

STAFF PAPER

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IASB Meeting

Project	Leases		
Paper topic	Due Process		
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Introduction

1. In July 2011, the Board and the FASB agreed that they should re-expose their proposals on leases.
2. The purpose of this paper is to seek the Board's views on whether it has complied with its due process steps in publishing a revised exposure draft.

Due Process

3. The IASB Due Process Handbook includes mandatory and non-mandatory due process steps to be undertaken before the publication of an exposure draft or the issue of a new IFRS or an amendment to existing IFRSs. These steps are listed below in paragraphs 4 and 7. If a non-mandatory step is not undertaken, the Board is required to explain why (ie the 'Comply or Explain' approach).

Mandatory steps

4. Paragraph 112 of *IASB Due Process Handbook* sets out the mandatory due process steps as follows:

The following due process steps are mandatory:

- developing and pursuing the IASB's technical agenda

- preparing and issuing IFRSs and publishing exposure drafts, each of which is to include any dissenting opinions
 - establishing procedures for reviewing comments made within a reasonable period on documents published for comment
 - consulting the Advisory Council on major projects, agenda decisions and work priorities
 - publishing bases for conclusions with IFRSs and exposure drafts.
5. Mandatory steps that the Board has undertaken in respect of the *Leases* revised Exposure Draft are:
- (a) **Technical agenda:** The leases project was added to the IASB's agenda in July 2006.
 - (b) **Exposure Draft:** In August 2010 the IASB, jointly with the FASB, published an Exposure Draft *Leases* (2010 ED). The 2010 ED included the alternative views of one board member.
 - (c) **Comment Period:** During a 120 days comment period the boards received 760 comment letters on the 2010 ED (302 comment letters were received on the Discussion Paper (DP) published in 2009).
 - (d) **Advisory Council:** Since the publication of the 2010 ED, the Board has met with the Advisory Council in December 2010, January 2011 and April 2011 to discuss leases.
 - (e) **Basis for Conclusion:** The Board published bases for conclusions with the 2010 ED.
6. The staff think that the Board has complied with all of the mandatory steps as listed in paragraph 112 of the Handbook in respect of the *Leases* revised Exposure Draft.

Non-mandatory steps

7. Paragraphs 113-114 of *IASB Due Process Handbook* sets out the non-mandatory due process steps and includes guidance on the 'Comply or explain' as follows:

113 Other steps specified in the Constitution are not mandatory. They include:

- publishing a discussion document (eg a discussion paper)
- establishing working groups or other types of specialist advisory groups
- holding public hearings
- undertaking field tests (both in developed countries and in emerging markets).

114 If the IASB decides not to undertake those non-mandatory steps defined by the Constitution, it will, as required by the Constitution, state its reasons. Explanations are normally made at IASB meetings, and are published in the decision summaries and in the basis for conclusions with the exposure draft or IFRS in question.

8. Non-mandatory steps that the Board has undertaken in respect of the *Leases* revised Exposure Draft are:

- (a) **Discussion paper:** publishing a discussion paper in March 2009, jointly with the FASB. The discussion paper mainly discussed lessee accounting with limited discussion about lessor accounting;
- (b) **Working Group:** establishing the Leases Working Group to assist the Board in the development of proposals and the review of feedback received on those proposals. Since the publication of the 2010 ED, the Working Group has met three times—in January 2011, April 2011 and January 2012. In addition to the formal meetings, we have sought informal input from working group members on a number of issues, including the definition of a lease and the lessee and lessor accounting models. For example, we sought input from the working group members as part of the targeted outreach performed in March 2011 and April/May 2012.
- (c) **Public hearings:** undertaking round-tables in the USA, Hong Kong and London on the boards' proposals after the comment period of the 2010 ED.
- (d) **Field tests:**
 - (i) during the comment period of the 2010 ED, undertaking field tests (ie workshops) on the boards' proposals regarding recognition and measurement by lessees and

lessors in Australia, Brazil, Canada, Japan, South Korea, the UK and the USA.

- (ii) during the redeliberations process, undertaking targeted outreach on the definition of a lease, whether the boards should consider two types of leases, the subsequent measurement of the ROU asset as well as other measurement issues (eg variable lease payments).
- (e) **Other forms of outreach:** undertaking outreach activities to obtain feedback from different industry groups that could be potentially affected by the leases proposals and feedback from different types of users (buy, sell, equity etc) regarding the usefulness of the proposed information to be presented and disclosed in the financial statements.

Summary

9. We note that the Board has complied with all mandatory steps as listed in paragraph 112 of the Handbook and all non-mandatory steps as listed in paragraph 113 of the Handbook relating to the *Leases* project.

Question 1

Is the Board satisfied that it has performed:

- (a) all mandatory due process steps, and
- (b) sufficient non-mandatory due process steps

in order to publish a *Leases* re-exposure document?