

## International Financial Reporting Standards

# Leases project Overview of feedback on the proposals

GPF meeting, November 2013  
Agenda paper 4

*This material has been prepared to help stakeholders understand the current status of the leases project of the IASB and the FASB. The views expressed are those of the project staff. Official positions of the IASB and the FASB are reached only after extensive due process and deliberations.*

*For more detailed information about the changes proposed to lease accounting, please refer to the Leases Exposure Draft published on 16 May 2013 available at [www.ifrs.org](http://www.ifrs.org).*

In this session, the Leases team will provide an overview of the comments received in its 2013 ED. The IASB will also discuss a comment letter summary at its November 2013 meeting.

## Agenda

- Outreach efforts
- Lessee accounting
- Measurement
- Lessor accounting
- Scope
- Other aspects

# Outreach Efforts

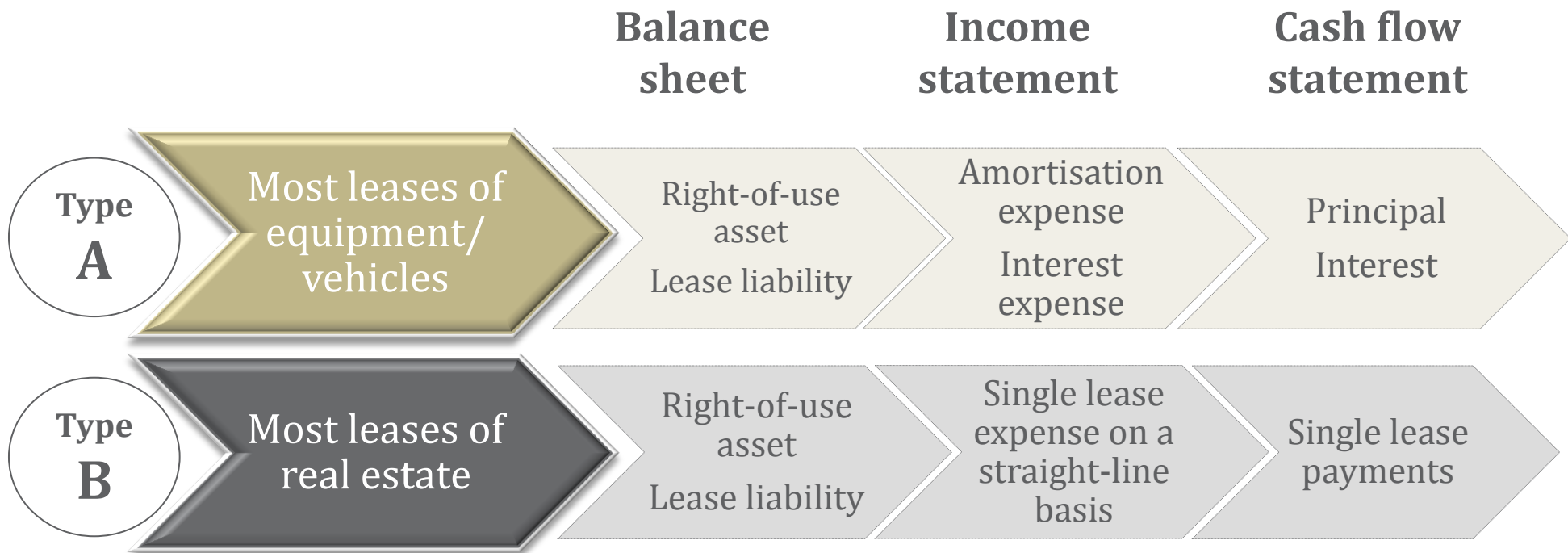
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- Users
  - Approximately 50 meetings with investors and analysts around the world (approximately 280 individuals)
- Preparers
  - Approximately 25 in-depth fieldwork meetings with lessees and lessors around the world
  - Various other meetings
- Other stakeholders
  - Regulators, auditors, standard setters
- Roundtables
- Comment letters
  - 637 letters as of 6 November

