



European Financial Reporting Advisory Group ■

**ED/2013/6 Leases**

**Feedback statement**

November 2013

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## Introduction

### Objective of this feedback statement

EFRAG published its [final comment letter](#) on the IASB ED/2013/6 *Leases* (the 'ED') on 15 October 2013. This feedback statement summarises the main comments received by EFRAG on its draft comment letter and explains how those comments were considered by the EFRAG Technical Expert Group (EFRAG TEG) during its technical discussions.

### Background to the revised Exposure Draft Leases

The IASB and the FASB (the Boards) are jointly developing a standard that would be applied in accounting for lease transactions. The aim of the project is to ensure that assets and liabilities arising under leases are recognised in the statement of the financial position.

On 16 May 2013, the IASB published the revised exposure draft on leases. For lessees the IASB confirmed the right of use model and introduced a dual measurement approach: an approach similar to the one in the original ED (amortised cost for the lease liability, and amortisation of the right-of-use asset in accordance with IAS 16) would be applied to some leases, and a Single Lease Expense (SLE) approach that results in recognition of a straight-line lease expense over the lease term would apply to other leases. Compared to the previous exposure draft, the IASB proposed significant changes to the accounting for options and for variable lease payments.

For lessors, the Boards proposed a mixed model: a 'receivable and residual' model with accretion of the residual for leases with a significant consumption of the underlying asset, and for other agreements, a model similar to the current accounting model for operating leases.

Further details are available on the EFRAG's project [web page](#) and on the IASB's project [web page](#).

### EFRAG's draft comment letter

EFRAG published its [draft comment letter](#) on the ED on 8 July 2013. In its draft letter, EFRAG remained supportive of the IASB Lease project. EFRAG believed that the right-of-use model if applied to the right population of leases had a potential to bring useful information to users of the financial statements.

EFRAG was concerned, however, that without a proper debate on the underlying concepts and the related transactions, the right-of-use model would not be understandable for constituents and this would add to the concern that the proposed IFRS was unduly complex.

In EFRAG's opinion, the dual measurement approach and the different alternative treatments available (such as the option to apply the revaluation model, the requirement to fair value right-of-use assets that are investment property and the exemption for short-term leases) may affect users' ability to understand which rights are and which are not recognised and how they are measured.

EFRAG also raised concerns that introduction of the dual measurement approach and adoption of asymmetrical accounting treatments for lessors and lessees has increased the complexity of the proposals as well as the likely costs associated with their implementation and did not help to understand the right-of-use model.

EFRAG proposed that the IASB first require – without delay – relevant disclosures on lease arrangements to ensure that users have access to the information they need; then to take the advantage of the discussion on the Conceptual Framework to refine the definition of the right-of-use; and lastly to finalise the standard on accounting for leases with the benefits of clarified objectives and a carefully identified lease population.

## Comments received from constituents

EFRAG received thirty comment letters that were considered at leases session of the October EFRAG TEG meeting. Those comment letters available on the EFRAG’s web page related to the ‘draft comment letter’ status of the project in the [‘Comment Letters’ section](#).

The comment letters received came from national standard-setters, business organisations, accountancy bodies, preparers, users’ organisations and authorities. The following table provides an overview of the respondents by type and country:

<i>Respondents by type</i>		<i>Respondents by country</i>	
National Standard Setters	10	International	11
Business organisations	9	Germany	4
Preparers	4	France	2
Users’ organisations	3	Spain	2
Accountancy bodies	2	Sweden	2
Authorities	2	UK	2
	<u>30</u>	Belgium	1
		Denmark	1
		Italy	1
		Norway	1
		Poland	1
		Portugal	1
		The Netherlands	1
			<u>30</u>

The appendix to this feedback statement lists the respondents to the EFRAG’s draft comment letter. In summary:

- There was a little support for the guidance in its proposed form.
- In relation to the core principle of the ED, that leases create assets and liabilities for the lessee and therefore should be recognised on the balance sheet of lessees, EFRAG staff identified three broad views:
  - o 13 constituents supported the core principle, including authorities, most users’ organisations and a majority of standard setters;
  - o 4 constituents suggested that the IASB needed to perform more work on the conceptual basis; and
  - o 11 constituents opposed the core principle, including most preparers and business organisations.

Additionally, most of those who supported the core principle had concerns about identification, classification or measurement aspects of the proposals. In particular, the dual measurement model was generally considered to lack a conceptual basis and add to complexity.

