STAFF PAPER

June 2013

Summary of the joint meeting of the Capital Markets Advisory Committee and the Global Preparers Forum

This is a summary of the topics discussed at joint meeting between the Capital Markets Advisory Committee and Global Preparers Forum on 13 June 2013, prepared by the staff of the IFRS Foundation. For more detailed information about the meeting, please visit http://www.ifrs.org/Meetings/Pages/CMAC-Meeting-13-June-2013.aspx .

Introduction

1. The Capital Markets Advisory Committee ('CMAC') and Global Preparers Forum ('GPF') held a joint meeting in London on 13 June 2013. Seven IASB Members—namely Stephen Cooper, Amaro Luiz de Oliveira Gomes, Prabhakar Kalavacherla, Patricia McConnell, Takatsugu Ochi, Mary Tokar, Wei-Guo Zhang, and various IASB staff, were in attendance. Mr Kalavacherla welcomed CMAC/GPF members and started the meeting.

General IASB/IFRIC update

2. Sue Lloyd, IASB Senior Director of Technical Activities, gave an update on the IASB's work:

   (a) *Revenue Recognition*—the IASB has finished redeliberations. The balloting process will start in the next few months and the publication of the final IFRS is planned for September. The IASB will discuss with the FASB the potential to jointly support the initial application of this Standard by establishing an implementation group. The potential formation of this group will be discussed during a meeting of the Trustees the following week.

   (b) *Financial Instruments*—the IASB finished the redeliberations on the Hedge Accounting chapter in May and it plans to publish the final Chapter 6 of IFRS 9 *Financial Instruments*, which will address the hedge accounting issues, probably around September. In addition, the comment period for *Classification and Measurement: Limited*

Information about the Capital Markets Advisory Committee (CMAC) is available at http://www.ifrs.org/The-organisation/Advisory-bodies/CMAC/Pages/CMAC.aspx .

Information about the Global Preparers Forum (GPF) is available at http://www.ifrs.org/The-organisation/Advisory-bodies/Pages/Global-preparers-forum.aspx.

Amendments to IFRS 9 (Proposed amendments to IFRS 9 (2010)) has closed recently. The IASB is currently analysing the feedback received. In general, the respondents support the proposed model for classification and measurement, but some of them suggest some simplifications. In July the joint IASB and FASB deliberations on the Classification and Measurement chapter, as well as on Impairment, will start. So far the IASB has received favourable feedback about the operationality of the impairment model proposed. The IASB and FASB have proposed two different models and the views of the respondents are split.

(c) *Leases*—the Exposure Draft was published in May with a 120-day comment period. This is a joint project with the FASB and both boards have published essentially identical Exposure Drafts.

(d) *Insurance Contracts*—the IASB plans to publish its second Exposure Draft by the end of June. The FASB will publish its own Exposure Draft at about the same time.

3. Peter Clark, IASB Director of Research, gave an update on the work on the *Conceptual Framework*. The IASB plans to publish a Discussion Paper for this project in July with a six-month comment period. The focus of the paper will be on filling in the gaps in the current framework and making some improvements, rather than drafting a new framework from the beginning. Consequently, the Discussion Paper will discuss only eight topics and the number of questions to the respondents will be limited to a manageable number, which should make it easier for respondents to prepare their comment letters.

4. Alan Teixeira, IASB Senior Director of Technical Activities, gave an update on other key activities of the IASB and of the IFRS Interpretations Committee ('the IFRS IC'):

(a) *Rate-regulated Activities*—in December 2012, the IASB decided to develop an interim Standard to provide short-term guidance for first-time adopters of IFRS until the research project is completed. The Exposure Draft *Regulatory Deferral Accounts* was published in April 2013. The Exposure Draft is open for comment until September 2013.

(b) *Bearer Plants (narrow-scope amendment to IAS 41)*—the IASB is conducting a balloting process to publish the Exposure Draft by the end of June 2013. The Exposure Draft proposes measurement based on a cost model.

(c) *Annual Improvements*—the IFRS IC has concluded work on some amendments, but it will delay their publication to wait for more amendments to be approved in order to publish them all together. It is easier for those who are implementing the amendments to receive all the improvements in one package, rather than receiving them one by one.

(d) *Post-implementation Reviews*—the work on the Post-implementation Review on IFRS 3 *Business Combinations* will start soon. This is a joint IASB/FASB project and their respective post-implementation review processes will be conducted simultaneously.

