



## FASB and IASB Agree to Revise Lease Accounting Proposals

At their recent joint meeting, the FASB and IASB (the Boards) tentatively decided to revise some of their more significant lease accounting proposals to address concerns about the proposals.<sup>1</sup> The tentative decisions would reduce the optional periods to be included in the lease term, reduce the amount of variable lease payments to be included in the lessee's lease liability and lessor's lease receivable, clarify the accounting for termination penalties and residual value guarantees, and establish a lease classification test that would be used to determine the pattern of profit and loss recognition in the income statement by lessees and lessors. The Boards' recent decisions would affect both lessees and lessors. The Boards formed the tentative decisions after considering feedback from constituents obtained in nearly 800 comment letters, seven roundtable discussions, preparer workshops, working group meetings, and other outreach activities.

The Boards also discussed how to define a lease but did not reach any tentative decisions except that an arrangement may not contain a lease if the related assets are incidental to the delivery of services. The Boards tentatively decided to initially limit lessor accounting discussions solely to issues that are critical to both lessees and lessors. As the project progresses, they plan to evaluate whether lessor accounting requirements in both current U.S. GAAP and IFRS should be changed and, if so, whether the changes would be made as part of the leases project or a separate project scheduled for a later time.

This edition of *Defining Issues* summarizes the Boards' tentative decisions and some of the potential implications for lessees and lessors. Redeliberations continue on other aspects of the Boards' joint exposure draft (ED) on lease accounting and the tentative decisions could change before a final standard is issued, which is still targeted to occur by June 30, 2011. The ED's proposals would require lessees to include leases on-balance-sheet by recognizing a right-of-use asset and a liability to make future lease payments. Lessors would be required to account for leases under either the performance-obligation approach or the derecognition approach. Adoption of the ED's proposals would materially change the reported assets, liabilities, and pattern and classification of income and expense of almost all entities.

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<sup>1</sup> Proposed Accounting Standards Update, Leases, August 17, 2010, available at [www.fasb.org](http://www.fasb.org), and Exposure Draft ED/2010/9, Leases, August 2010, available at [www.ifrs.org](http://www.ifrs.org). The joint FASB/IASB meeting was held February 16-18, 2011. For more information about the Boards' joint project on accounting for leases and the ED's proposals, see *Defining Issues* No. 10-34, Proposed Changes to Lease Accounting, and Issues In-Depth 10-5, Potential Implications of the FASB, IASB Joint Exposure Draft on Lease Accounting, both available at [www.kpmginstitutes.com/financial-reporting-network](http://www.kpmginstitutes.com/financial-reporting-network).

A chart in the section *Summary of Tentative Decisions Reached in Redeliberations* compares the Boards' tentative decisions reached in their redeliberations with the corresponding original proposals in the ED.

## Lease Term

In a significant change from the ED, the Boards tentatively decided that the lease term would be the contractual minimum period plus any optional renewal periods for which exercise of the renewal option is reasonably certain based solely on economic factors. The ED proposed that the lease term would be the longest possible term that is more-likely-than-not to occur based on economic factors as well as lessee intentions and past practice. Under the Boards' revised tentative decision, if a lease includes early-termination provisions, the lease term would be the period for which it is reasonably certain that the lease will not be terminated early. Some Board members described the lease term as the non-cancelable period for which the lessee is obligated to lease the underlying asset plus any periods for which the lessee has both an option to renew the lease and a significant economic incentive to do so. If the lease includes no renewal option but the lessee can terminate the lease early (including situations where termination results in an early-termination penalty), those Board members indicated that the lease term would be the period for which the lessee has a significant economic incentive not to terminate the lease early.

The Boards also agreed that the lease term would be reassessed. The requirement to reassess is consistent with the ED's proposals, however there likely would be fewer reassessments because the reasonably-certain threshold is higher than the originally-proposed more-likely-than-not threshold, and the assessment would not take into consideration lessee intentions or past practice. Using the tentative criteria to determine the initial lease term, reassessment would only occur when economic factors affecting the decision to extend or terminate a lease change significantly. Board members also indicated that they do not intend to require constituents to search for reassessment events. The ED proposed that the lease term be reassessed whenever a change in facts or circumstances occurs that could prompt a significant change in the lessee's liability to make lease payments or the lessor's lease receivable.

