

## STAFF PAPER

11 March 2014

## Prepared for the Global Preparers Forum Meeting

<b>Project</b>	<b>Leases</b>		
<b>Paper topic</b>	<b>Lessee accounting—ways to reduce costs and complexity</b>		
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## Introduction

1. At the last GPF meeting in November 2013, we discussed the summary of feedback received on the 2013 Leases ED. Since that meeting:
  - (a) The IASB and the FASB (the boards) discussed that summary of feedback received on the 2013 ED at their November 2013 joint board meeting.
  - (b) The boards decided that they should begin the redeliberations by first discussing the central pieces of the project—ie the lessee accounting model and the lessor accounting model, taking into consideration any simplifications that might be made for ‘small ticket leases’. The boards plan to discuss other topics thereafter, such as the definition of a lease and remeasurement of lease assets and liabilities.
  - (c) The boards began redeliberations at the January 2014 joint board meeting, considering possible ways forward for both lessee and lessor accounting. We did not ask the boards to reach any decisions at that meeting.
  - (d) We expect the boards to reach decisions on the lessee and lessor accounting models, as well as small ticket leases, at their March 2014 joint board meeting.

2. Accordingly, the input that we receive from GPF members at this meeting forms an important part of the overall feedback that the IASB will evaluate in moving forward to finalise a new leases standard.

### Objective of the meeting

3. At this meeting, we would like to discuss with you some possible simplifications to the 2013 ED that are currently being considered by the boards and staff.
4. Agenda paper 4A includes the following information:
  - (a) on slides 2-5, high level background to the project to provide some context;
  - (b) on slides 6-8, information on the possible ways forward for lessee accounting; and
  - (c) on slides 9-16, possible simplifications in each of the following areas:
    - (i) Small ticket leases
    - (ii) Lease classification (also refer to slides 7 and 8 on the lessee accounting approaches)
    - (iii) Remeasurement of lease assets and liabilities
    - (iv) Separating lease and non-lease components

#### Questions for GPF members

**Question 1:** At this meeting, we are seeking your views on each of the possible simplifications set out on slides 9-16. More specifically, for each of the possible simplifications, what are your views on:

- (a) the relative effect of the simplification in terms of its effectiveness in reducing costs and complexity associated with applying the proposals in the 2013 ED? It would be helpful if you could identify whether you think the simplification would result in significant, moderate or little cost relief. Please explain why.
- (b) the effect of the simplification on the information that would be provided to investors and analysts.

**Question 2:** Are there other approaches or simplifications that the IASB should consider? Please explain why.

5. At this meeting, we intend to focus on lessee accounting, given the importance and significance of the proposed changes to existing lessee accounting. We do not intend to discuss lessor accounting at this meeting, in the light of the feedback received on the 2013 ED.

### **Additional background information**

6. Further information is available as follows:
- (a) Agenda paper 4A refers to discussions that the IASB and the FASB had on lessee accounting at their January 2014 joint board meeting. The board paper discussed at that meeting on lessee accounting—agenda paper 3D, and small ticket leases—agenda paper 3C—are available on the IASB’s website <http://www.ifrs.org/Meetings/Pages/IASB-Jan-14.aspx>. The small ticket leases paper discussed by the boards in January 2014 did not include the possible simplification relating to leases of low value assets, discussed on slide 10 of the attached material.
  - (b) The comment letter summary can be found here: <http://www.ifrs.org/Meetings/MeetingDocs/IASB/2013/November/AP03-Leases.zip>.