## Field-test

In July and August 2013, EFRAG carried out a field test with the ANC, DRSC, FRC, and OIC, on how the proposed requirements would affect the classification and measurement of leases. That exercise was focused on the practical application of the new requirements and intended to collect solely facts and objective data on the application difficulties encountered by the participants.

The response deadline was on 31 July 2013. In total, forty replies were received.

The following table provides an overview of the participants by country and by industry:

<i>Respondents by country</i>		<i>Respondents by industry</i>	
Germany	18	Retail	12
Italy	8	Automobile and parts	3
UK	3	Bank	3
France	2	Industry goods & services	3
Lithuania	2	Oil & gas	3
Poland	2	Technology	3
Spain	2	Telecommunication	3
Denmark	1	Construction and materials	2
Finland	1	Personal and household	2
Switzerland	1	Postal services	2
	<u>40</u>	Power and utilities	2
		Hotel chain	1
		Media	1
			<u>40</u>

The majority of the respondents reported difficulties in applying the proposed guidance on the assessment of the lease term and assessment of significant economic incentive to extend the lease.

Many respondents argued also that the requirement to reassess the lease term at each reporting date for each and every lease agreement was too judgemental and would be too burdensome.

The majority of the respondents expected difficulties in applying the disclosure requirements. These respondents considered the proposed requirements to be complex, too extensive and too detailed.

Respondents also noted that they would expect a reduction in disclosures as a consequence of recognition on the balance sheet, whereas the proposals result in additional disclosure requirements.

The respondents to the field test expressed also the following fundamental concerns about the proposals:

- the IASB had not explained why they believed all leases create assets and liabilities at commencement;
- the right-of-use model did not depict the business model of the entities and did not reflect that some leases are ways to obtain a service rather than obtain access to an asset;
- the proposals were too complex, involved significant judgment and would likely result in inconsistent application;
- the benefit of the new accounting model was questionable or at best limited, while the cost to apply it was extremely high especially for entities that have thousands of individually small leases.

Some respondents were also concerned about the effects of the proposals in the ED on existing financial covenants and their financial ratios.

The detailed findings of the field test are described in the report released in November 2013. The report is available on EFRAG's website.

## The right-of-use model

### EFRAG's tentative views and respondents' comments

#### *EFRAG's tentative position*

EFRAG agreed that the right-of-use model has a potential to bring useful information about financing arrangements which are currently kept off lessees' balance sheets in accordance with IAS 17. EFRAG, however, outlined the need to fully explain the project from a conceptual perspective, so that constituents would have a good understanding of what economic phenomena the IASB intended to depict in the primary financial statements, and when recognition of lease assets and liabilities would result in useful information.

EFRAG noted that having a dual measurement approach and optional measurement requirements may affect users' ability to understand which rights are recognised and how they are measured.

EFRAG also raised concerns that the proposals left room for structuring opportunities what could be seen as a shortcoming, given that a stated goal was to eliminate the bright-line distinction between operating and finance leases.

EFRAG, based on the above observations, recommended the IASB to proceed in steps to require additional disclosures without any further delay, to refine the right-of-use concept, and then to finalise the standard based on current consultation and clarified objectives and lease population.

*(continues on page 7)*

### EFRAG's response to respondents' comments

EFRAG considered the feedback and lack of support from its constituents for a step-by-step approach with the project. Consequently, in its final comment letter, EFRAG removed the recommendation that the IASB should follow a step-by-step approach.

EFRAG noted that the most common concern in the comment letters and in the field test, was about the complexity of the new proposals. EFRAG concluded that the proposals did not reach an appropriate cost/benefit trade-off and made several suggestions on how to significantly reduce complexity of the proposed accounting models, and in particular to consider strengthening the application of materiality concept for small leases. The materiality concept should be applied at the level of individual leases rather than collectively, with an approach similar to the capitalisation threshold commonly used in accounting for the purchase of property, plant and equipment. EFRAG also recommended that entities should be allowed to use a portfolio approach similar to the one proposed for Revenue Recognition and encouraged the IASB to consider how an extension of the short-term exemption could provide relief for small lease arrangements,

## EFRAG's tentative views and respondents' comments

### *Constituents' comments*

Respondents commonly expressed concerns about the complexity of the proposals, especially in relation to the dual measurement approach for lessees. Generally the proposals were believed to be too complex and the benefits of the new accounting model were questionable or at best limited while the cost to apply it is very high especially for entities that have thousands of individually small leases.