Constituents expressed concern that the more-likely-than-not threshold would be too low and create complexity and implementation difficulties. They called on the Boards to:

- Revert to current guidance and apply a *reasonably assured* (U.S. GAAP) or *reasonably-certain* (IFRS) threshold;<sup>2</sup>
- Raise the threshold to virtually certain; or

<sup>2</sup> FASB ASC Topic 840, Leases, available at [www.fasb.org](http://www.fasb.org), and IAS 17, Leases.

- Include options to extend or cancel leases only when the contract includes incentives to exercise these options.

The direction of the Boards' redeliberations is broadly consistent with these suggestions. The tentative wording would retain a generally understood reasonably-certain threshold and also would reduce the need for reassessment. However, if the Boards decide to stipulate that the reasonably-certain threshold is always met when the lessee has a significant economic incentive to renew the lease or not to terminate it early, it may result in a change to practice. Under current U.S. GAAP practice, a lessee may have a significant economic incentive to renew the lease without necessarily concluding that the exercise of a renewal option is considered reasonably assured; the significance of the economic incentive must be so great that exercise of a renewal option is reasonably assured for the renewal period to be included in the lease term.

While this revised approach may retain a familiar and well understood threshold, the determination of whether to include the renewal period would be significant because leases would be on-balance-sheet for lessees. The Boards plan to provide criteria that would be used to assess whether economic factors suggest that renewal is reasonably certain. Because the criteria would be based on economic factors instead of lessee-specific factors (e.g., the lessee's intentions), it is more likely that lessees and lessors would make similar estimates of lease term than under the ED's proposed requirements.

### **Variable Lease Payments**

In another significant change from the ED, the Boards tentatively decided that variable lease payments that depend on an index or rate would be included in the measurement of the lessee's liability to make lease payments and the lessor's lease receivable using the prevailing index or rate existing at the inception of the lease (i.e., the spot rate). An estimate of other variable lease payments, such as those that depend on a factor directly related to the future use of the leased property such as machine hours of use or sales volume during the lease term, would be included in the measurement of the lessee's lease liability and the lessor's lease receivable if they meet a high threshold (e.g., reasonably certain). The Boards will address that threshold at a future meeting. The Boards also tentatively decided that variable lease payments that in substance represent minimum lease payments (e.g., payments for which the variability lacks commercial substance because the likelihood that the contingent event will not occur is very remote) would be included in the measurement of the lessee's lease liability and the lessor's lease receivable. The Boards will discuss at a future meeting how to measure variable lease payments (other than those that depend on an index or rate) that meet the threshold, whether to require additional disclosures for variable lease payments that do not meet the threshold, and reassessment requirements for variable lease payments.

In the ED, the Boards had proposed that variable lease payments that depend on an index or rate would be included in the measurement of the lessee's lease liability and the lessor's lease receivable using the forward rate at lease inception if readily available; otherwise, the spot rate would be used. The Boards had also proposed that an estimate of all other variable lease payments would be included in the measurement of the lessee's lease liability and the lessor's lease receivable using a probability-weighted expected outcomes estimation methodology. The ED proposed reassessments of variable lease payments any time a change in facts or circumstances indicated that there could be a significant change in the lessee's lease liability or the lessor's lease receivable.

Constituents generally asserted that the proposals for contingent rents were overly complex and difficult to implement. Recommendations included:

- Providing a threshold for including contingent rents in estimated lease payments such as reasonably assured, reasonably certain, or virtually certain;
- Measuring contingent rents based on a best-estimate approach rather than an expected-outcomes approach;
- Excluding contingent rents that are not based on indices or rates from estimated lease payments; and
- Including only unavoidable contingent rents in estimated lease payments.

Based on the direction of the Boards' redeliberations, lessees and lessors still would be required to consider contingent rents in the initial measurement of the lease liability and lease receivable, respectively. However, the establishment of a threshold for contingent rents that are not based on an index or rate should reduce the amount of the lessee's lease liability and the lessor's lease receivable in comparison to the ED. The Boards have yet to redeliberate the methodology to be used for measuring recognized contingent payments other than those based on an index or rate and it is possible that they may move away from a probability-weighted expected outcomes methodology to another approach such as a best-estimate approach.

The revised proposals may reduce the likelihood of differences between a lessee's estimated lease liability and a lessor's lease receivable in some circumstances compared to the ED's proposed approach. However, because differences in the lessee's and lessor's access to information could still result in substantially different estimates for certain types of leases, such as leases with payments based on a percentage of sales, it remains possible that the lessee's lease liability could differ significantly from the lessor's lease receivable.

