

Appendix C to Agenda paper 1H / FASB memo 162: IASB/FASB meeting, week commencing 11 April 2011

Other-than-finance lessee accounting

Lease with even payments, with payment made at the end of the period

KEY TERMS	
Lease term (years)	10
Discount Rate	7%
Payments (annual)	100.00
Payment Timing	End of period

EXPOSURE DRAFT METHOD

Period	STMT OF FINANCIAL POSITION			PROFIT OR LOSS			
	Cash Payment	ROU Asset	Lease Obligation	Amortization Expense	Interest Expense	Lease Expense	Cost of Funds
0		702	(702)				
1	100	632	(652)	70	49	119	7.0%
2	100	562	(597)	70	46	116	7.0%
3	100	492	(539)	70	42	112	7.0%
4	100	421	(477)	70	38	108	7.0%
5	100	351	(410)	70	33	104	7.0%
6	100	281	(339)	70	29	99	7.0%
7	100	211	(262)	70	24	94	7.0%
8	100	140	(181)	70	18	89	7.0%
9	100	70	(93)	70	13	83	7.0%
10	100	-	-	70	7	77	7.0%
TOTAL	1,000			702	298	1,000	

METHOD A1 - Linked Approach w/ interest expense and amortization expense

Period	STMT OF FINANCIAL POSITION			PROFIT OR LOSS			
	Cash Payment	ROU Asset	Lease Obligation	Amortization Expense	Interest Expense	Lease Expense	Cost of Funds
0		702	(702)				
1	100	652	(652)	51	49	100	7.0%
2	100	597	(597)	54	46	100	7.0%
3	100	539	(539)	58	42	100	7.0%
4	100	477	(477)	62	38	100	7.0%
5	100	410	(410)	67	33	100	7.0%
6	100	339	(339)	71	29	100	7.0%
7	100	262	(262)	76	24	100	7.0%
8	100	181	(181)	82	18	100	7.0%
9	100	93	(93)	87	13	100	7.0%
10	100	-	-	93	7	100	7.0%
TOTAL	1,000			702	298	1,000	

METHOD A2- Linked approach with rent expense

Period	STMT OF FINANCIAL POSITION			PROFIT OR LOSS					
	Cash Payment	ROU Asset	Liability to make lease pmts	Rent Expense	Interest Income	Interest Expense	Net Interest	Net P&L	Cost of Funds
0		702	(702)						
1	100	652	(652)	100	(49)	49	-	100	7.0%
2	100	597	(597)	100	(46)	46	-	100	7.0%
3	100	539	(539)	100	(42)	42	-	100	7.0%
4	100	477	(477)	100	(38)	38	-	100	7.0%
5	100	410	(410)	100	(33)	33	-	100	7.0%
6	100	339	(339)	100	(29)	29	-	100	7.0%
7	100	262	(262)	100	(24)	24	-	100	7.0%
8	100	181	(181)	100	(18)	18	-	100	7.0%
9	100	93	(93)	100	(13)	13	-	100	7.0%
10	100	(0)	0	100	(7)	7	-	100	7.0%
TOTAL	1,000			1,000	(298)	298	-	1,000	

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Other-than-finance lessee accounting

Lease with even payments, with payment made at the end of the period

KEY TERMS	
Lease term (years)	10
Discount Rate	7%
Payments (annual)	100.00
Payment Timing	End of period

METHOD B - Annuity Method, ROU amortizes at the pattern of benefit (independent of lease liability)

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS			
	Cash Payment	Pattern of Benefits	ROU Asset	Lease Obligation	Amortization Expense	Interest Expense	Lease Expense	Cost of Funds
Inception			702	(702)				
1	100	100	652	(652)	51	49	100	7.0%
2	100	100	597	(597)	54	46	100	7.0%
3	100	100	539	(539)	58	42	100	7.0%
4	100	100	477	(477)	62	38	100	7.0%
5	100	100	410	(410)	67	33	100	7.0%
6	100	100	339	(339)	71	29	100	7.0%
7	100	100	262	(262)	76	24	100	7.0%
8	100	100	181	(181)	82	18	100	7.0%
9	100	100	93	(93)	87	13	100	7.0%
10	100	100	-	0	93	7	100	7.0%
TOTAL	1,000	-			702	298	1,000	

