

STAFF PAPER

May 2014

FASB | IASB Meeting

Project	Leases
Paper topic	Cover Memo
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Introduction and Objective of the Meeting

- The purpose of this paper is to provide an overview of the agenda papers prepared for the May 2014 joint Board meeting and to update the Boards on the next steps in the leases project redeliberations.
- The objective of the May 2014 meeting is to reach converged decisions on the definition of a lease, separating lease and nonlease components, and initial direct costs.

Overview of Agenda Papers

- The staff have prepared the following papers for discussion:
 - Definition of a Lease** (Agenda Paper 3A/FASB Memo 282), which discusses the assessment of whether a contract contains a lease.
 - Separating Lease and Nonlease Components** (Agenda Paper 3B/FASB Memo 283), which discusses separating lease and nonlease components and allocating consideration in a contract to those components. This paper discusses the following two topics:

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The Financial Accounting Standards Board (FASB), is the national standard-setter of the United States, responsible for establishing standards of financial accounting that govern the preparation of financial reports by nongovernmental entities. For more information visit www.fasb.org

IASB Agenda ref	3
FASB Agenda ref	281

- (i) *Separating lease components* – This discussion asks the Boards to consider the lowest appropriate unit of account for application of the final leases standard (for example, should an entity be permitted in all circumstances to apply the final leases guidance to a single leased asset when it is leased together with other underlying assets?).
- (ii) *Separating and allocating consideration to lease and nonlease components* – This discussion asks the Boards to consider when lease components should be separated from nonlease components and how to allocate the consideration in the contract between the separate components.
- (c) **Initial Direct Costs** (Agenda Paper 3C/FASB Memo 284), which discusses what costs should be considered as initial direct costs and the accounting for those initial direct costs.

Next Steps

4. The Boards will continue redeliberating the May 2013 ED at future Board meetings. The staff plan to bring the following topics for discussion before issuing a final leases standard:
 - (a) Subleases
 - (b) Sale and leaseback transactions
 - (c) Leases of small assets
 - (d) Presentation
 - (e) Disclosures
 - (f) Transition
 - (g) Leveraged leases (FASB-only)
 - (h) Private company and not-for-profit issues (FASB-only)
 - (i) Effective date
 - (j) Cost benefit

IASB Agenda ref	3
FASB Agenda ref	281

- (k) Other (related party leases, consequential amendments, etc.).
5. The redeliberations will continue on a joint basis, with the intention of minimizing any differences between U.S. GAAP and IFRS.