## **Other Lease Payments**

The Boards agreed to clarify the ED's proposals related to the impact on measurement of the lessee's lease liability and the lessor's lease receivable of payments for lease termination penalties and residual value guarantees.

**Lease Termination Penalties.** The Boards reaffirmed that the lessee's lease liability and the lessor's lease receivable would include an estimate of the amount payable for lease termination penalties and clarified that the amount should be determined based on the lease term. For example, in a 15-year non-cancelable lease that carries a termination penalty of \$5,000 for termination after 10 years, the lessee's lease liability and lessor's lease receivable would reflect a payment of \$5,000 at the end of the 10th year of the lease if the lease term is determined to be 10 years.

**Residual Value Guarantees.** The Boards reaffirmed that the lessee's lease liability and the lessor's lease receivable would include an estimate of the amount payable or receivable for residual value guarantees (i.e., the difference between the expected value of the underlying asset at the end of the lease term and the guaranteed amount) provided by the lessee and would exclude amounts payable or receivable for residual value guarantees provided by an unrelated third party. The Boards did not discuss whether to include a threshold for residual value guarantee payments to be included in the measurement of the lessee's lease liability and the lessor's lease receivable, the methodology to be used in estimating residual value guarantee payments, or reassessment requirements with respect to estimated residual value guarantee payments. The ED proposed that a probability-weighted expected outcomes methodology be used to estimate residual value guarantee payments and that estimated residual value guarantee payments would be reassessed any time a change in facts or circumstances indicated that there could be a significant change in the lessee's lease liability or the lessor's lease receivable.

## Lease Classification

In yet another significant change from the ED, the Boards tentatively decided to include a lease classification test to determine the pattern of profit and loss recognition in the income statement by lessees and lessors. All leases would be classified by lessees and lessors as follows:

- *Finance lease* – A lease that is similar to the lessor providing financing to the lessee for the acquisition of an asset. The pattern of profit and loss recognition would include a financing element (i.e., interest would be computed using the effective-interest method) and therefore would be consistent with the ED.
- *Other-than-finance lease* – A lease that is similar to a rental transaction. Financing would not be considered a significant component of the arrangement and the transaction would not be considered similar to financing the acquisition of the asset. The pattern of profit and loss recognition would be consistent with current U.S. GAAP and IFRS for operating leases (i.e., generally straight-line recognition).

Future lease payments would be included in measuring the lessee's lease liability and the lessor's lease receivable on a discounted present value basis under both

classifications. The Boards plan to develop criteria to distinguish between finance and other-than-finance leases, which may include consideration of:

- The residual asset – whether there is a significant change in the residual value of the leased asset;
- Potential ownership transfer – whether the lease contains a bargain purchase option or automatically transfers ownership of the leased asset to the lessee at the end of the lease term;
- Length of lease term – whether the lease term is significant in relation to the leased asset’s useful life;
- Rent characteristics – whether payments over the lease term are comparable to what a lessor would expect for an investment in the leased asset plus a fair return;
- The underlying asset – whether the leased asset is specialized or customized and available for sale;
- Embedded or integral services – whether there are significant embedded or integral services that cannot be separated from the lease; and
- Variable rent – whether there is significant contingent rent that is based on use or performance of the leased asset.

The Boards directed their staffs to perform targeted outreach to obtain feedback to help them make final decisions about lease classification.

The ED proposed that the pattern of profit and loss recognition by lessees and lessors would include a financing element for all leases other than those with a maximum possible lease term of 12 months. Lessees would recognize a right-of-use asset and a liability to make future lease payments for every lease. For all leases other than those with a maximum possible lease term of 12 months, the right-of-use asset would be amortized over the lease term and lease payments would be attributed to interest expense and a reduction of the lease liability on an effective-interest method under the ED. Lessors would account for all leases other than those with a maximum possible lease term of 12 months under either the performance-obligation approach or the derecognition approach. The terms of the arrangement would determine what approach a lessor would be required to use. Under both approaches, the lessor would recognize a lease receivable on the balance sheet and lease payments would be attributed to interest income and a reduction of the lease receivable on an effective-interest method.

