



Project **Leases**

Topic **Cover note**

Purpose of this paper

1. This paper:
 - (a) provides an overview of the agenda papers to be discussed in the week commencing 21 March 2011 IASB/FASB meeting relating to the proposals in the *Leases* exposure draft (ED).
 - (b) sets out the topics to be discussed at future board meetings.

Summary of papers

2. The staff have prepared the following papers for discussion:
 - (a) **Initial direct costs** (agenda paper 11A/memo 145). This paper discusses the definition of initial direct costs and the accounting by lessees and lessors for initial direct costs.
 - (b) **Inception vs commencement** (agenda paper 11B/memo 146). This paper discusses the implications of the inception date, commencement date, and periods between the inception and commencement date on the recognition and measurement of lease assets and lease liabilities.
 - (c) **Sale and leaseback transactions** (agenda papers 11C – 11G/memos 147 – 151). These papers will discuss the issues that were raised on sale and leaseback transactions. Agenda paper 11C/memo 147 is the

This paper has been prepared by the technical staff of the IFRS Foundation and the FASB 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.

IASB/FASB Staff paper

cover memo on sale and leaseback transactions and provides an overview of all the issues covered in these papers.

- (d) ***Discount rates*** (agenda paper 11H/memo 152). This paper analyses how lessees and lessors should determine the discount rate to use to initially measure lease payments at present value.
- (e) ***Lease and non-lease components*** (agenda papers 11I and 11J/memos 153 and 154). These papers discuss whether to separate the lease and non-lease components within a contract and, if so, how to allocate payments between the lease components and the non-lease components.

Next steps

- 3. The staff plan to bring the following papers to future board meetings:
 - (a) A summary of the response from the targeted outreach meetings on:
 - (i) Definition of a lease
 - (ii) A two-model approach for lessee accounting
 - (iii) Other matters, including variable lease payments and purchase options
 - (b) The lessor accounting model
 - (c) Subsequent measurement
 - (d) Sub-leases
 - (e) Presentation
 - (f) Transition
 - (g) Disclosure
 - (h) Consequential amendments
 - (i) Other