METHOD C- OCI method - S/L created through use of OCI

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS				OTHER COMPREHENSIVE INCOME		
	Cash Payment		ROU Asset	Lease Obligation	Amortization Expense	Interest Expense	Lease Expense	Cost of Funds	OCI	Net OCI	AOCI
0			702	(702)							
1	100		632	(652)	51	49	100	7.0%	19	119	19
2	100		562	(597)	54	46	100	7.0%	16	116	35
3	100		492	(539)	58	42	100	7.0%	12	112	47
4	100		421	(477)	62	38	100	7.0%	8	108	55
5	100		351	(410)	67	33	100	7.0%	4	104	59
6	100		281	(339)	71	29	100	7.0%	(1)	99	58
7	100		211	(262)	76	24	100	7.0%	(6)	94	52
8	100		140	(181)	82	18	100	7.0%	(11)	89	40
9	100		70	(93)	87	13	100	7.0%	(17)	83	23
10	100		-	0	93	7	100	n/a	(23)	77	(0)
TOTAL	1,000				702	298	1,000		(0)	1,000	

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Other-than-finance lessee accounting

Lease with uneven payments, with payment made at the end of the period

KEY TERMS	
Lease term (years)	10
Discount Rate	7%
Payments (annual)	Escalating
Payment Timing	End of period

EXPOSURE DRAFT METHOD

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS			
	Cash Payment		ROU Asset	Lease Obligation	Amortization Expense	Interest Expense	Lease Expense	Cost of Funds
0			849	(849)				
1	100		764	(808)	85	59	144	7.0%
2	100		679	(764)	85	57	141	7.0%
3	100		594	(718)	85	54	138	7.0%
4	100		509	(668)	85	50	135	7.0%
5	100		424	(615)	85	47	132	7.0%
6	150		339	(508)	85	43	128	7.0%
7	150		255	(394)	85	36	120	7.0%
8	150		170	(271)	85	28	112	7.0%
9	150		85	(140)	85	19	104	7.0%
10	150		-	-	85	10	95	7.0%
TOTAL	1,250				849	401	1,250	

METHOD A1 - Linked Approach w/ interest expense and amortization expense

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS			
	Cash Payment		ROU Asset	Lease Obligation	Amortization Expense	Interest Expense	Lease Expense	Cost of Funds
0			849	(849)				
1	100		808	(808)	41	59	100	7.0%
2	100		764	(764)	43	57	100	7.0%
3	100		718	(718)	46	54	100	7.0%
4	100		668	(668)	50	50	100	7.0%
5	100		615	(615)	53	47	100	7.0%
6	150		508	(508)	107	43	150	7.0%
7	150		394	(394)	114	36	150	7.0%
8	150		271	(271)	122	28	150	7.0%
9	150		140	(140)	131	19	150	7.0%
10	150		-	-	140	10	150	7.0%
TOTAL	1,250				849	401	1,250	

METHOD A2- Linked approach with rent expense

Period	STMT OF FINANCIAL POSITION			PROFIT OR LOSS					
	Cash Payment	ROU Asset	Liability to make lease pmts	Rent Expense	Interest Income	Interest Expense	Net Interest	Lease Expense	Cost of Funds
0		849	(849)						
1	100	808	(808)	100	(59)	59	-	100	7.0%
2	100	764	(764)	100	(57)	57	-	100	7.0%
3	100	718	(718)	100	(54)	54	-	100	7.0%
4	100	668	(668)	100	(50)	50	-	100	7.0%
5	100	615	(615)	100	(47)	47	-	100	7.0%
6	150	508	(508)	150	(43)	43	-	150	7.0%
7	150	394	(394)	150	(36)	36	-	150	7.0%
8	150	271	(271)	150	(28)	28	-	150	7.0%
9	150	140	(140)	150	(19)	19	-	150	7.0%
10	150	-	0	150	(10)	10	-	150	7.0%
TOTAL	1,250			1,250	(401)	401	-	1,250	

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Other-than-finance lessee accounting

Lease with uneven payments, with payment made at the end of the period

KEY TERMS	
Lease term (years)	10
Discount Rate	7%
Payments (annual)	Escalating
Payment Timing	End of period

METHOD B - Annuity Method, ROU amortizes at the pattern of benefit (independent of lease liability)

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS			
	Cash Payment	Pattern of Benefits	ROU Asset	Lease Obligation	Amortization Expense	Interest Expense	Lease Expense	Cost of Funds
Inception			849	(849)				
1	100	121	787	(808)	61	59	121	7.0%
2	100	121	721	(764)	66	57	122	7.0%
3	100	121	651	(718)	70	54	124	7.0%
4	100	121	576	(668)	75	50	125	7.0%
5	100	121	495	(615)	81	47	127	7.0%
6	150	121	409	(508)	86	43	129	7.0%
7	150	121	317	(394)	92	36	128	7.0%
8	150	121	218	(271)	99	28	126	7.0%
9	150	121	113	(140)	106	19	125	7.0%
10	150	121	-	0	113	10	123	7.0%
TOTAL	1,250	-			849	401	1,250	