Almost all preparers and business organisations disagreed with the proposals. These constituents argued that:

- there was no unanimous users' support for the change;
- there was no robust conceptual basis for the core principle;
- many existing operating leases were executory contracts and should not be recognised in balance sheet.

There was no support for the EFRAG's proposal to proceed with the project in steps.

The participants in the field test commonly raised concerns relating to the complexity of the proposals and asked for a number of additional reliefs that would make the implementation cost vs. benefits balance acceptable.

## EFRAG's response to respondents' comments

## Identification of a lease

### EFRAG's tentative views and respondents' comments

#### *EFRAG's tentative position*

EFRAG noted that if all leases were to be recognised on the balance sheet, then the definition of a lease must not capture those contracts that were in-substance service arrangements.

EFRAG noted that the proposed criteria to identify a lease would require significant judgment and that it might be difficult to assess control. Additionally EFRAG suggested that a criterion of existence of observable prices could be added to the definition.

EFRAG agreed that a contract did not include a lease when the underlying asset was only a vehicle to benefit from consumables. EFRAG noted that the guidance on identifying an incidental asset (in paragraph 19 of the ED) and separating a lease component within the contract (in paragraph 20 of the ED) needed to be better explained because the very similar wording could be confusing.

#### *Constituents' comments*

Constituents did not suggest alternative definitions of a lease. Some of them however expressed their concern relating to the clarity of the guidance or simplistic examples.

Some of the constituents agreed with EFRAG's remark on the need to clarify and to improve the wording of the proposed guidance on identifying an incidental asset and on separating lease components.

### EFRAG's response to respondents' comments

EFRAG considered the feedback from its constituents that the guidance on identification of a lease is still not clear and robust enough to allow entities easily to distinguish a lease from a service contract. EFRAG kept its suggestion to the IASB that the definition of a lease must not be so widely drawn as to scope in service contracts. EFRAG suggested that developing a definition of a service could help in drawing a proper distinction.

EFRAG noted that the assessment of the right to control the use of an asset in some cases may prove challenging.

EFRAG noted also support on issues relating to wording of the guidance identifying and incidental asset and separating lease components and maintained its suggestion that this guidance needs clarification.



## Accounting for contracts that contain service components and lease components

### EFRAG's tentative views and respondents' comments

#### *EFRAG's tentative position*

EFRAG agreed with the requirement to identify and account separately for lease and non-lease components.

EFRAG, however, disagreed that when there are no observable prices all payments should be allocated to the lease component. Firstly, EFRAG noted that the lack of observable price could be an indication that the underlying asset is not a lease component. Secondly, EFRAG proposed that in such situations an entity should be allowed to use a reasonable estimate to allocate payments to the different components. .

#### *Constituents' comments*

Some constituents agreed with EFRAG to allow the use of estimation techniques to allocate payments when observable prices are not available, and some suggested that in such situations the accounting should be based on the primary component.

### EFRAG's response to respondents' comments

EFRAG agreed in its final comment letter that the observable prices should normally be used when they are available for all components to allocate the payments between components.

EFRAG noted that a lack of observable prices for the lease component should lead an entity to re-assess if the contract includes a lease.

EFRAG reaffirmed that when the prices are not available an entity should be allowed to use estimates to account for lease and non-lease components. EFRAG did not support accounting for the whole contract based on the primary component because it noted that determining the primary component in the absence of observable prices could be very subjective.

## Lessee accounting

### EFRAG's tentative views and respondents' comments

#### *EFRAG's tentative position*

EFRAG agreed that when the lessee is expected to consume very little of the economic benefits embedded in the underlying asset, the lease did not represent a transfer of a significant portion of the underlying asset and that in these cases the lessee was only providing the lessor with a return on its investment in the underlying asset in exchange for the access to that asset.

EFRAG disagreed, however, with the IASB's proposal of the Single Lease Expense approach, based on a linked measurement notion. EFRAG noted that this notion was not consistent with the right-of-use model.

#### *Constituents' comments*

Constituents had split views concerning the dual measurement approach. While many constituents acknowledged that there are different types of leases, and expressed support for a different measurement, the same number of respondents disagreed with the dual measurement approach. Many constituents found Type-B accounting conceptually lacking and overly complex.

Only one constituent agreed with EFRAG that Type-B leases should not be recognised on the balance sheet. Another constituent proposed a netting approach for Type-B leases.

