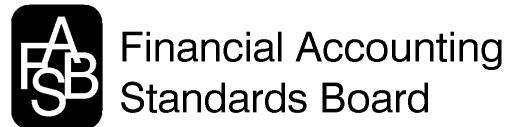


## MINUTES



**To:** Board Members

**From:** Leases Team—Hoyt (ext. 298)

**Subject:** Minutes of the April 24, 2007 Joint IASB/FASB Board Meeting: Leases—  
Scope

**Date:** May 8, 2007

**cc:** Bielstein, L. Smith, MacDonald, Lott, Zeyher, Roberge, Sledge, T. Johnson, C. Smith, Glotzer, Allen, Gabriele, Sutay, FASB Intranet, FASAC: Chookaszian, Polley, IASB: Leisenring, Upton, Hickey, Knubley, Peerless

*The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue a final Statement or Interpretation.*

Topic: Leases: Scope

Basis for Discussion: Board Memorandum No. 6

Length of Discussion: 11:00 a.m. to 11:30 a.m. (London)

Attendance:

Board members present: FASB: Herz, Batavick, Crooch, Linsmeier, Seidman, Trott, and Young

IASB: Tweedie, Barth, Bruns, Cope, Danjou, Engström, Garnett, Gélard, Jones, Leisenring, McGregor, O'Malley, Smith, and Yamada

Board members absent: None

Staff in charge of topic: Zeyher

Other staff at Board table: FASB: Bielstein; By phone: Roberge, Hoyt, and Sledge

IASB: Upton, Hickey, Knubley, Peerless

Outside participants: None

Summary of Decisions Reached:

The Boards discussed the scope of the leases project and concluded that the project should initially focus on accounting for those arrangements within the scope of existing lease accounting literature. As the project progresses and before publishing a preliminary views document, the Boards will consider whether to extend the scope of the project to other arrangements that convey a right to use another entity's asset.

Objective of the Meeting:

The objective of the meeting was to determine the scope of the leases project. The objective of the meeting was met.

Matters Discussed and Decisions Reached:

**ALTERNATIVES FOR SCOPE**

1. Ms. Zeyher started the meeting by stating that discussions on scope would be high-level and would not entail specific arrangements to be considered within scope. She also stated that the staff would not be discussing whether to limit the project to lessee accounting, as both Boards have already decided to include lessee and lessor accounting in the scope of the project at this time. Furthermore, the staff would not be discussing whether to exclude short-term or immaterial leases, as that determination will inherently be part of any scope approved by the Boards.
2. Ms. Zeyher stated that the staff proposes two alternatives to the scope of the project. The first alternative would limit the scope of the project to the current scope of IAS 17, *Leases*, FASB Statement No. 13, *Accounting for Leases*, IFRIC Interpretation 4, *Determining whether an Arrangement contains a Lease*, and EITF Issue No. 01-8, "Determining Whether an Arrangement Contains a Lease." The second alternative would expand the scope to include all right-to-use arrangements (for example,

licensing of certain intangible assets, which are currently outside the scope of Statement 13 and IAS 17).

3. Ms. Zeyher stated that the staff recommends phasing the project such that the first phase would consider those arrangements under current lease accounting literature and subsequent phases would consider the broader issue of accounting for all right-to-use arrangements. Ms. Zeyher indicated that a decision could be made following the issuance of the preliminary views document on whether to proceed to a standard, depending on the comments received from constituents.
4. Mr. Leisenring commented that the current scope is not clear, and he questioned whether the limited scope would detract from the progress of the project. Specifically, he is concerned that the Boards would receive specific questions as to which commercial arrangements would be included in the scope.
5. Mr. Trott agreed with the staff recommendation and stated his preference for a model for a narrow scope of transactions. His preference is to have the Boards develop a model that would improve financial reporting and then extend that model to a broader scope, including commercial transactions. He stated that it would not be useful to spend time redefining a lease, to develop a model, and then to find that the model does not work. He also stated that he agrees with phasing the project.
6. Ms. O'Malley agreed with Mr. Trott and stated that she is concerned about trying to establish a large scope and simultaneously trying to develop a model to encompass that scope. Developing a model and then seeing what transactions the model can account for is a better alternative.
7. Mr. Cope stated that the preliminary views must address scope, and that cannot be done without analyzing, at some point, what transactions would have to be considered in or outside of scope.
8. Mr. Danjou stated that he wants to focus on the key problem—getting the principles right. He stated that he is concerned that trying to address every issue would be too much and would delay the project's progress.

9. Mr. McGregor stated that, for the sake of progress, he agrees that the Boards cannot spend an undue amount of time addressing every possible arrangement that might be contemplated within the scope of this project. However, he has the same reservations as Mr. Leisenring. He stated that the current scope of leases is not clear and that he anticipates that this project would, at least, address the principle of what is a lease contract and to what arrangements the accounting would apply. He would prefer spending the time resolving those fundamental questions, making sure that the Boards receive input on them as they deliberate.
10. Mr. Herz stated that he understands the reasoning behind a scope that would split lease accounting for tangibles and intangibles, simply because accounting standards have not yet resolved accounting for intangibles that are owned. Addressing the issue of what, in substance, is a lease may be answered later, perhaps by determining whether the scope of EITF 01-8 is appropriate.
11. Mr. Linsmeier suggested that the Boards make a preliminary decision to develop a model under the scope as defined in the first alternative. Once the model is developed, the Boards should reassess the applicability of the model to a broader scope, but make that decision before the preliminary views document. Sir David Tweedie agreed with Mr. Linsmeier's suggestion. The current model is flawed, but the project cannot start with addressing all executory contracts. The model needs to be fixed first.
12. Mr. Yamada also stated that he supports the staff recommendation but shares Mr. McGregor's views. He wants the project to be manageable. Mr. Smith also supported the staff recommendation and stated that scope could be addressed in the period between the Preliminary Views and the Exposure Draft.
13. Mr. Batavick stated that he supports the staff recommendation. He also stated that the real difficulty with respect to a wider scope has to do with lessor accounting. He also stated that communicating the project's scope, as described under the staff's recommendation, should be fairly easy for the Boards' constituents to understand.

14. Mr. Leisenring warned that constituents may argue that they cannot provide comments on the preliminary views document until they understand the scope. If the Boards agree to the staff's recommendation, Mr. Leisenring stated that, minimally, the Boards would have to ask the question about scope, make certain the Boards get input from constituents with respect to scope, and warn constituents that the project's scope may broaden.
15. Mr. Herz asked whether anyone would object to the staff recommendation. Mr. Young objected to the staff's recommendation. He stated that attempting to build a model based on current accounting standards would be a mistake. He recommended that the staff consider a fundamental approach with a much broader scope that includes market-relevant arrangements, particularly intangible assets, going forward.
16. Mr. McGregor stated that he would not object to the staff's recommendation but that he has reservations about the efficiency of the approach. He thinks that a lot of work will need to be done on scope but wants to make progress.
17. Ms. Seidman stated that she supports the staff recommendation. The fact that investors are currently making significant adjustments to the financial statements with respect to arrangements under the scope of current lease accounting literature justifies, initially, focusing the project on a narrow scope in order to resolve those issues, keeping in mind that the scope can be broadened going forward.
18. All Board members, except Mr. Young, supported the staff's recommendation. As the model develops and prior to issuing a preliminary views document, the Boards will consider whether the model has applicability to a broader scope of arrangements that convey a right to use.

Follow-up Items:

None.

General Announcements:

None.