METHOD C- OCI method - S/L created through use of OCI

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS				OTHER COMPREHENSIVE INCOME		
	Cash Payment		ROU Asset	Lease Obligation	Amortization Expense	Interest Expense	Lease Expense	Cost of Funds	OCI	Net OCI	AOCI
0			849	(849)							
1	100		764	(808)	66	59	125	7.0%	19	144	19
2	100		679	(764)	68	57	125	7.0%	16	141	36
3	100		594	(718)	71	54	125	7.0%	13	138	49
4	100		509	(668)	75	50	125	7.0%	10	135	59
5	100		424	(615)	78	47	125	7.0%	7	132	66
6	150		339	(508)	82	43	125	7.0%	3	128	69
7	150		255	(394)	89	36	125	7.0%	(5)	120	64
8	150		170	(271)	97	28	125	7.0%	(13)	112	51
9	150		85	(140)	106	19	125	7.0%	(21)	104	30
10	150		-	0	115	10	125	n/a	(30)	95	(0)
TOTAL	1,250				849	401	1,250		(0)	1,250	

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Other-than-finance lessee accounting

Lease with even payments, with payment made at the beginning of the period

KEY TERMS	
Lease term (years)	10
Discount Rate	7%
Payments (annual)	100.00
Payment Timing	Beginning of period

EXPOSURE DRAFT METHOD

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS			
	Cash Payment	Pattern of Benefits	ROU Asset	Lease Obligation	Amortization Expense	Interest Expense	Lease Expense	Cost of Funds
Year 0			752	(752)				
Day 1				(652)				
1	100		676	(597)	75	46	121	7.0%
2	100		601	(539)	75	42	117	7.0%
3	100		526	(477)	75	38	113	7.0%
4	100		451	(410)	75	33	109	7.0%
5	100		376	(339)	75	29	104	7.0%
6	100		301	(262)	75	24	99	7.0%
7	100		225	(181)	75	18	94	7.0%
8	100		150	(93)	75	13	88	7.0%
9	100		75	(0)	75	7	82	7.0%
10	100		0	n/a	75	0	75	n/a
TOTAL	1,000				752	248	1,000	

METHOD A1 - Linked Approach w/ interest expense and amortization expense

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS			
	Cash Payment		ROU Asset	Lease Obligation	Amortization Expense	Interest Expense	Lease Expense	Cost of Funds
Year 0			752	(752)				
Day 1				(652)				
1	100		697	(597)	54	46	100	7.0%
2	100		639	(539)	58	42	100	7.0%
3	100		577	(477)	62	38	100	7.0%
4	100		510	(410)	67	33	100	7.0%
5	100		439	(339)	71	29	100	7.0%
6	100		362	(262)	76	24	100	7.0%
7	100		281	(181)	82	18	100	7.0%
8	100		193	(93)	87	13	100	7.0%
9	100		100	(0)	93	7	100	7.0%
10	100		-	n/a	100	0	100	n/a
TOTAL	1,000				752	248	1,000	

METHOD A2- Linked approach with rent expense

Period	STMT OF FINANCIAL POSITION			PROFIT OR LOSS						
	Cash Payment	ROU Asset	Lease Obligation	Rent Expense	Interest Income	Interest Expense	Net Interest	Lease Expense	Cost of Funds	ROU Accretion Rate
Year 0		752	(752)							
Day 1			(652)							
1	100	697	(597)	100	(46)	46	-	100	7.0%	6.1%
2	100	639	(539)	100	(42)	42	-	100	7.0%	6.0%
3	100	577	(477)	100	(38)	38	-	100	7.0%	5.9%
4	100	510	(410)	100	(33)	33	-	100	7.0%	5.8%
5	100	439	(339)	100	(29)	29	-	100	7.0%	5.6%
6	100	362	(262)	100	(24)	24	-	100	7.0%	5.4%
7	100	281	(181)	100	(18)	18	-	100	7.0%	5.1%
8	100	193	(93)	100	(13)	13	-	100	7.0%	4.5%
9	100	100	(0)	100	(7)	7	-	100	7.0%	3.4%
10	100	0	n/a	100	(0)	0	-	100	n/a	0.0%
TOTAL	1,000			1,000	(248)	248	-	1,000		