### EFRAG's response to respondents' comments

EFRAG considered the views of the constituents and in its final comment letter argued that the Single Lease Expense approach was inconsistent with the right-of-use model and did not provide relevant information on the asset side. EFRAG noted also that the benefits of the Single Lease Expense are undermined by the complexity of implementation of the requirement and therefore should not be pursued.

Therefore, EFRAG rejected the dual measurement approach for lessees. EFRAG would support a single measurement approach once the appropriate population of arrangements is identified and recognised as a lease.

## Lessor accounting

### EFRAG's tentative views and respondents' comments

#### *EFRAG's tentative position*

EFRAG questioned the dual model for lessors. EFRAG argued that in the right-of-use model a transfer of the right to use the underlying asset, reflected by the lessee by a recognition of a lease asset, should also be reflected by the lessor through a partial derecognition of the underlying asset.

EFRAG would support the proposed dual model for lessors if lessees would recognise assets and liabilities only for Type-A leases.

EFRAG was also concerned with the accounting model for back-to-back Type-B leases. EFRAG argued that the model for such leases should be the same as for Type-A leases.

#### *Constituents' comments*

Many constituents argued that lessor accounting should be consistent with lessee accounting and explicitly agreed with the EFRAG view on the dual model. Moreover, some constituents argued that the right-of-use model created more issues for lessors than for lessees and that the IASB should maintain the existing model for lessors – because control of the underlying asset is transferred only if the lease is an in-substance sale.

Some constituents argued that the proposals for Type-A leases were too complex including accounting for initial direct costs, expected variable payment, and residual value guarantees or that it was not prudent to recognise an immediate gain on commencement of the lease.

Other constituents agreed with the lessor accounting proposals and some supported a single receivable and residual approach for all leases.

### EFRAG's response to respondents' comments

EFRAG acknowledged that unbundling the underlying asset raised a number of conceptual and practical issues. In its final comment letter, EFRAG disagreed with the IASB's proposal for lessors. EFRAG emphasised that the general receivable and residual model needed more work at this stage before being introduced.

EFRAG reaffirmed its view that the receivable and residual model should be applied to back-to-back leases. These arrangements involve rights of use being acquired and subsequently transferred and difficulties encountered in the unbundling of assets would either not apply, or apply to a much lesser extent.

## Classification of leases

### EFRAG's tentative views and respondents' comments

#### *EFRAG's tentative position*

EFRAG's draft comment letter reflected two views.

Under View A, EFRAG supported the proposed criteria to classify a lease as Type-A or Type-B. EFRAG would also agree that the presumptions were useful as they reflected the fact that for most leases of equipment the consumption of the underlying asset's economic benefits was significant, while this was not the case for real estate. EFRAG believed that those presumptions would be understandable for users and would result in substantial simplification and cost savings for preparers.

Under View B, EFRAG disagreed with the proposed criteria and presumptions for classification of leases. EFRAG argued that the classification criteria should be the same for all underlying assets, regardless of their nature. EFRAG disagreed also that a lessee consumes more than an insignificant portion of the economic benefits of a real estate only if the duration of the lease term was for most of the economic life of the asset.

#### *Constituents' comments*

Constituents' views were split. Some of constituents expressed their support for distinguishing of two types of leases. Some of them would support a dual model based on IAS 17 indicators. A similar number of constituents, however, disagreed with the proposal.

Participants in the field test generally argued that the dual approach introduced complexity and would be burdensome to implement.

### EFRAG's response to respondents' comments

EFRAG considered feedback from constituents and removed both initial views from its final comment letter.

EFRAG decided not to express its view on the classification of leases based on its disagreement with the dual measurement approach. EFRAG noted that the principle and the criteria proposed to classify leases contributed to the assessment that the dual measurement approach was adding significant complexity and would result in information that would be difficult to understand.

## Lease term

### EFRAG's tentative views and respondents' comments

#### *EFRAG's tentative position*

EFRAG's draft comment letter reflected two views.

Under View A, EFRAG supported the inclusion of payments due under optional extension periods in the lease liability. EFRAG agreed that not recognising options most likely to be exercised would distort the depiction of performance of the entity. EFRAG, however, disagreed with the notion of 'significant economic incentive' and proposed to retain the notion of 'reasonably certain' from current IAS 17 requirements.

Under View B, EFRAG disagreed with recognition of payments due under options and recognition of a liability based on economic compulsion or behaviour expectations.