The Boards’ tentative decisions are intended to address the concerns of constituents who believe that not all leases are the same (i.e., some leases are financing in nature and others are not) and that a straight-line profit and loss recognition pattern is appropriate in some circumstances. The proposals also may

further align lessee and lessor profit and loss recognition as recognition for both would depend on whether or not the lease is deemed to have a finance element. However, constituents concerned that the ED did not meet the Boards' stated objective of a less complex single approach for lessee and lessor accounting are likely to be disappointed by the retention of multiple approaches in lease accounting. Although the Boards plan to include a principle for determining whether to follow a finance or other-than-finance approach, it appears that their tentative decisions would retain some type of lease classification test that could result in different accounting for economically similar leases.

## Definition of a Lease

A significant part of the Boards' redeliberations have been devoted to lease definition issues. The ED's definition of a lease has received greater scrutiny than it did under current U.S. GAAP and IFRS because lessees would have to recognize all leases on the balance sheet. The ED defined a lease as a contract in which the right to use a specified asset (the underlying asset) is conveyed, for a period of time, in exchange for consideration.

In their original deliberations, the Boards expressed a desire to retain the lease definitions used in current U.S. GAAP and IFRS.<sup>3</sup> Subsequently, the IASB decided to exclude from the definition lease arrangements involving the right to use intangible assets but otherwise decided not to change IFRS's lease definition.

Under the ED's proposals, similar to current U.S. GAAP and IFRS, a contract is or contains a lease if both of the following conditions are met:

- The contract conveys the right to use a specified asset, and
- The contract conveys the right to control the use of the specified asset.

In response to the ED's proposals, many constituents expressed concerns that the ED's guidance would not be sufficiently robust to differentiate lease and non-lease arrangements. They noted that a clear answer to the question, "What is a lease?" is essential if a new standard under which lease contracts are on-balance-sheet for lessees while service and other executory contracts are off-balance-sheet is to be sufficiently operational.

In their redeliberations, the Boards considered several different alternatives to clarify the key criteria in the definition of a lease (i.e., specified asset and control) and identified alternatives to be explored further. For the specified asset criterion, the Boards plan to debate whether a specified asset needs to be uniquely identifiable (e.g., a specific shipping container) or can be defined more broadly as an asset of particular specification (e.g., a type of shipping container with a specified capacity). The Boards will also consider whether a physically distinct portion of a larger asset (e.g., a floor of a high-rise office building or

<sup>3</sup> FASB ASC Topic 840, Leases, available at [www.fasb.org](http://www.fasb.org), IAS 17, Leases, and IFRIC 4, Determining Whether an Arrangement Contains a Lease.

a specified strand of fiber within a fiber optic cable) or both a physical and a non-physical portion of a larger asset can be a specified asset. Examples of a non-physical portion of a larger asset include a specified portion of the capacity of a pipeline and a specified portion of the capacity of a fiber optic cable. The Boards directed their staffs to perform targeted outreach to seek input on the alternative approaches. In particular, they asked their staffs to explore whether a supplier's right to substitute the underlying asset would result in the arrangement being considered a service rather than a lease when the substitution right is substantive, which generally is the approach applied under current U.S. GAAP and IFRS, or alternatively, whether a substitution provision that requires the supplier to provide an asset with the same or similar specifications as those of the asset being substituted would result in the arrangement being considered a lease. If the Boards ultimately decide that an asset need not be uniquely identifiable or a physically distinct portion of a larger asset to be considered a specified asset, it would represent an expansion of the scope of the lease accounting requirements in comparison to current U.S. GAAP and IFRS.

For the control criterion, the Boards plan to debate whether the concept of control in current U.S. GAAP and IFRS should be carried forward with modification to clarify the underlying principle or whether a revised description of control should be prepared to be consistent with the proposals in their revenue recognition project. The revenue recognition project definition would state that a customer has the right to control an asset if it has the ability to direct the use and receive the benefit from the use of the asset. The Boards directed their staffs to perform targeted outreach to seek input on the alternative approaches.