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Other-than-finance lessee accounting

Lease with even payments, with payment made at the beginning of the period

KEY TERMS	
Lease term (years)	10
Discount Rate	7%
Payments (annual)	100.00
Payment Timing	Beginning of period

METHOD B - Annuity Method, ROU amortizes at the pattern of benefit (independent of lease liability)

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS			
	Cash Payment	Pattern of Benefits	ROU Asset	Lease Obligation	Amortization Expense	Interest Expense	Lease Expense	Cost of Funds
Inception			752	(752)				
Day 1	100	107	752	(652)				
1	100	107	697	(597)	54	46	100	7.00%
2	100	107	639	(539)	58	42	100	7.00%
3	100	107	577	(477)	62	38	100	7.00%
4	100	107	510	(410)	67	33	100	7.00%
5	100	107	439	(339)	71	29	100	7.00%
6	100	107	362	(262)	76	24	100	7.00%
7	100	107	281	(181)	82	18	100	7.00%
8	100	107	193	(93)	87	13	100	7.00%
9	100	107	100	0	93	7	100	7.00%
10		0		n/a	100	(0)	100	7.00%
					-			
TOTAL	1,000				752	248	1,000	

METHOD C- OCI method - S/L created through use of OCI

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS				OTHER COMPREHENSIVE INCOME		
	Cash Payment		ROU Asset	Lease Obligation	Amortization Expense	Interest Expense	Lease Expense	Cost of Funds	OCI	Net OCI	AOCI
Year 0			752	(752)							
Day 1				(652)							
1	100		676	(597)	54	46	100	7.0%	21	121	21
2	100		601	(539)	58	42	100	7.0%	17	117	38
3	100		526	(477)	62	38	100	7.0%	13	113	51
4	100		451	(410)	67	33	100	7.0%	9	109	59
5	100		376	(339)	71	29	100	7.0%	4	104	63
6	100		301	(262)	76	24	100	7.0%	(1)	99	62
7	100		225	(181)	82	18	100	7.0%	(6)	94	55
8	100		150	(93)	87	13	100	7.0%	(12)	88	43
9	100		75	(0)	93	7	100	7.0%	(18)	82	25
10	100		0	-	100	0	100	n/a	(25)	75	0
TOTAL	1,000				752	248	1,000		0	1,000	

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Other-than-finance lessee accounting
Lease with rent holidays, with payment made at the beginning of the period

KEY TERMS	
Lease term (years)	10
Discount Rate	7%
Payments (annual)	Rent Holidays
Payment Timing	Beginning of period

EXPOSURE DRAFT METHOD

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS			
	Cash Payment	Pattern of Benefits	ROU Asset	Lease Obligation	Amortization Expense	Interest Expense	Lease Expense	Cost of Funds
Year 0			782	(782)				
Day 1				(782)				
1	-		704	(837)	78	55	133	7.0%
2	-		626	(895)	78	59	137	7.0%
3	-		547	(958)	78	63	141	7.0%
4	-		469	(1,025)	78	67	145	7.0%
5	-		391	(847)	78	72	150	7.0%
6	250		313	(656)	78	59	137	7.0%
7	250		235	(452)	78	46	124	7.0%
8	250		156	(234)	78	32	110	7.0%
9	250		78	0	78	16	95	7.0%
10	250		(0)	n/a	78	(0)	78	n/a
TOTAL	1,250				782	468	1,250	

METHOD A1 - Linked Approach w/ interest expense and amortization expense

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS			
	Cash Payment		ROU Asset	Lease Obligation	Amortization Expense	Interest Expense	Lease Expense	Cost of Funds
Year 0			782	(782)				
Day 1				(782)				
1	-		837	(837)	(55)	55	-	7.0%
2	-		895	(895)	(59)	59	-	7.0%
3	-		958	(958)	(63)	63	-	7.0%
4	-		1,025	(1,025)	(67)	67	-	7.0%
5	-		1,097	(847)	(72)	72	-	7.0%
6	250		906	(656)	191	59	250	7.0%
7	250		702	(452)	204	46	250	7.0%
8	250		484	(234)	218	32	250	7.0%
9	250		250	0	234	16	250	7.0%
10	250		-	n/a	250	(0)	250	n/a
TOTAL	1,250				782	468	1,250	