# Lessee accounting

# Lessee accounting proposals

5



- Investors and analysts
  - General support for proposals
  - Some concerns
- Preparers
  - Mixed views
  - Concerns about cost and complexity
- Others (regulators; standard setters; academics; accounting firms)
  - Support recognition of assets and liabilities on the balance sheet
  - Concerns about cost and complexity

# Measurement

# Measurement proposals

8

## Fixed payments

- non-cancellable period

## Residual value guarantees

- expected amount

## Variable lease payments

- Excluded if linked to sales or use
- Included if payments linked to index/rate

## Options

- Excluded unless significant economic incentive to exercise option



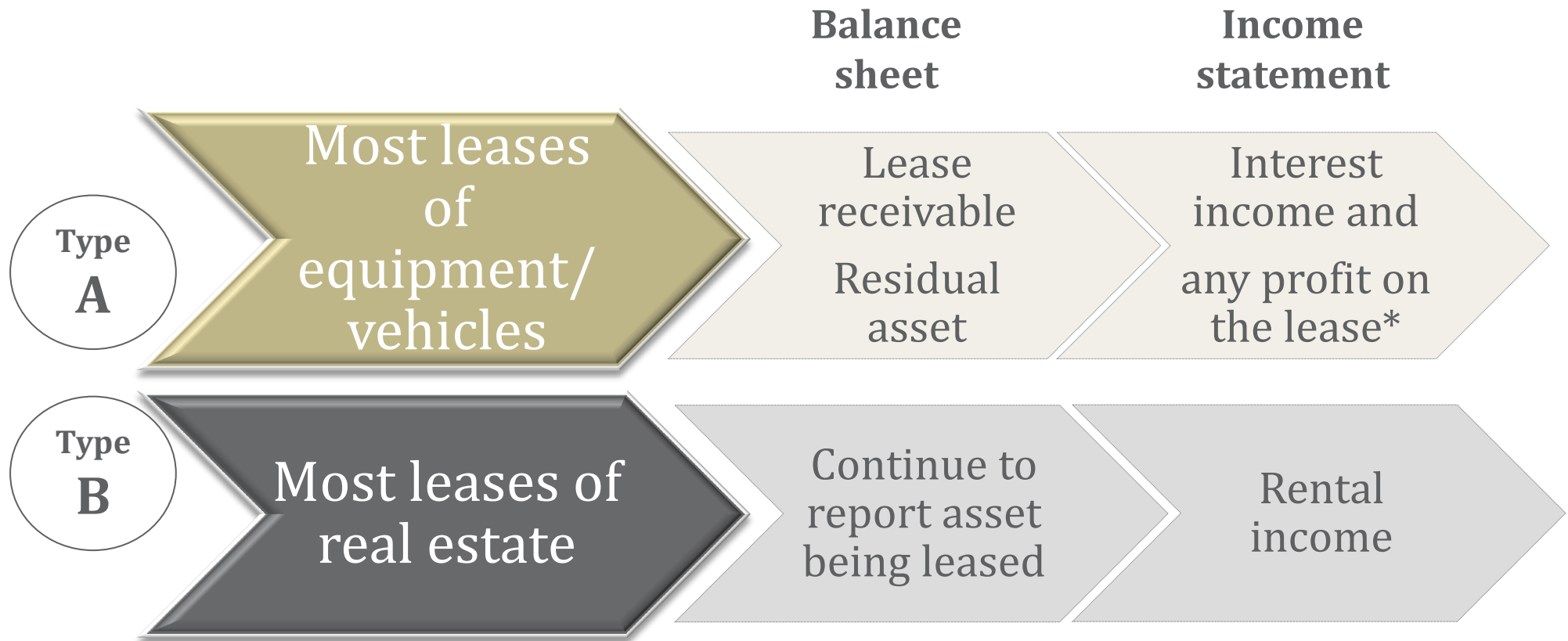


- Investors and analysts
  - Most agree with measurement simplifications
  - Some request robust disclosures about VLPs and options
  
- Preparers and others
  - Most agree with measurement simplifications
  - Some specific concerns

# Lessor accounting

# Lessor accounting proposals

11



\* Portion of overall profit on equipment/vehicle that relates to lease recognised when asset made available to lessee.

