS 17 *Leases*. IAS 17 paragraphs 33 and 34 require rent expense to be recognised on a straight-line basis over the term of the lease or on “*another systematic basis... representative of the time pattern of the user's benefit*”.
2. One comment letter was received.
3. The comment letter agreed with the IFRIC's tentative decision not to add the issue to its agenda. However, it suggested that the final agenda decision should emphasise that because a lease conveys a right of use, any method for recognising lease expense must reflect the passage of time.

Staff recommendation

4. The staff has amended the wording of the tentative agenda decision to incorporate the notion of the right to use the asset. The staff believes that the balance of the wording appropriately reflects the requirements of IAS 17 and that an implication that the expense can reflect only the passage of time would be inconsistent with the standard.
5. The staff has set out proposed wording for the final agenda decision in Appendix A.

Question for the IFRIC

6. Does the IFRIC agree with the drafting of the final agenda decision?