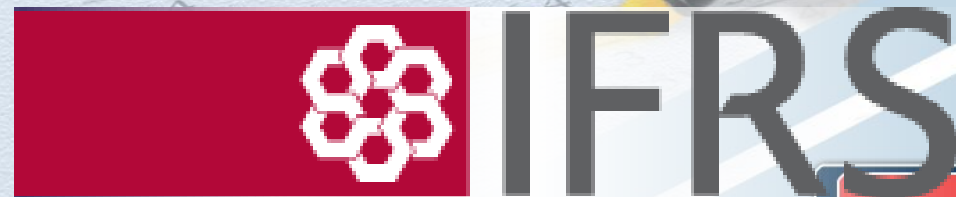


Revised Exposure Draft— Leases

This presentation has been prepared to help stakeholders understand the current status of the leases project of the FASB and the IASB. The views expressed in this presentation are those of the presenters. Official positions of the FASB and the IASB are reached only after extensive due process and deliberations.



Presenters for Today's Webcast



Russ Golden, *FASB member*



Darrel Scott, *IASB member*



Patrina Buchanan, *IASB technical principal*



Cullen Walsh, *FASB practice fellow*



Danielle Zeyher, *FASB project manager*

Housekeeping Items

- Download slides by clicking on the button below the slides window
- Ask a question by typing into the designated text box on your screen and clicking “submit”
- Remember to turn off your pop-up blocker
- A webcast recording will be available online at www.fasb.org and www.ifrs.org for 90 days

CPE and Evaluation

- CPE credit is available for viewing the live program
- Today's program will be worth approximately 1 CPE credit
 - CPE credit not available for group viewing
- To receive CPE credit you must:
 - Stay on for the required number of minutes
 - Respond to the required number of polling questions
 - Complete the course evaluation at the end of the program
- CPE credit will not be available to those who watch the archived program

Learning Objectives for Participants

- At the end of this program, participants should understand the main elements of the revised Exposure Draft on leases, including:
 - The right-of-use model
 - Lease classification
 - Lessee and lessor accounting
- Participants will have the opportunity to email questions to panelists during the event

Leases ED is Available

- The documents are available online at www.fasb.org and www.ifrs.org
- The comment period ends on September 13, 2013
- Email comments to director@fasb.org, mail written comments (address on second page of revised ED), or send comments [electronically](#) to www.fasb.org
- Send comments electronically to the IASB website (www.ifrs.org) using the “Comment on a Proposal” page

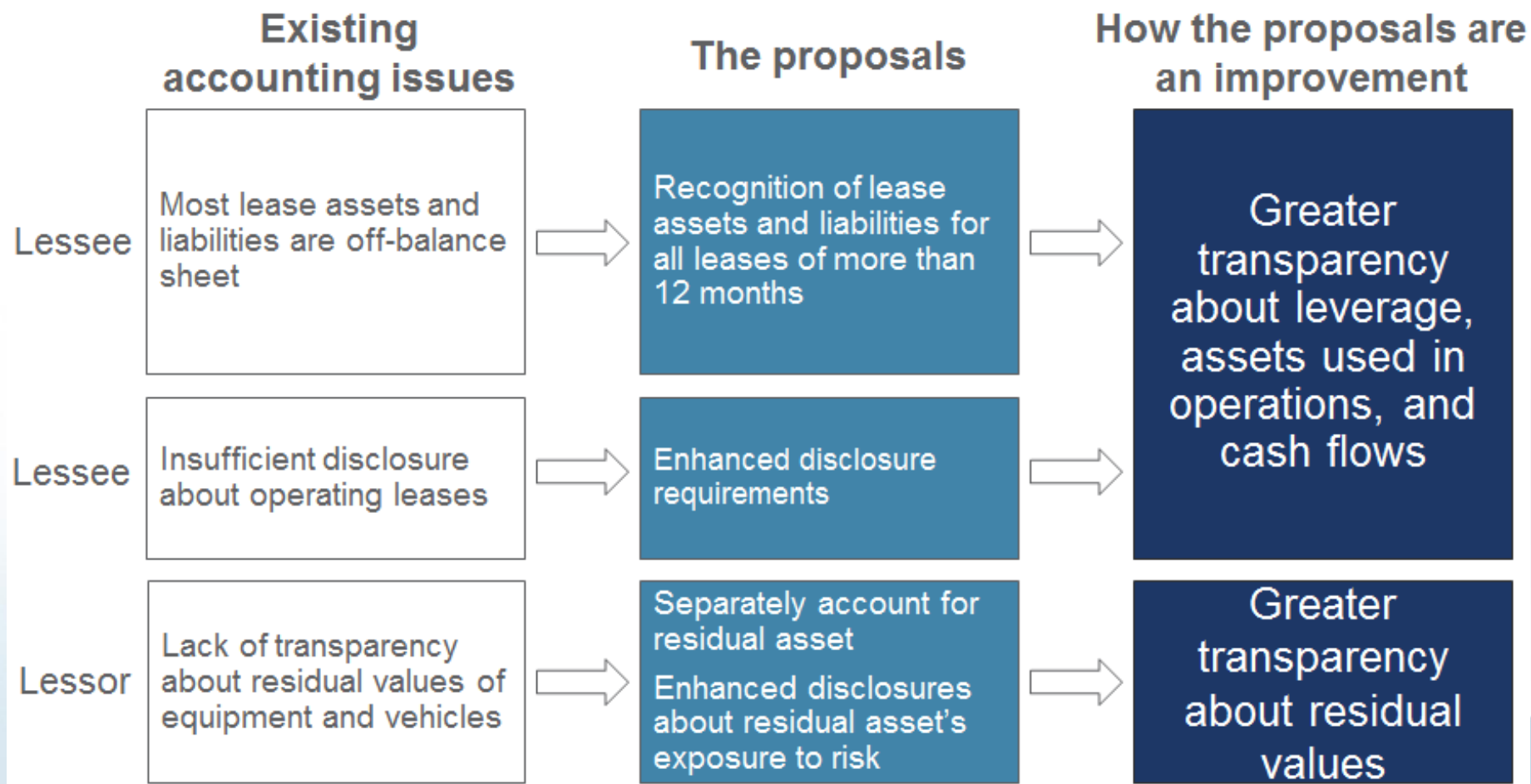
Why a Leases Project?