Portion of profit that relates to residual recognised only when equipment/vehicle sold or released at end of lease.

- Investors and analysts
  - Some support proposed change for some lessors
  - Others suggest no change to lessor accounting
  - Support better information about credit risk and asset risk
  - Concerns about applying Type A accounting to leases of longer-lived assets
- Lessors and others
  - Some agree that proposals better reflect business model, many disagree
  - Some requests for change within Type A accounting
  - Many suggest no change to lessor accounting
    - Costs outweigh benefits

# Scope

- General agreement with proposed changes to the definition of a lease
  - Additional guidance/clarification/examples requested
- Some concerns about proposals to split lease and service components
- Materiality / short-term / small ticket leases

Other aspects

## Disclosures

- Preparers: disclosures are excessive
- Investors and analysts: some additional disclosure requests

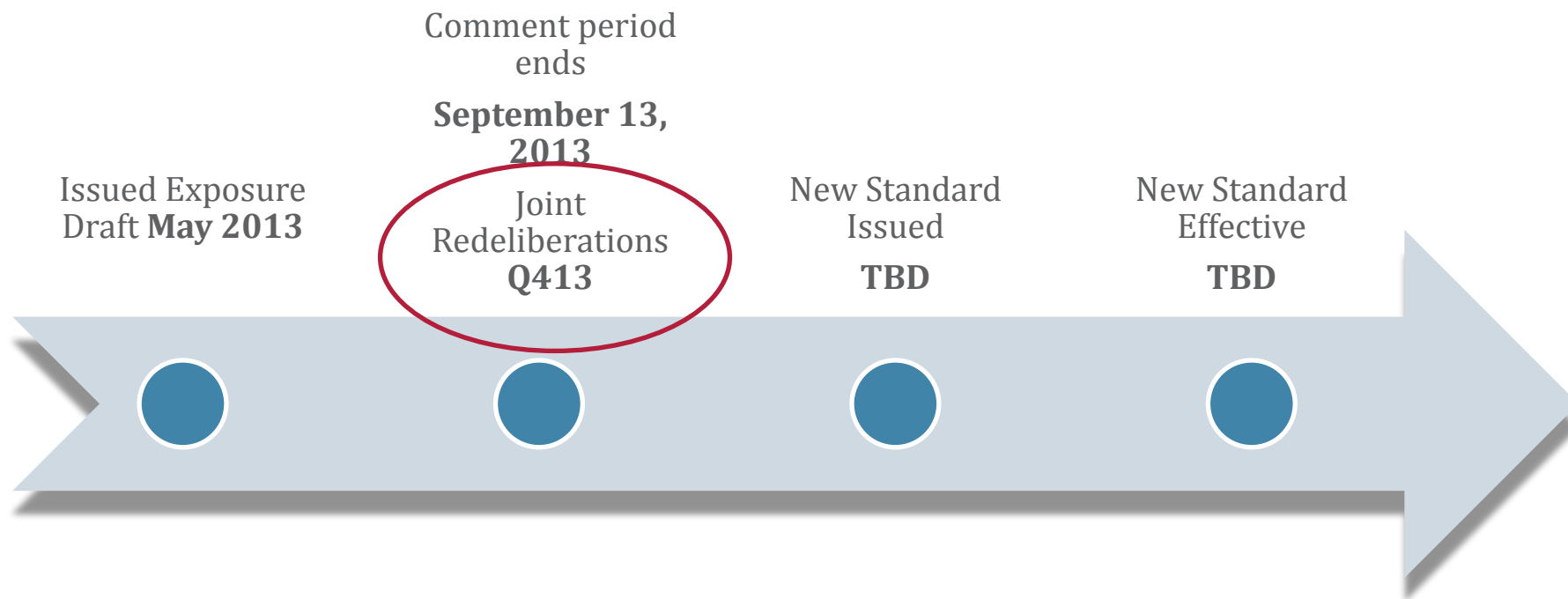
## Transition

- Transition should be simplified
- Long implementation time needed



# Next Steps

17



# Thank you

18

individual comments  
questions or  
individual  
comments  
expressions of  
individual views

**view**  
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