During their redeliberations and roundtable discussions, the Boards spent significant time debating whether the right to use a specified asset in an arrangement in which the asset is incidental to other services (e.g., use of a cable television box to receive entertainment services) should be considered a lease. The Boards tentatively decided to clarify that a contract may explicitly or implicitly identify an underlying asset, but not contain a lease if the asset is incidental to the provision of a service. The Boards observed that an asset is likely to be incidental to the provision of a service when either (a) specification of the asset is determined by the supplier as a mechanism for providing a specified service requested by the customer or (b) the asset component of a contract is insignificant in terms of its benefit to the customer when compared to the service components of the contract. The Boards' tentative decision would limit the scope of the lease accounting requirements in comparison to current U.S. GAAP and IFRS. The Boards will discuss at a future meeting how to account for arrangements that include the right to use assets that are not incidental to services or other deliverables in the arrangement.

It is difficult to proceed with the other issues to be addressed in the project before the Boards finalize the definition of a lease because the application of any guidance on lease accounting will be dependent on determining what a lease is. Issues to be deliberated further by the Boards include:

- How to distinguish between a lease and service contract and how to separate the lease element in a contract that contains both a lease and a service;
- Whether the current IFRS and U.S. GAAP guidance is sufficient and appropriate to define a lease; and
- Whether a leased asset is a right-of-use asset, an underlying physical or intangible asset, or a component or portion of a physical or intangible asset.

The proposals that the Boards plan to explore through further outreach have the potential to significantly move the line between what is considered a lease (and therefore in the scope of the new standard) and what is considered a service (and therefore accounted for as an executory contract). In their redeliberations to date, a slight majority of the members of both Boards have expressed a preference for the leases standard to contain the more expansive definition of a lease in the alternatives they are considering for the specified asset and control criteria. The Boards are hopeful that additional outreach will provide the insight needed to agree on a path forward.

## **Lessor Accounting**

Many constituents commented that the lessor accounting proposals were substantially less developed than the lessee proposals. The Boards devoted substantially more time to development of the lessee right-of-use model in the earlier discussion paper process compared to the lessor proposals before issuing their ED.<sup>4</sup> In January 2011, the Boards agreed that more work needed to be done to address the shortfalls of the lessor accounting proposals but tentatively decided to initially limit lessor accounting discussions to only those issues that are critical to both lessees and lessors. As the project progresses, the Boards will decide whether changes are needed to the lessor accounting requirements under current U.S. GAAP and IFRS and, if so, whether the changes would be made as part of the current leases project or as part of a future separate project.

## **Other Issues and Next Steps**

The Boards have prioritized their redeliberations around the concerns most consistently raised by constituents: definition of a lease, lease term, variable lease payments, profit and loss recognition pattern, and lessor accounting. However, the Boards acknowledged that to issue high-quality, comprehensive lease accounting standards, they will need to redeliberate and reach conclusions on many other key issues, including:

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<sup>4</sup> FASB and IASB Discussion Paper, Leases: Preliminary Views, March 19, 2009, available at [www.fasb.org](http://www.fasb.org) and [www.ifrs.org](http://www.ifrs.org).

- Measurement, including discount rate considerations, initial direct costs, foreign exchange, impairment, and revaluation considerations;
- Inception date versus commencement date, including when to recognize a lease, accounting between inception and commencement of a lease, and consideration of build-to-suit leases;
- Consideration of other leasing arrangements, including accounting for subleases and sale-leaseback transactions;
- Accounting for lease modifications and extinguishments;
- Lease incentives, leasehold improvements, and restoration obligations;
- Presentation and disclosure considerations;
- Consequential amendments and the impact on investment property (existing IFRS guidance and FASB project) and business combinations;<sup>5</sup>
- Transition considerations including the impact on first time adopters and consideration of full retrospective application;
- Private company considerations; and
- Overall cost and benefit considerations of the proposals.

The number and significance of these issues will place substantial strain on the Boards' ability to develop high-quality, comprehensive guidance by their self-imposed target date for completing the leases project of June 30, 2011.

### Summary of Tentative Decisions Reached in Redeliberations

The following chart summarizes the tentative decisions reached by the Boards during their joint redeliberations compared to the corresponding proposals in the ED:

Proposals in the Leases ED	Tentative Decisions in Redeliberations
<b>Lease Term</b>	
<ul style="list-style-type: none"> <li>• Lease term for lessees and lessors would be the longest possible term that is more-likely-than-not to occur</li> <li>• Lease term assessment would consider economic factors and lessee-specific factors</li> <li>• Lease term would be reassessed if facts or circumstances indicate that there would be a significant change in the lessee's lease liability or the lessor's lease receivable</li> </ul>	<ul style="list-style-type: none"> <li>• Lease term would be the non-cancelable period plus any optional periods for which exercise of the option to extend the lease (or not to terminate the lease early) is reasonably certain</li> <li>• Lease term assessment would consider only economic factors; lessee-specific factors would not be considered</li> <li>• Lease term would be reassessed if economic factors affecting the decision to extend or terminate a lease change significantly</li> </ul>

<sup>5</sup> IAS 40, Investment Property. For additional information about the FASB's project on accounting for investment properties, see Defining Issues No 11-10, FASB Agrees to an Entity-Based Approach to Investment Properties Guidance, available at [www.kpmginstitutes.com/financial-reporting-network](http://www.kpmginstitutes.com/financial-reporting-network).