- **Lessee**
 - Most lease assets and liabilities are off-balance sheet
 - Limited information about operating leases
- **Lessor**
 - Lack of transparency about residual values
 - Consistency with lessee proposals and revenue recognition proposals

**\$1.25
trillion**
of off-balance sheet
operating lease
commitments for
SEC registrants*

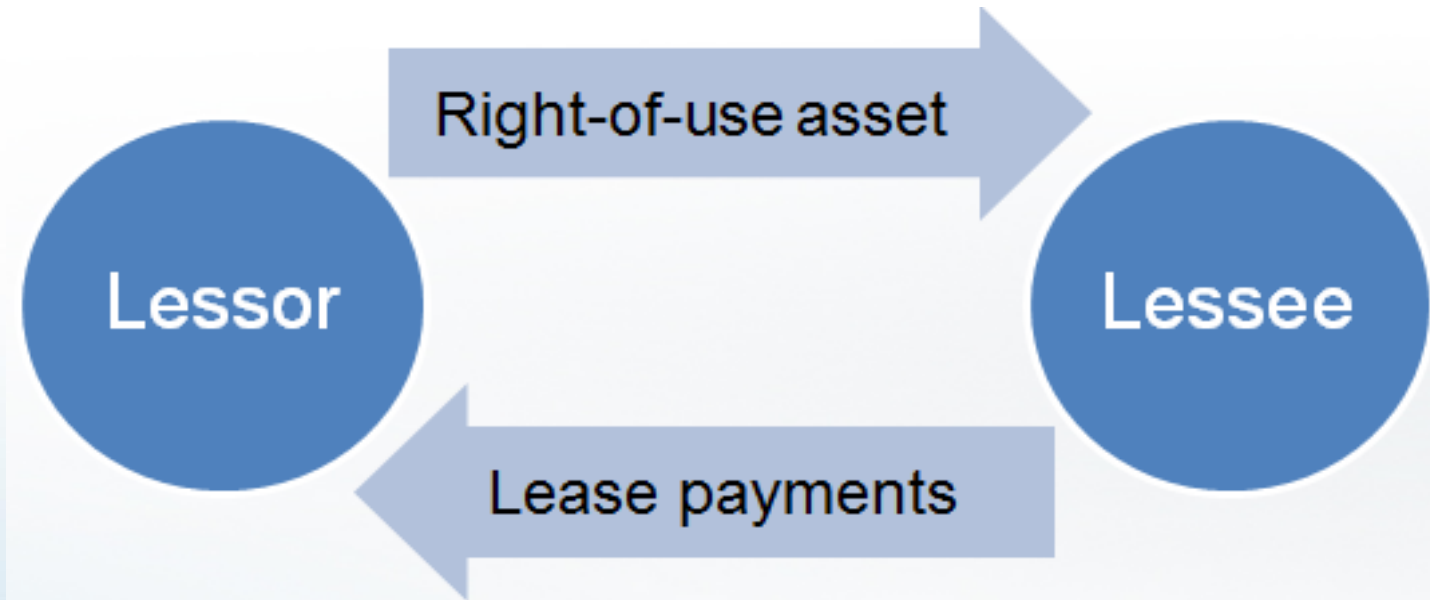
* Estimate according to the 2005 SEC report on off-balance sheet activities

