



Introduction

1. In March 2009, the IASB and FASB published a joint Discussion Paper on leases (see Agenda paper 9A). Under the approach proposed in the discussion paper, lessees will no longer classify leases as operating or finance. Instead a lessee will recognise a right-of-use asset and an obligation to pay rentals for all leases.
2. The boards received 290 comment letters in response to the Discussion Paper. Whilst a majority support the direction the boards have taken, the respondents raised concerns about some of the proposals in the discussion paper.
3. The staff would like to use the WSS break-out session in two ways:
 - (a) to present the views in the discussion paper, subsequent boards' discussions and the feedback received (see agenda paper 7B); and
 - (b) to discuss some of areas where the boards received most comments, in preparation for the boards' deliberation of these topics (see below).
4. The staff would like to discuss the following issues during the break-out session:
 - (a) Lessee accounting:
 - (i) The boards' proposed approach to recognition and measurement of options in lease contracts.
 - (ii) The boards' proposed approach to recognition and measurement and contingent rentals

This paper has been prepared by the technical staff of the IASCF for discussion at a meeting of World Standard Setters.

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 IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in *IASB Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

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- (iii) The proposed scope of the project including whether additional guidance is needed on differentiating service contracts from lease contracts.
- (b) Lessor accounting:
- (i) Whether lessor accounting should be included in the scope of the current project.
 - (ii) Derecognition vs performance obligation approach to lessor accounting.
 - (iii) Should investment properties be scoped out of a new standard on lessor accounting?