Proposals in the Leases ED	Tentative Decisions in Redeliberations
<b>Variable Lease Payments</b>	
<ul style="list-style-type: none"> <li>• Variable payments based on an index or rate would be included in measuring the lessee's lease liability and lessor's lease receivable using readily available forward rates or indices at lease inception; if forward rates or indices are not readily available, then prevailing (spot) rates or indices would be used at lease inception</li> <li>• Variable payments that are not based on an index or rate would be included in measuring the lessee's lease liability and lessor's lease receivable using a probability-weighted expected outcomes technique</li> <li>• A lessor would include variable payments not based on an index or rate in the measurement of the lease receivable only if those payments can be reliably measured</li> <li>• Measurement of variable lease payments would be reassessed if facts or circumstances indicate that there would be a significant change in the lessee's lease liability or the lessor's lease receivable</li> </ul>	<ul style="list-style-type: none"> <li>• Variable payments based on an index or rate would be included in the measurement of the lessee's lease liability and lessor's lease receivable using prevailing (spot) rates or indices at lease inception</li> <li>• Variable payments that are not based on an index or rate would be included in measuring the lessee's lease liability and lessor's lease receivable if they meet a high threshold (e.g., reasonably certain); the specific threshold and the methodology for estimating payments that meet the threshold will be discussed at a future meeting</li> <li>• Variable payments that in substance represent minimum lease payments would be included in the measurement of the lessee's lease liability and the lessor's lease receivable</li> <li>• Lessees and lessors would be subject to the same reliability standard for variable payments, which will depend on the threshold ultimately established by the Boards</li> <li>• Reassessment of variable payments will be discussed at a future meeting</li> </ul>
<b>Other Lease Payments</b>	
<ul style="list-style-type: none"> <li>• Measurement of the lessee's lease liability and lessor's lease receivable would include an estimate of amounts payable/receivable under residual value guarantees (RVGs) provided by the lessee and exclude amounts payable/receivable from an unrelated third party</li> <li>• Measurement of the lessee's lease liability and lessor's lease receivable would include lease termination penalties</li> </ul>	<ul style="list-style-type: none"> <li>• Clarification would be provided that the amount of RVG payments provided by the lessee to be reflected in measuring the lessee's lease liability and lessor's lease receivable would be the difference between the expected residual value and the guaranteed residual value</li> <li>• Clarification would be provided that the amount of termination penalty payments to be included in measuring the lessee's lease liability and lessor's lease receivable would be consistent with the lease term (i.e., if it is not reasonably certain that the lessee will forego the option to terminate the lease early, the termination penalty would be included in the measurement of the lessee's lease liability and the lessor's lease receivable)</li> </ul>

Proposals in the Leases ED	Tentative Decisions in Redeliberations
<b>Lease Classification</b>	
<ul style="list-style-type: none"> <li>All leases other than those with a maximum possible term of 12 months would include a financing element for purposes of profit and loss recognition</li> </ul>	<ul style="list-style-type: none"> <li>Leases would be classified by lessees and lessors as either finance leases or other-than-finance leases for purposes of determining the pattern of profit and loss recognition; other-than-finance leases would not include a financing element and would result in a pattern of profit and loss recognition that is generally consistent with the pattern applicable to operating leases under current U.S. GAAP and IFRS (i.e., generally straight-line) while finance leases would include a financing element</li> </ul>
<b>Definition of a Lease</b>	
<ul style="list-style-type: none"> <li>The definition of a lease would include a right to use an explicitly or implicitly identified asset that is incidental to the provision of a service</li> </ul>	<ul style="list-style-type: none"> <li>The definition of a lease would exclude a right to use an explicitly or implicitly identified asset that is incidental to the provision of a service</li> </ul>

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