(e) *Research projects*—the IASB will conduct some research projects. The IASB staff carry out some of the research activities, while some are carried out by other standard-setters. Currently the standard-setters involved in the research projects include standard-setters from Hong Kong, China, Japan and Australia.

5. One CMAC/GPF member was interested in receiving more explanation about the narrow-scope amendment on *Fair Value Measurement: Unit of Account*. Ms Lloyd explained that the project addresses the interaction between the unit of account and fair value measurement when Level 1 inputs are available. It also addresses the interaction of the unit of account with the portfolio exception.

Disclosures

6. Alan Teixeira then gave an overview of the IASB's potential plans for disclosures. He highlighted:

   (a) Short-term work:

      (i.) potential amendments to IAS 1 *Presentation of Financial Statements*; and

      (ii.) work on materiality.

(b) Medium-/long-term work

(i.) Conceptual Framework;

(ii.) work on IAS 1, IAS 7 *Statement of Cash Flows* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to, in essence, create a disclosure framework; and

(iii.) a systematic review of disclosure requirements in Standards.

7. The CMAC, GPF and IASB members formed three break-out three groups to discuss potential IAS 1 amendments and the way in which disclosure requirements in Standards are drafted. The topics were as follows:

(a) Totals, subtotals and potential disclosures–should IFRS require or permit other totals, subtotals and potential disclosures, for example, EBIT, EBITDA, net debt reconciliations, etc.

(b) Significant accounting policies–IAS 1 requires that significant accounting policies should be disclosed but then uses language that implies that *all* accounting policies should be disclosed. How should a significant accounting policy be identified?

(c) Detailed disclosure requirements vs. objectives–how should IFRS set disclosure requirements, for example, a disclosure objective, a list of examples, a detailed list of requirements?

Feedback from break-out sessions and general discussions

Totals, subtotals and potential disclosures

8. Amy Bannister, IASB staff member, reported back on the break-out session on totals, subtotals and potential disclosures. Ms Bannister noted that there were contrasting views about totals and subtotals: on the one hand some preparers and users wanted management to exercise judgement on whether and when to provide subtotals, but others preferred consistency of subtotals and totals, both across entities and within an entity, year-on-year. Those that wanted management to exercise judgement felt that management would also need to disclose how they have arrived at the non-required subtotals and totals they present.

9. Similar views were heard in the group feedback session—some GPF and CMAC members stated that the subtotals that an entity presents should be flexible, to

show management's view of an entity. However, others were more concerned about consistency than flexibility.

10. Some of the members who would prefer the IASB to place more emphasis on consistency called for the IASB to define subtotals and net debt uniformly. However, there was a general view that this would be a difficult task.

11. A GPF member stated that as soon as a total or subtotal is labelled as non-GAAP it sounds suspicious; however net debt should not be seen as a suspicious 'definition'. Net debt is reconcilable, so it should be allowed to be in the audited financial statements, using the entity's definition of net debt. A CMAC member agreed that a net debt reconciliation should be in the audited financial statements because the figures are drawn from the financial statements.

Significant accounting policies

12. Kristy Robinson, IASB staff member, reported back on the break-out session on significant accounting policies. Ms Robinson noted that all members of the group agreed that they do not like boilerplate information, ie non-entity-specific information. They also stated that it should be assumed that users have knowledge of (or are knowledgeable about) accounting requirements (although a description of "knowledgeable" was not provided). Ms Robinson noted that they had discussed some points as to how an accounting policy could be identified as significant. She said that overarching these points was that an accounting policy should tell a user what accounting regime the entity is using and also that immaterial information need not be disclosed. The salient points were as follows:

    (a) Accounting policies should not be disclosed if there is no policy choice for the entity to make.
    (b) If IFRS allows accounting choice, or there is a change or a new accounting policy—that is significant and should be disclosed.
    (c) If it is not evident how or which IFRS a company has applied—that should be described in the accounting policies note (ie preparers should state if the Standard was applied without 'judgement' or 'choice'). However, some preparers noted that preparing the text for these notes was time-consuming.
    (d) Accounting policy wording should not mirror IFRSs. This is to avoid imposing a burden on users to determine whether the information provided

is the same as or slightly different from the wording in the actual IFRS (ie whether the description is a true mirror or not).

(e) Any key assumptions or estimates should not be in the accounting policies, but should be described in the notes. The discussion should not be repeated, ie do not have the discussion in two places.