METHOD A2- Linked approach with rent expense

Period	STMT OF FINANCIAL POSITION			PROFIT OR LOSS						
	Cash Payment	ROU Asset	Lease Obligation	Rent Expense	Interest Income	Interest Expense	Net Interest	Lease Expense	Cost of Funds	ROU Accretion Rate
Year 0		782	(782)							
Day 1			(782)							
1	-	837	(837)	-	(55)	55	-	-	7.0%	7.0%
2	-	895	(895)	-	(59)	59	-	-	7.0%	7.0%
3	-	958	(958)	-	(63)	63	-	-	7.0%	7.0%
4	-	1,025	(1,025)	-	(67)	67	-	-	7.0%	7.0%
5	-	1,097	(847)	-	(72)	72	-	-	7.0%	7.0%
6	250	906	(656)	250	(59)	59	-	250	7.0%	5.4%
7	250	702	(452)	250	(46)	46	-	250	7.0%	5.1%
8	250	484	(234)	250	(32)	32	-	250	7.0%	4.5%
9	250	250	0	250	(16)	16	-	250	7.0%	3.4%
10	250	(0)	n/a	250	0	(0)	-	250	n/a	0.0%
TOTAL	1,250			1,250	(468)	468	-	1,250		

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Other-than-finance lessee accounting

Lease with rent holidays, with payment made at the beginning of the period

KEY TERMS	
Lease term (years)	10
Discount Rate	7%
Payments (annual)	Rent Holidays
Payment Timing	Beginning of period

METHOD B - Annuity Method, ROU amortizes at the pattern of benefit (independent of lease liability)

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS				
	Cash Payment	Pattern of Benefits	ROU Asset	Lease Obligation	Net B/S position (FYI Only)	Amortization Expense	Interest Expense	Lease Expense	Cost of Funds
Inception			782	(782)					
Day 1			782	(782)	-				
1	-	111	725	(837)	(111)	57	55	111	7.00%
2	-	111	665	(895)	(230)	61	59	119	7.00%
3	-	111	600	(958)	(358)	65	63	127	7.00%
4	-	111	531	(1,025)	(494)	69	67	136	7.00%
5	-	111	457	(847)	(390)	74	72	146	7.00%
6	250	111	377	(656)	(279)	79	59	139	7.00%
7	250	111	292	(452)	(160)	85	46	131	7.00%
8	250	111	201	(234)	(32)	91	32	123	7.00%
9	250	111	104	0	104	97	16	114	7.00%
10	250	111	-	-	-	104	(0)	104	7.00%
			0						
TOTAL	1,250					782	468	1,250	

METHOD C - OCI method - S/L created through use of OCI

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS				OTHER COMPREHENSIVE INCOME		
	Cash Payment		ROU Asset	Lease Obligation	Amortization Expense	Interest Expense	Lease Expense	Cost of Funds	OCI	Net OCI	AOCI
Year 0			782	(782)							
Day 1				(782)							
1	-		704	(837)	70	55	125	7.0%	8	133	8
2	-		626	(895)	66	59	125	7.0%	12	137	20
3	-		547	(958)	62	63	125	7.0%	16	141	36
4	-		469	(1,025)	58	67	125	7.0%	20	145	56
5	-		391	(847)	53	72	125	7.0%	25	150	81
6	250		313	(656)	66	59	125	7.0%	12	137	93
7	250		235	(452)	79	46	125	7.0%	(1)	124	92
8	250		156	(234)	93	32	125	7.0%	(15)	110	77
9	250		78	0	109	16	125	7.0%	(30)	95	47
10	250		(0)	-	125	(0)	125	n/a	(47)	78	(0)
TOTAL	1,250				782	468	1,250		(0)	1,250	

Appendix C to Agenda paper 1H / FASB memo 162: IASB/FASB meeting, week commencing 11 April 2011

Other-than-finance lessee accounting

Lease with full payment made upfront

KEY TERMS	
Lease term (years)	10
Discount Rate	7%
Payments (annual)	Upfront
Payment Timing	Beginning of period

EXPOSURE DRAFT METHOD

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS			
	Cash Payment	Pattern of Benefits	ROU Asset	Lease Obligation	Amortization Expense	Interest Expense	Lease Expense	Cost of Funds
Year 0			1,250	(1,250)				
Day 1								
1	1,250		1,125	-	125	-	125	n/a
2	-		1,000	-	125	-	125	n/a
3	-		875	-	125	-	125	n/a
4	-		750	-	125	-	125	n/a
5	-		625	-	125	-	125	n/a
6	-		500	-	125	-	125	n/a
7	-		375	-	125	-	125	n/a
8	-		250	-	125	-	125	n/a
9	-		125	-	125	-	125	n/a
10	-		-	n/a	125	-	125	n/a
TOTAL	1,250				1,250	-	1,250	

