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European Federation of Equipment Leasing Company Associations  
Fédération Européenne des Associations des Etablissements de Crédit-bail  
Europäische Vereinigung der Verbände von Leasing-Gesellschaften

**By e-mail / Original by airmail**

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International Accounting Standards Board (IASB)  
166 Fleet Street  
London EC4A 2DY  
United Kingdom  
Brussels, February 14, 2002

**COMMENT LETTER BY LEASEUROPE**

**'Exposure Draft of a Proposed Preface to International Financial Reporting Standards'**

Dear Madam, Dear Sir,

We have the honour and pleasure to enclose the official comments of LEASEUROPE to the *Exposure Draft of a proposed Preface to International Financial Reporting Standard*.

Leaseurope is the European Federation of Equipment Leasing Company Associations, with currently 30 National Member Associations comprising more than 1300 individual leasing companies in Europe.

We hope that you will find our comments useful and at the same time suitable for further steps.

If you have any questions regarding our comments, please do not hesitate to contact Mathias Schmit, our Accounting Consultant in Brussels.

Yours sincerely,

Dr. Thomas Schröer  
(Chairman of the Accounting and  
Taxation Affairs Committee)

Mathias Schmit  
(Consultant)

## COMMENT LETTER BY LEASEUROPE

### **'Exposure Draft of a Proposed Preface to International Financial Reporting Standards'**

#### **Scope and Authority**

##### *Question 1*

*The Board states in paragraph 9 of the proposed Preface that IFRS are designed to apply to the general purpose financial statements of all profit-oriented entities, as defined. The Board also says that although IFRS are not designed to apply to not-for-profit activities in the private sector, public sector or government, entities with such activities may find them appropriate. It notes that the Public Sector Committee of the International Federation of Accountants (PSC) is preparing accounting standards for governments and other public sector entities, other than government business enterprises, based on IFRS.*

*Is the Board's proposed scope clearly defined and appropriate?*

Regarding this question, Leaseurope has no particular comment.

##### *Question 2*

*The Standards issued by the IASC include paragraphs in bold italic type and paragraphs in plain type. The Board is concerned that some constituents may have interpreted the bold italic paragraphs as having more authority, although IASC commentary has suggested otherwise. Paragraph 14 of this proposed Preface states that paragraphs in bold italic type and plain type have equal authority and sets out the Board's intention to discontinue the use of different type styles. The Board intends to provide, in IFRS, robust and useful guidance to illustrate the basic principles in each Standard, including a detailed Basis for Conclusions.*

*Do you agree with these proposals? Why or why not?*

In Leaseurope's view, it appears that this proposal has a retroactive effect since when a standard was issued it was clear that there was a definite distinction between the two kinds of paragraphs. The standards themselves are in bold while the paragraphs in plain text are explanatory notes and do not have the same authority.

Leaseurope believes that the current distinction between bold type and plain type paragraphs should not be changed without following due process and without thinking about the consequences of such changes. The distinction between bold italic and plain type text is also reflected in the wording (i.e. '**should be recognised**' vs. 'is recognised'). This might result in the need to carefully analyse the text and revise the wording before giving them equal authority. Additionally, one should review the pros and cons of the proposals since standards are based on principles that ideally should be distinguished from complementary notes.

## **Due Process**

### ***Question 3***

*In paragraphs 19 and 20 of this proposed Preface, the Board sets out the due process normally expected to be followed in issuing Standards and Interpretations.*

*Are the Board's proposals appropriate? Are any proposed steps unnecessary? Are there additional steps that should be incorporated?*

Leaseurope would like to make the following comments regarding the due process:

- (1) No indication is provided about the period to comment. According to the Federation, a minimum period should be allotted for comments to allow any parties to react adequately to the proposals.
- (2) It seems to be that the IASB has replaced the Steering Committees by so-called Advisory Groups. The Steering Committees involved industry and practice experts in standard setting who contributed to the improvement of standards and their quality. It is not clear, which groups will be represented on the advisory group. Furthermore, due process and public acceptance of standards could be enhanced by requiring the creation of an advisory group. We would like to stress that the industry could help in designing new standards. Therefore, in our opinion, the role of interested parties should be reinforced and recognised.

## **General**

### ***Question 4***

*Are there any other matters that should be addressed in the Preface to IFRS?*

Leaseurope wishes to make the following comments:

- (1) In paragraph 7, it is mentioned *'that in developing IFRS, the IASB works with national standard setters to maximise the convergence of IFRS and national standard setters'*. A question to be raised is how and on what grounds national standard setters are chosen. This is of the greatest importance, since the opinion of standard setters can vary quite substantially.
- (2) Leaseurope fully agrees with the statement in paragraph 13 according to which the *'IASB's objective is to require like transactions and events to be accounted for and reported in a like way and unlike transactions and events to be accounted for and reported differently...'* Nevertheless, the Federation does not agree with the statement that when options exist for accounting treatments their choice should be reduced or eliminated. According to the Federation options within standards make sense since like transactions may be viewed differently from one company to another, depending on the sector they operate in or other operations they engage in. Furthermore, we see a minor conflict with paragraph 12. A 'benchmark treatment' and the 'allowed alternative treatment' are comparable to an option and by giving both the quality label 'in accordance with IFRS', which we explicitly support, the statement in par. 13 is slightly contradictory.

Therefore, Leaseurope believes that options as such should not be given a status of being undesirable. Hence, this latter statement should not be included in the Preface.

- (3) In paragraph 22 of the Preface, the change of accounting standards, which has recently been more dynamic than ever, is left to the business community to cope with. We disagree strongly with such a statement. Standard setting is not a neutral playing field that is only future-oriented but needs to take previous standards and practices into account. In long-term contracting business it is not that easy to isolate the transaction from the effects of a future accounting standard. Accounting affects business practice and we strongly believe that this will never disappear, thus, it should be taken into account. Leaseurope agrees that the IASB has no general policy of exempting transactions occurring before a specific date; however, there might be circumstances where such an exemption might be reasonable. This should somehow be reflected in paragraph 22.
- (4) In paragraph 24 it is stated that the IASB may approve translations in other languages, provided that the translation is prepared in accordance with a process that provides assurance of the quality of the translation. Leaseurope would like to point out that for many of its member countries approved translations would be highly welcome although we understand the inherent problems of such a process. However, it would be helpful to specify the mentioned 'process of assurance' in such a way that it is more clearly understood.