How the Proposals are an Improvement



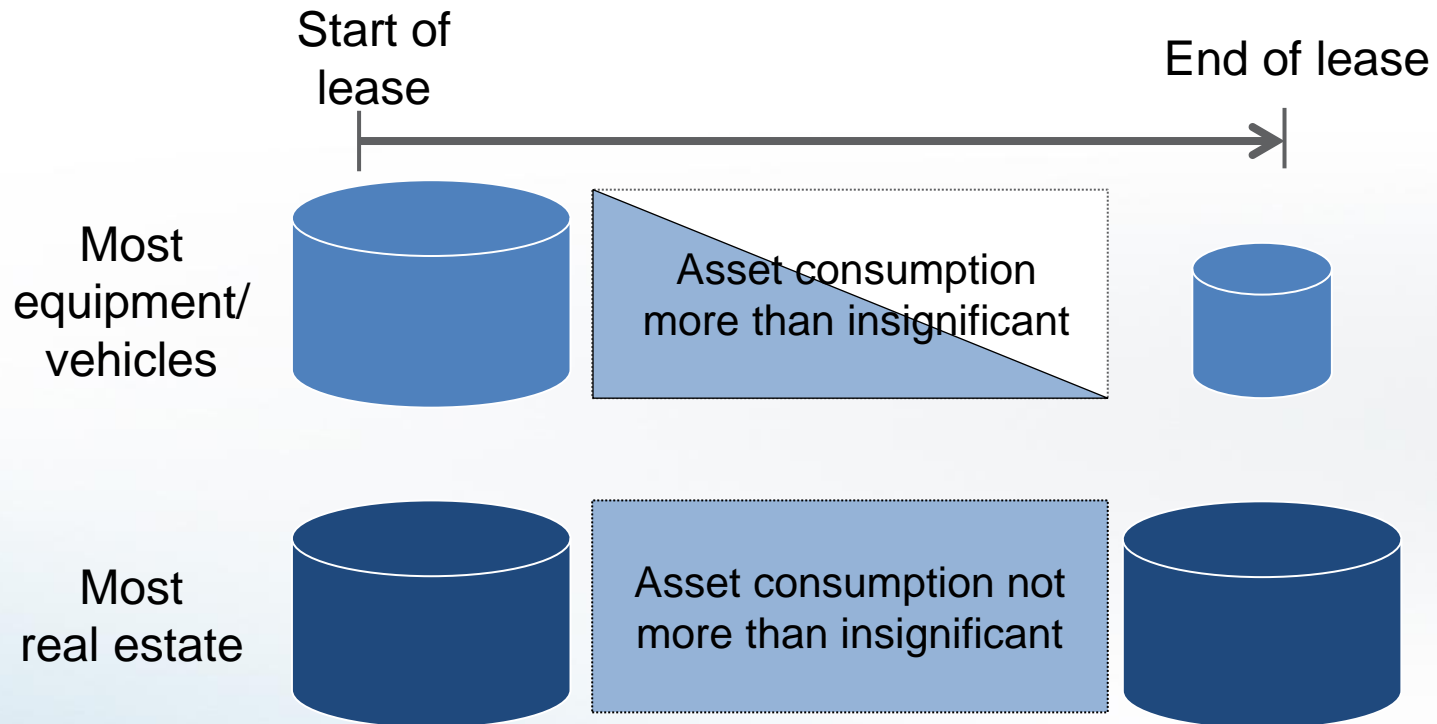
Proposed Right-of-Use Model

A lease contract conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration



Dual Approach

There is a wide spectrum of lease transactions with different economics



Lease Classification Test

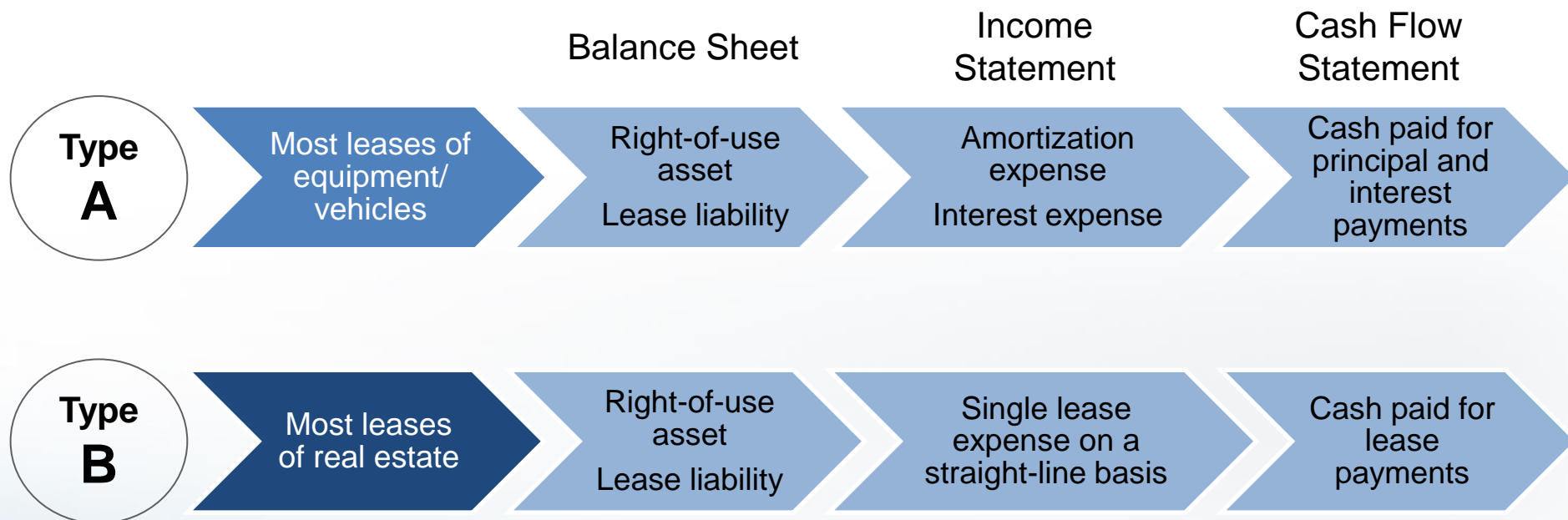
Leases for equipment/vehicles are Type A unless

- Lease term is insignificant relative to total economic life of asset
- Present value of lease payments is insignificant relative to fair value of asset

Leases for real estate are Type B unless

- Lease term is major part of remaining economic life of asset
- Present value of lease payments is substantially all of fair value of asset

Lessee Accounting Overview



Lessee Disclosures

Qualitative

General description of leases

Terms of:

- variable lease payments
- extension/termination options
- residual value guarantees

Restrictions and covenants

Information about leases not yet commenced

Quantitative

Maturity analysis of undiscounted cash flows for each of first 5 years plus total thereafter

Reconciliation of lease liability¹

Expense relating to variable lease payments

Reconciliation of right-of-use asset by asset class (IASB only)

¹FASB only: Nonpublic entity may elect not to disclose

Judgments & Risks

Nature and extent of risks arising from leases

Significant assumptions and judgments

Lessor Accounting Overview

Balance Sheet

Income Statement

Cash Flow Statement

Type A

Most leases of equipment/vehicles