METHOD A1 - Linked Approach w/ interest expense and amortization expense

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS			
	Cash Payment		ROU Asset	Lease Obligation	Amortization Expense	Interest Expense	Lease Expense	Cost of Funds
Year 0			1,250	(1,250)				
Day 1								
1	1,250		-	-	1,250	-	1,250	n/a
2	-		-	-	-	-	-	n/a
3	-		-	-	-	-	-	n/a
4	-		-	-	-	-	-	n/a
5	-		-	-	-	-	-	n/a
6	-		-	-	-	-	-	n/a
7	-		-	-	-	-	-	n/a
8	-		-	-	-	-	-	n/a
9	-		-	-	-	-	-	n/a
10	-		-	n/a	-	-	-	n/a
TOTAL	1,250				1,250	-	1,250	

METHOD A2: Linked approach with rent expense

Period	STMT OF FINANCIAL POSITION			PROFIT OR LOSS						
	Cash Payment	ROU Asset	Lease Obligation	Rent Expense	Interest Income	Interest Expense	Net Interest	Lease Expense	Cost of Funds	ROU Accretion Rate
Year 0		1,250	(1,250)							
Day 1										
1	1,250	-	-	1,250	-	-	-	1,250	n/a	n/a
2	-	-	-	-	-	-	-	-	n/a	n/a
3	-	-	-	-	-	-	-	-	n/a	n/a
4	-	-	-	-	-	-	-	-	n/a	n/a
5	-	-	-	-	-	-	-	-	n/a	n/a
6	-	-	-	-	-	-	-	-	n/a	n/a
7	-	-	-	-	-	-	-	-	n/a	n/a
8	-	-	-	-	-	-	-	-	n/a	n/a
9	-	-	-	-	-	-	-	-	n/a	n/a
10	-	-	n/a	-	-	-	-	-	n/a	n/a
TOTAL	1,250			1,250	-	-	-	1,250		

Appendix C to Agenda paper 1H / FASB memo 162: IASB/FASB meeting, week commencing 11 April 2011

Other-than-finance lessee accounting

Lease with full payment made upfront

KEY TERMS	
Lease term (years)	10
Discount Rate	7%
Payments (annual)	Upfront
Payment Timing	Beginning of period

METHOD B - Annuity Method, ROU amortizes at the pattern of benefit (independent of lease liability)

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS				
	Cash Payment	Pattern of Benefits	ROU Asset	Lease Obligation	Net B/S position (FYI Only)	Amortization Expense	Interest Expense	Lease Expense	Cost of Funds
Inception			1,250	(1,250)					
Day 1			1,250	-	1,250				
1	1,250	178	1,160	-	1,160	90	-	90	n/a
2	-	178	1,063	-	1,063	97	-	97	n/a
3	-	178	959	-	959	104	-	104	n/a
4	-	178	848	-	848	111	-	111	n/a
5	-	178	730	-	730	119	-	119	n/a
6	-	178	603	-	603	127	-	127	n/a
7	-	178	467	-	467	136	-	136	n/a
8	-	178	322	-	322	145	-	145	n/a
9	-	178	166	-	166	155	-	155	n/a
10	-	178	-	-	-	166	-	166	n/a
		0							
TOTAL	1,250					1,250	-	1,250	

METHOD C- OCI method - S/L created through use of OCI

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS				OTHER COMPREHENSIVE INCOME		
	Cash Payment		ROU Asset	Lease Obligation	Amortization Expense	Interest Expense	Lease Expense	Cost of Funds	OCI	Net OCI	AOCI
Year 0			1,250	(1,250)							
Day 1				-							
1	1,250		1,125	-	125	-	125	n/a	-	125	-
2	-		1,000	-	125	-	125	n/a	-	125	-
3	-		875	-	125	-	125	n/a	-	125	-
4	-		750	-	125	-	125	n/a	-	125	-
5	-		625	-	125	-	125	n/a	-	125	-
6	-		500	-	125	-	125	n/a	-	125	-
7	-		375	-	125	-	125	n/a	-	125	-
8	-		250	-	125	-	125	n/a	-	125	-
9	-		125	-	125	-	125	n/a	-	125	-
10	-		-	-	125	-	125	n/a	-	125	-
TOTAL	1,250				1,250	-	1,250		-	1,250	