To avoid anti-abuse provisions, EFRAG proposed to introduce a notion of 'in-substance fixed term' to capture periods that are optional only in form..

#### *Constituents' comments*

Many of the respondents supported the inclusion of optional periods in the measurement of the liability and supported View A. It was acknowledged that the threshold for recognition was high. Some of them agreed with EFRAG to keep the 'reasonably certain' recognition threshold however would welcome the discussion of factors to be used as application guidance. Some of constituents supported keeping IAS 17 approach for optional periods.

Only some constituents supported however View B and argued that options do not create liabilities and assessing economic incentive creates practical issues and volatility.

Participants of the field test raised concerns that reassessment of the lease term at each reporting date would become burdensome if it was understood that an entity needed to perform an extensive analysis for each contract.

### EFRAG's response to respondents' comments

EFRAG considered that the majority of constituents supported View A and removed View B from its final comment letter.

EFRAG noted also that current 'reasonably certain' threshold better conveys the concept that the threshold for recognition is meant to be high and recommended using the phrase 'reasonably certain based on available evidence' instead.

Taking into account constituents' concerns that the requirement to reassess the lease term at each reporting date would be too costly, EFRAG recommended limiting the instances where a detailed analysis would be required and proposed the introduction of a rebuttable presumption that the lease term had not changed.

## Exemption for short term leases

### EFRAG's tentative views and respondents' comments

#### *EFRAG's tentative position*

EFRAG supported extending the short-term recognition exemption also to lessees. EFRAG noted that the IASB could consider extending the exemption to those contracts with a fixed term for less than 12 months and options that did not offer a significant economic incentive.

#### *Constituents' comments*

Views were split on the suggestion to amend the definition of short-term.

Participants of the field-test, however, generally argued that the exemption would not provide any significant relief for the preparers of the financial statements and some proposed to extend the exemption to leases with lease terms of 2 to 3 years.

### EFRAG's response to respondents' comments

In response to the common concern expressed by constituents, EFRAG recommended the IASB to consider if an extension of the exemption could provide a more significant relief to ensure an appropriate cost-benefit balance.

For the same reason, EFRAG recommended to make clear that in most cases an entity does not need a detailed analysis to confirm its previous assessment of the lease term.

EFRAG concluded that the assessment of significant economic incentive should be relevant for both the measurement of the lease term and the application of the exemption. Therefore, an entity should be allowed to use the exemption for all leases with an assessed term shorter than one year.

EFRAG also considered feedback that the term 'non-cancellable period' may be misleading for contracts with a lessee's option to terminate the lease. EFRAG recommended replacing the term 'non-cancellable lease' with another term.

## Variable lease payments

### EFRAG's tentative views and respondents' comments

#### *EFRAG's tentative position*

EFRAG supported inclusion of variable payments only based on an index or rate, but was concerned that the notion of 'in-substance fixed payments' was not clear.

As the issue of variable payments had surfaced in other projects; EFRAG recommended that the IASB reaches consistent conclusions on the treatment of contingent and variable payments across different projects.

#### *Constituents' comments*

Constituents agreed in general with the EFRAG's suggestion that more explanation was needed regarding in-substance fixed payments.

### EFRAG's response to respondents' comments

EFRAG reaffirmed its suggestion that the notion of in-substance fixed payments should be clarified. EFRAG recommended introducing a definition of in-substance fixed payment and noted that the example included in the ED did not provide a robust basis to assess such payments, because it relates to minimum fixed payments.

## Transition requirements

### EFRAG's tentative views and respondents' comments

#### *EFRAG's tentative position*

EFRAG agreed with granting practical reliefs in transition to achieve reduced implementation costs. In particular EFRAG agreed with the proposal to carry forward the amounts recognised before the transition for leases previously classified as finance leases.

EFRAG noted that it would be consistent to require use of the lessee's borrowing rate at the beginning of the earliest comparative period, rather than the borrowing rate at the effective date. EFRAG also suggested that entities should not be required to recognise lease liabilities and right-of-use assets for leases previously classified as operating leases, if the term had ended before the end of the period in which the new Standard is applied.

#### *Constituents' comments*

Constituents generally agreed with the reliefs proposed and with EFRAG's additional suggestions.

### EFRAG's response to respondents' comments

EFRAG noted the positive feedback from constituents regarding the transition requirements and maintained its initial views in the final comment letter.