Lease receivable
Residual asset

Interest income and any profit on the lease

Cash received for principal and interest payments

Type B

Most leases of real estate

Continue to recognize underlying asset

Lease income, typically on a straight-line basis

Cash received for lease payments

Lessor Disclosures

Qualitative

General description of leases

Terms of:

- variable lease payments
- extension/termination options
- purchase options

Quantitative

Reconciliations of lease receivable and residual asset

Table of lease income

Maturity analysis of undiscounted cash flows for each of first 5 years plus total thereafter

Carrying amount of residual assets covered by residual value guarantees

Judgments & Risks

Nature and extent of risks arising from leases

Significant assumptions and judgment

Risk management for residual assets

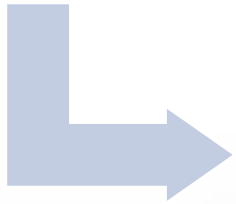
Reducing Cost and Complexity in Response to Feedback on the 2010 ED

- Short-term leases
 - Option to exclude leases with a maximum term of 12 months or less
- Variable lease payments
 - Excluded if payments are not linked to an index or a rate
- Renewal options
 - Excluded unless significant economic incentive to exercise the option
- FASB only: Nonpublic entity reliefs

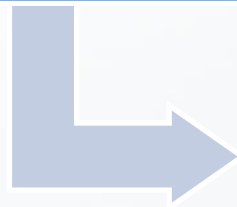


Next Steps

Revised ED-
May 2013;
Comment period ends-
September 13, 2013



Outreach-
*May through October
2013*



Redeliberations-
beginning Q4 2013



Final standard and
effective date-
TBD

Questions or Comments?

