



Project	Leases
Topic	Cover Memo

Purpose

1. At this meeting the staff will present six papers. Two papers discuss how to account for leases that include contingent rentals. The other four deal with the scope of the proposed new leases guidance. The papers on contingent rentals are the same ones that were circulated for the joint November 2009 meeting.
 - (a) Agenda Paper 4A/Memo 50: ***Lessee accounting – Contingent rentals and residual value guarantees*** – this paper asks the boards to reach a tentative view on the lessee accounting for leases that include contingent rental arrangements and residual value guarantees. This was previously IASB Agenda Paper 5E for November 2009.
 - (b) Agenda Paper 4B/Memo 53: ***Lessor accounting – Contingent rentals*** – this paper asks the boards to reach a tentative view on the lessor accounting for leases that include contingent rental arrangements. This was previously IASB Agenda Paper 5H for November 2009.
 - (c) Agenda Paper 4C/Memo 55: ***Scope – Intangibles and other possible scope exclusions*** – this paper asks the boards to tentatively decide on some of the scope exclusions for the proposed new leases guidance.
 - (d) Agenda Paper 4D/Memo 56: ***Scope - Purchases and sales of the underlying asset*** – this paper asks the boards to tentatively agree on the criteria to determine when the underlying asset for a lease transaction is effectively purchased by the lessee or sold by the lessor.

This paper has been prepared by the technical staff of the FASB and the IASCF for discussion at a public meeting of the FASB or the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the FASB or the IASB.

Comments made in relation to the application of U.S. GAAP or IFRSs do not purport to be acceptable or unacceptable application of U.S. GAAP or IFRSs.

The tentative decisions made by the FASB or the IASB at public meetings are reported in FASB *Action Alert* or in IASB *Update*. Official pronouncements of the FASB or the IASB are published only after each board has completed its full due process, including appropriate public consultation and formal voting procedures.

Staff paper

- (e) Agenda Paper 4E/Memo 57: *Scope – Investment properties* – this paper asks the boards to tentatively decide whether leases of investment properties should be excluded from the lessor accounting requirements of the proposed new leases guidance.
- (f) Agenda Paper 4F/Memo 58: *Scope - Non-core and short-term leases* – this paper asks the boards to tentatively decide whether the proposed new leases guidance should include or exclude non-core and short-term leases.

Next steps

- 2. In January 2010 the staff intend to ask the boards to reach tentative decisions on the following accounting issues:
 - (a) Definition of a lease (including differentiating service contracts from leases)
 - (b) Segregating the service elements from a lease contract
 - (c) Presentation of the assets, liabilities, income, expenses and cash flows in lease contracts from the perspectives of the lessee and of the lessor respectively.