(f) There could be informational value about immaterial information that is not disclosed. For example, if a company, unlike its peers, has no hedging activities, this information could be material to users. The users would also not object to preparers adding notes if it helps in communication.

13. Ms. Robinson also noted the break-out group's discussion on location of accounting policies. The group felt that users would give up 'easy access' to information if they could instead have better communication of accounting policies. A preparer stated that a discussion of location reflected a paper-based mind-set. In addition, the break-out group did not support the use of a website to show accounting policies in part or in full.

14. There was then a general discussion of the feedback received from the break-out session. Some GPF and CMAC members stated that non-choice accounting policies should not be disclosed. However, concerns were raised that some users are not accounting specialists and may not have enough knowledge of IFRSs to understand accounting policies without the context provided by the descriptions of the accounting policies.

15. A user also noted an example they had seen in which a company had summarised a Standard—and the user had to work out whether the summary was different to the Standard, and if so, whether that difference meant something. The company had also included summaries of new or proposed Standards and noted that they did not apply those Standards, ie the impact of those Standards was immaterial. This did result in useful information.

16. Some users wanted a discussion on accounting choices and how IFRSs are applied. One user suggested that the IASB could produce documents about Standards that describe the accounting treatment of particular subjects under IFRS in a way that is very accessible to investors; similar to the recent documents the IASB has prepared for the Leases Exposure Draft (ED) ('investor spotlight: potential changes to lessee accounting', 'snapshot: leases'), and Revenue

Recognition ED. Investors could then go to the IFRS website and find that information and build up their knowledge of IFRS principles.

17. A GPF member stated that an entity should not be repeating Standards; but should exercise care when making the judgement about what information to provide, because sometimes incremental information needs to be given in context; otherwise someone could be misled. Another preparer stated that users should know the general IFRS requirements.

18. The group felt some of the problems encountered by preparers and users could be avoided if the current materiality concept was properly applied by the auditors.

Detailed disclosure requirements vs. objectives

19. Barbara Davidson, IASB staff member, reported back on the break-out session on whether IFRSs should mandate detailed disclosure requirements or merely provide disclosure objectives. The group's thoughts regarding the examples in Agenda Paper 2 included that:

    (a) Providing only a disclosure objective would not work because there needs to be more structure around the requirements.

    (b) Providing a disclosure objective, with a longer list of overlapping possible disclosures, although a nice idea that would allow judgement, could lead to a longer list of disclosures.

    (c) Providing a combination of specific language in each Standard that reminds entities how to apply the concept of materiality, and a specific list of issues an entity should consider in determining whether it makes a disclosure, may be the best answer. . This was the consensus from the group; however concern was raised about this approach that the requirements would need to clarify the level of aggregation/disaggregation that is needed.

20. One CMAC member mentioned that comparing the information contained in a prospectus from an initial public offering (IPO) with the note disclosures a few years post-IPO might be an interesting source about the kind of information that could be added to current disclosure requirements. A research study making this kind of comparison might be a good source of insight. The same member also thought that the following additional disclosure requirements might be helpful:

(a) definitions of ‘working capital’;

(b) how obligations and commitments from pension funds affect cash flows (while the notes on the pension fund assets and liabilities are very detailed, they are difficult to understand); and

(c) including non-GAAP measures such as LFL (like-for-like)/constant currency sales growth or EBIT growth. It would be good if companies could explain how they calculate this and if IFRS could develop auditable requirements for this.

21. A GPF member noted that preparers should know that they have to apply materiality to disclosures without being reminded in each Standard. That GPF member was more in favour of the deliberate overlapping of a longer list of possible disclosures with an objective. Stephen Cooper, IASB member, noted that the concept of materiality does cause problems in practice and it is raised constantly during outreach—for some people it is a big issue.

22. Some CMAC members noted that **how** disclosures are communicated is also important, not merely **what** is disclosed. For example, a table can be helpful. Some observed that disclosure volume is a problem when disclosure is in narrative form and tables help to alleviate this.

23. A GPF member also stated that the IASB does not support industry-specific disclosure requirements. However, that member favoured a presumption that users have some knowledge of the industry in which the entity is operating and a preparer should be able to use that presumption when preparing disclosures.

24. A CMAC member felt that sometimes the idea of disclosure overload was overplayed—some companies are complex and disclosures are there because of the complexity! We need to be more careful about how we approach the disclosure project, but working on materiality may help with some of the problem.

