

# CAZENOVE

International Accounting Standards Board  
30 Cannon Street  
London  
EC4M 6XH

Direct Line +44 (0)20 7825 9132  
Direct Fax +44 (0)20 7825 9189  
peter.elwin@cazenove.com

Your Reference  
Our Reference pje/IAS 17&40

13 September 2002

Dear Sir/Madam,

## **Proposed changes to IAS 17 (Leases) and IAS 40 (Investment properties)**

As frequent users of financial statements prepared under International Accounting rules we welcome the Board's efforts to improve the standards currently in place. However we are concerned about some of the changes being proposed in relation to IAS 17 and IAS 40 in relation to land and buildings.

The issues surrounding lease accounting are complex and require due consideration and debate. The proposals give insufficient information regarding the underlying arguments about lease accounting in relation to land and buildings, and the necessary restrictions imposed upon the improvements timetable do not allow sufficient time to debate all the issues. Given that the IASB and ASB are cooperating on a project to review all aspects of lease accounting, it would seem more sensible to await the results of this comprehensive review, rather than impose rules now that may be subject to further change in the near future, imposing unnecessary costs on preparers and users of financial statements.

We would prefer to restrict the proposed changes to IAS 17 and IAS 40 to the areas where there is less controversy. We have no objection to the proposed changes to IAS 17 with regard to initial direct costs, and we welcome the proposed change to IAS 40 allowing assets held under operating leases to be treated as Investment Properties (subject to the comments above), since this is likely to enhance the information provided to users by property companies in many places around the world.



**Peter Elwin**

Head of Research Training & Quality Assurance

Cazenove & Co. Ltd. 12 Tokenhouse Yard London EC2R 7AN  
Telephone +44 (0)20 7588 2828 Fax +44 (0)20 7606 9205 [www.cazenove.com](http://www.cazenove.com)

Registered Office 12 Tokenhouse Yard London EC2R 7AN  
Registered in England and Wales No 4153386. Regulated by the Financial Services Authority and a member of the London Stock Exchange