

Appendix A to Agenda Paper 2D / FASB Memo 171

Other-than-finance lessee accounting

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

KEY TERMS	
Lease term (years)	10
Discount Rate	7%
Annual increasing payments (100-150)	
Payment Timing	Beginning of period

NOTE - Consistent with the Boards' tentative decision in the April 2011 joint meeting only total lease expense would be required to be presented. Amortization/depreciation expense and interest expense are displayed for illustrative purposes only.

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
Year 0			951	(951)			
Day 1	100			(851)			
1	100		856	(811)	95	60	155
2	125		761	(743)	95	57	152
3	125		666	(670)	95	52	147
4	125		571	(592)	95	47	142
5	125		476	(508)	95	41	137
6	150		381	(394)	95	36	131
7	150		285	(271)	95	28	123
8	150		190	(140)	95	19	114
9	150		95	0	95	10	105
10	-		-	n/a	95	(0)	95
TOTAL	1,300				951	349	1,300

METHOD A - MODIFIED ANNUITY APPROACH

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS		
	Cash Payment	Pattern of Benefits	ROU Asset	Lease Obligation	Amort/Depr Expense	Interest Expense	Lease Expense
Inception			951	(951)			
Day 1	100			(851)			
1	100	130	881	(811)	70	60	130
2	125	130	808	(743)	73	57	130
3	125	130	730	(670)	78	52	130
4	125	130	647	(592)	83	47	130
5	125	130	558	(508)	89	41	130
6	150	130	464	(394)	94	36	130
7	150	130	361	(271)	102	28	130
8	150	130	250	(140)	111	19	130
9	150	130	130	0	120	10	130
10	-	130	(0)	n/a	130	(0)	130
TOTAL	1,300				951	349	1,300

METHOD B - ANNUITY METHOD APPROACH - Calculation #1

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS		
	Cash Payment	Pattern of Benefits	ROU Asset	Lease Obligation	Amort/ Depr Expense	Interest Expense	Lease Expense
Inception			951	(951)			
Day 1	100			(851)			
1	100	135	883 (A)	(811)	69 (B)	60	128.5
2	125	135	809	(743)	74	57	130.5
3	125	135	730	(670)	79	52	130.8
4	125	135	646	(592)	84	47	131.2
5	125	135	555	(508)	90	41	131.7
6	150	135	459	(394)	97	36	132.1
7	150	135	355	(271)	103	28	130.9
8	150	135	245	(140)	111	19	129.6
9	150	135	127	0	118	10	128.1
10	-	135		n/a	127	(0)	126.6
TOTAL	1,300				951	349	1,300

METHOD B - ANNUITY METHOD APPROACH - Calculation #2

Period	STMT OF FINANCIAL POSITION				PROFIT OR LOSS		
	Cash Payment	Pattern of Benefits	ROU Asset	Lease Obligation	Amort/ Depr Expense	Interest Expense	Lease Expense
Inception			951	(951)			
Day 1	100			(851)			
1	100	135	883 (C)	(811)	69 (D)	60	128.5
2	125	135	809	(743)	74	57	130.5
3	125	135	730	(670)	79	52	130.8
4	125	135	646	(592)	84	47	131.2
5	125	135	555	(508)	90	41	131.7
6	150	135	459	(394)	97	36	132.1
7	150	135	355	(271)	103	28	130.9
8	150	135	245	(140)	111	19	129.6
9	150	135	127	0	118	10	128.1
10	-	135		n/a	127	(0)	126.6
TOTAL	1,300				951	349	1,300

Calculation #1 - Primary calculation of ROU asset, amortization/depreciation is resulting figure

(A) The ROU asset is the present value of the remaining benefits.

(B) The amortization/depreciation expense results from the decrease in the right of use asset as calculated in (A).

Calculation #2 - Primary calculation of expense, ROU is resulting figure

(C) The ROU asset is the result after it is reduced by the amortization/depreciation expense.

(D) Amortization/depreciation expense is calculated as the benefit used in the period (CU 135) less interest on the ROU asset.