25. GPF and CMAC members agreed that that financial reporting was a communication exercise, not a compliance exercise.

Conceptual Framework: Financial performance

26. Kristy Robinson, introduced Agenda Papers 3 and 3A which considered the following questions:

    (a) What attributes distinguish profit or loss and other comprehensive income (OCI)?

    (b) Should there always, sometimes or never be recycling?

27. These issues are part of the issues considered by the IASB in its forthcoming Discussion Paper on the *Conceptual Framework*.

28. In break-out sessions, CMAC and GPF members discussed the following questions in relation to items that are currently presented in OCI:

    (a) Whether remeasurement gains should be presented in profit or loss or OCI and why? and

    (b) If they should be presented in OCI, should they be subsequently recycled to profit or loss? If so, on what basis should they be recycled?

Feedback from break-out sessions

29. Li Li Lian, IASB staff member, reported back on break-out Group 1, noting that nearly everybody thought that there should be recycling.

30. Ms Robinson noted the thoughts from break-out Group 2 were that OCI provides valuable information and that profit or loss is a useful subtotal. She noted that break-out Group 2 focused on the business model and derecognition as the characteristics of items in OCI.

31. Group 2 agreed that a reasonable role for OCI would be valuation changes, and that items should be recycled. All believed that the concept of realisation/derecognition was important. However, there was difficulty deciding what event(s) would be required for realisation, but the decision to impair an asset or the requirement to add catch-up capital to a pension fund were given as examples of events that would require realisation of fair value changes.

32. All also agreed that some fair value changes should go through profit or loss. Users generally wanted more, based on liquidity (Level 1 or 2). Preparers wanted

it based on the business model. But both agreed on some examples (ie that changes in treasury bills should go through profit or loss, while changes in the value of a long-term treasury bond that 'offsets' a long term liability should go through OCI).

33. Peter Clark noted that break-out Group 3 indicated a strong feeling that OCI is used when the measurement does not reflect the economics of the transaction. They noted that if measurement questions were resolved, OCI might not be necessary. Break-out Group 3 also noted that there should be recycling because items presented in OCI should, as some point, be reflected in earnings per share.

General discussions

Other comprehensive income (OCI)

34. A GPF member noted that currently the dividing line between items that are presented in profit or loss and items presented in OCI is inconsistent. Ms Robinson gave an overview of what the proposed concepts are for OCI in the forthcoming *Conceptual Framework* Discussion Paper. Some members raised concerns about the proposed approach to OCI because they think there is not enough of a conceptual basis for the idea of 'bridging items'. Some stated that there has to be a consistent basis for the use of OCI; however they felt that this is an impossible task.

35. A CMAC member thought that the use of OCI indicated that there is still a problem with measurement; however, whether OCI is used or not does not matter because entities are getting better at disaggregating information. A CMAC member noted that OCI is useful because it isolates items, which allows a user to follow each item.

36. A GPF member stated that it is difficult to decide if OCI is needed without deciding what OCI is.

Recycling

37. Generally, GPF and CMAC members seemed to be in favour of recycling.

38. Wei-Guo Zhang and Amaro Gomes, IASB members, questioned why one GPF member felt that items presented in OCI should not be recycled. The GPF

member replied that items should be recycled when they are realised, however it is difficult to conceptualise realised vs. non-realised. They noted that it is not necessarily cash and there is no single description.

Specific items currently presented in OCI

39. Generally, there appeared to be agreement that OCI should be used for accounting mismatches.

40. One GPF member stated that out of the items currently presented in OCI, cash flow hedges are clearly different from the others. Cash flow hedges are for the future, whereas the other items fit nicely into a measurement category.

41. Another GPF member noted that for pensions, cash inflow and cash outflow could be the trigger for recycling. A CMAC member noted that occurrence of an 'event' for a pension plan could also be a trigger for recycling (ie payout under the plan).

Leases

42. Patrina Buchanan, IASB staff member, introduced this session by asking the CMAC and GPF members to discuss answers to three questions regarding the Revised Exposure Draft, which were included in Agenda Paper 4.

    (a) The first question related to the presentation of lease contracts on a lessee's balance sheet. According to the IASB proposal, leases create assets and liabilities for a lessee which should be reported on the lessee's balance sheet.

