



Project	Leases
Topic	Cover Note

Background

1. The Leases discussion paper (DP) was published in March. The DP presents the boards' preliminary views on lessee accounting. However, some lessee accounting issues were left unresolved.
2. The staff have identified a number of these issues that we think can be resolved during the comment period of the DP. By addressing these issues now we believe we can save time during the exposure draft phase of this project.
3. In choosing the issues to be addressed at this meeting, the staff have tried to identify topics that we think will not change significantly as a result of comments received on the DP. However, we will review comments received on the DP and, if necessary, bring these issues back to the boards for reconsideration.

Purpose

4. The purpose of this meeting is to ask the boards to reach preliminary views on the following issues:
 - (a) Agenda paper 11A/FASB Memo No.30 – *Sale and leaseback transactions*. The purpose of this paper is to obtain preliminary views from the boards on how a seller/lessee should account for a sale and leaseback transaction under a right of use accounting model. This paper

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also briefly discusses how the buyer/lessor should account for sale and leaseback transactions.

- (b) Agenda paper 11B/FASB Memo No.31 – *Impairment of right-of-use asset*. This paper asks the boards to reach a preliminary view on the impairment model for right-of-use assets.
 - (c) Agenda paper 11C/FASB Memo No.32 – *Revaluation of right-of-use asset*. The purpose of this paper is to ask the boards whether they wish to provide lessees with the option to revalue right-of-use assets.
 - (d) Agenda paper 11D/FASB Memo No.33 – *Initial direct costs*. The purpose of this paper is to determine how to account for costs incurred by lessees when negotiating and arranging leases (initial direct costs).
 - (e) Agenda paper 11E/FASB Memo No.34 – *Transition*. The purpose of this paper is to determine transitional provisions for the proposed new accounting model for lessees.
5. If you are unable to reach preliminary views on any of these issues, we will ask you to reconsider these issues during the exposure draft phase of the project (October 2009 onwards).

Next steps

6. During July the staff intend to ask the boards to reach preliminary views on measurement of the assets and liabilities arising in the financial statements of lessors. Following that discussion, we will ask the boards whether the proposed exposure draft should include lessor accounting issues.