    (b) In the second question the IASB asked the CMAC/GPF members whether they agree with the dual approach proposed for recognising lease expenses and cash flows, which is based on:

        (i) presenting income and expenses for most equipment and vehicle leases similarly to finance leases today (ie presenting amortisation of the right-of-use asset separately from interest expense on the lease liability); and

(ii) presenting income and expenses for most property leases similarly to operating leases today (ie a single lease/rent expense on a straight-line basis).

(c) The third question related to the adequacy of the proposed disclosures.

Feedback from break-out sessions

43. Aida Vatrenjak, IASB staff member, presented the summary of the discussion held by Group 1. Regarding the first question, all the CMAC/GPF members who participated in the discussion in Group 1 accepted the IASB's proposal. For some preparers this is not the best option, although just about acceptable. The users, on the other hand, noted that they have not seen any other IASB proposal garner so much support from the user community, because they do not find the current accounting approach useful and they need to make adjustments to the numbers presented in balance sheets today.

44. Some of the Group 1 participants also thought that some non-core, small-ticket leases should be excluded from the scope of the lease definition. That group also discussed whether the principle of materiality would ensure that unnecessary costs are not incurred in capitalising small-value leases. Some of the Group 1 participants were also concerned about the definition of 'lease', and wondered whether structuring would arise to create contracts that would be defined as services and thus avoid lease accounting. Members accepted that this might happen but did not see it as a huge issue.

45. Regarding the second question, all of the Group 1 participants, including both preparers and users, thought that the dual approach is too complex and costly and said they would prefer a single model. Some of them (including most users) would opt for the Type A model, because they consider lease liabilities to be interest-bearing liabilities and want a corresponding interest expense presented in the income statement. Others said they would prefer a straight-line model, because it is less costly to implement. Some of those who preferred a straight-line model thought entities should be given an accounting policy choice on whether to apply a single, simple model or a dual approach. In conclusion, users in Group 1 said they were prepared to compromise on the pattern of expense recognition in the statement of profit and loss, as long as there is only one model and if that

model includes separate presentation of amortisation and interest in the income statement.

46. Regarding the third question, users would like to see the disclosures for leased assets to be presented on a less aggregated level, split by types of underlying assets, while preparers asked for guidance on aggregation.

47. Henry Rees, IASB staff member, presented the summary of the discussion held by Group 2. Regarding the first question, users generally supported the Exposure Draft proposal, because recognising lease assets and liabilities provides more information that is needed to compare companies that buy assets with those that lease assets. One of the users gave an example of two companies, which operate the same types of businesses and have similar cost structures, but whose financial statements are difficult for users to compare, because one of them uses its own assets, while the other one leases them through an operating lease. Consequently, one of them recognises debt finance and the other one does not. Users are also interested in comparing companies that today enter into operating leases and those that enter into finance leases. The present accounting does not provide capital providers with sufficient information about the risks and leverage of companies that enter into operating leases. In addition, the detail of information about the lease obligation according to the current Standard is not adequate. Users support the proposal, although they understand that it may require additional costs. They are ready to bear these costs, because they compare them with the uncertainty costs that users need to bear today because of insufficient information in financial statements.

48. Preparers, however, presented mixed views about the proposed model. They were not sure that all assets and liabilities from a lease contract should be presented in the balance sheet of the lessee, because they see a lease as a contractual relationship, in which the lessee does not own the assets. They also have concerns about the complexity of the model and the daily cost of applying it (including educating the operating units) versus the periodic cost of preparing notes to the financial statements.

49. Regarding the second question, one user in Group 2 supported the dual model. In his view, the model is a cost-effective way of trying to appropriately reflect amortisation (representing the consumption of the underlying asset) and interest

(amounts paid for use of the asset, which is a financing cost), and is an improvement over the single model proposed in the 2010 ED. The model allows users to determine the true financing cost—for a Type B lease, he agrees that there is a single expense but would treat that entire expense as financing and present it as such. He thinks that determining the appropriate amount of interest is critical to calculating many ratios, such as interest cover. The other user in the group prefers a single model, with amortisation and interest presented separately in the income statement. He views the dual approach as a compromise but could accept it in order to get leases onto the balance sheet, which he views as an improvement in financial reporting that needs to be made. He also noted that he thinks presentation in the cash flow statement can be improved by recognising an investing cash outflow and corresponding financing cash inflow at the start of all leases. The preparers in Group 2 did not support the dual model and would prefer Type B accounting for all leases. They had some concerns about the front-loading effect for Type A leases and its departure from cash flows.

50. The CMAC/GPF members in Group 2 did not discuss the third question, regarding disclosure requirements.

51. Patrina Buchanan presented the summary of the discussion held by Group 3. For the first question, users supported the right-of-use concept and presentation of the contractual obligations on the balance sheet. In their view this concept better reflects reality and allows better comparison of owned assets with leased assets. They generally support the simpler measurement requirements compared to the previous Exposure Draft. Particularly within the context of extension/termination options, they think that there is a benefit in reflecting the flexibility that a lessee obtains via options—optional payments are exactly that, optional, and thus are not a fixed commitment of the lessee. However, the users also noted some concerns about structuring relating to changing fixed payments to variable payments. One preparer supported presenting assets and liabilities arising from leases on the lessee's balance sheet but thinks that variable lease payments should be included in the measurement of lease assets and liabilities. This preparer thinks this creates opportunities and an incentive to change fixed lease payments to variable payments in order to reduce the amounts recognised on the balance sheet. The other preparer questioned recognising assets and liabilities arising from leases on

the lessee's balance sheet, because in their view leases are executory contracts. All the Group 3 participants agreed that contracts of less than 12 months should be exempted from the obligation to recognise the assets and liabilities from a lease on the lessee's balance sheet, and agreed that 12 months struck the right balance between providing some relief without creating significant opportunities for abuse.

52. Regarding the second question, one user in Group 3 thought that the presentation in the income statement should follow the right-of-use concept. This user does not support the dual model and prefers Type A accounting according to the 2010 Exposure Draft. As an alternative, that user would also accept amortisation of the right of use on a straight-line basis and recognising interest on the lease liability on a straight-line basis, but would want to present amortisation separately from interest. They are willing to accept the dual approach proposed in order to get leases onto the balance sheet (which they view as a significant improvement in financial reporting) but are concerned that the proposal could re-create a bright line between different types of leases, thereby undermining the right-of-use concept. The other user in Group 3 prefers the dual model proposed in the Exposure Draft rather than the single model proposed in the 2010 Exposure Draft, because in their view this model makes more sense for retailers. The Group 3 preparers supported a single model rather than a dual model. One of the preparers argued that there is no reason why property should be treated differently to equipment and would support Type A accounting for all leases. The other preparer added that the dual model adds complexity.

53. Regarding the third question, CMAC/GPF members who participated in the discussion in Group 3 made only a general comment that the Standard should ensure that the amount of the disclosures adequately reflects the importance of the lease contracts in the lessee's financial statement, but they did not have sufficient time to present any specific ideas on how this objective can be achieved.

General discussions

54. After presentation of the summary of the discussion held by each of the break-out groups, the CMAC/GPF members had a general discussion on each of the

questions. Regarding the first question, one of the preparers commented that in the case of contracts with 100 per cent variable lease payments, the nature of such a contract is in fact not that of a lease, but of a service, because 100 per cent variable payments are an indicator that a lessee does not control an asset. For the same reason, there is also no liability to recognise it in the lessee's balance sheet. However, one user commented that the cost of a contract with variable payments would be much higher than for a contract with fixed payments, so in real life entities would not be willing to enter into such an agreement.

55. Regarding the second question, the users had mixed views. Some of them preferred only one model, with a preference for the Type A approach. However, they seem to understand the rationale behind the dual approach, so they could accept it in order to get leases onto the balance sheet. One other user commented that the accounting model proposed by the IASB reduces the risk of manipulation and that the dual approach results in comparability in the income statement between companies that lease assets and companies that own them instead. This comparability is important to investors. This user understands that the model may be costly, but thinks that benefits exceed costs and that the new model will reduce current costs that are caused by not having the appropriate information. They support the split between interest and depreciation/amortisation when an asset is being consumed by the lessee. When there is little consumption (ie Type B leases), this user thinks that the entire payment should be treated as financing. Preparers also expressed mixed views. One of the preparers preferred straight-line measurement, with additional disclosures and simplified balance sheet measurement. Other preparers supported the IASB's proposal and they thought that the model is not complex; it merely reflects the economic reality.

56. Regarding the third question, the CMAC/GPF members had only some general comments, which were that the amount and detail of the disclosure should be a compromise between users, who always want more disclosures, and preparers, who prefer to disclose less.