## Disclosure requirements

### EFRAG's tentative views and respondents' comments

#### *EFRAG's tentative position*

EFRAG did not have specific concerns about the disclosure requirements and supported the requirement to consider how much emphasis to place on each requirement to satisfy the disclosure objectives. EFRAG noted that it should be clearly stated that not all the listed disclosures would be needed in all situations.

#### *Constituents' comments*

Some constituents commented that they would expect a reduction in disclosure requirements following the recognition of all leases; instead the ED required more extensive disclosures.

### EFRAG's response to respondents' comments

EFRAG considered the feedback received from constituents and maintained its emphasis that an entity should consider which disclosures are necessary in the specific circumstances.

EFRAG also noted that the requirement for reconciliation of the balances of lease liabilities separately for Type-A and Type-B leases did not have a clear rationale; and recommended clarifying that the short-term exemption also applied to disclosures.

## Consequential amendments to IAS 40 *Investment Properties*

### EFRAG's tentative views and respondents' comments

#### *EFRAG's tentative position*

EFRAG's draft comment letter reflected two views.

Under View A, EFRAG supported the measurement at fair value of right-of-use assets when the leased property was classified as investment property. EFRAG was concerned, however, that applying IAS 40 measurement requirements would involve measuring the market value of the options. EFRAG referred to paragraph BC137 in the ED, which noted that options might be difficult to be measured reliably.

Under View B, EFRAG disagreed with the proposal. EFRAG argued that a fair value measurement was appropriate only when the lessee eventually obtains the ownership of the investment property.

#### *Constituents' comments*

There were split views on this proposal. Some constituents supported the proposal to apply fair value measurement to right-of-use asset when the leased property is investment property, with particular emphasis from property lessors; some of the constituents opposed to the proposal. One constituent noted that the requirement should apply only when the fair value can be realised by the lessee.

### EFRAG's response to respondents' comments

EFRAG concluded that applying IAS 40 requirements to right-of-use assets meeting the definition of investment property provided useful information and was consistent with the general model. Accordingly, EFRAG removed View B from its letter.

EFRAG noted that the guidance on fair value needed some clarification in order to be applied to right-of-use assets.

EFRAG also noted that if a lessee classified a right-of-use asset as an investment property and measured it at fair value, then Type-B right-of-use assets should not be amortised in accordance with Type-B measurement model. EFRAG suggested that this should be stated explicitly in the guidance.

## Accretion of residual asset

### EFRAG's tentative views and respondents' comments

#### *EFRAG's tentative position*

In its comment letter on the original ED, EFRAG concluded after consultation with its constituents that the measurement should depict the return that lessors earn on the total investment in the lease, which includes both the receivable and the residual.

EFRAG noted, however, that some constituents challenge the unwinding of the discount on the residual asset, on the basis that accretion was inconsistent with a cost based measurement of a non-financial asset and the lessor did not perform any revenue-generating activities in relation to the residual asset during the lease term.

#### *Constituents' comments*

Some constituents maintained that the unwinding of interest on the residual asset was not consistent with general measurement criteria in IFRS. Some other constituents supported the IASB proposal and noted that if the residual was not accreted, it would result in an artificially high large gain upon disposal.

### EFRAG's response to respondents' comments

EFRAG maintained its initial support for the proposal, as accretion of the residual asset is a better reflection of how the lessor manages the asset. However, it noted that unwinding of the discount on non-financial assets carried at cost was generally not permitted under IFRS. EFRAG recommended including a clear statement that such accounting treatment should not be applied by analogy.

## Presentation issues

### EFRAG's tentative views and respondents' comments

#### *EFRAG's tentative position*

EFRAG disagreed with the IASB that presenting a single amount provides more useful information for Type-B leases, because the lessee is paying to use the underlying asset and does not acquire a significant portion of the underlying asset itself. EFRAG found this argument in conflict with the requirement to present the amortisation of right-of-use assets and the unwinding of the discount as separate items in the reconciliation of opening and closing balances.

#### *Constituents' comments*

Constituents provided very limited responses on this issue.

### EFRAG's response to respondents' comments

EFRAG in its final comment letter argued that the presentation of lease liabilities should be consistent in the statement of financial position and in the statement of comprehensive income. Moreover, if the IASB were to confirm that for Type-B leases unwinding of the discount should not be presented as a separate finance charge, then it should be clarified that these liabilities were not financial liabilities but rather operating liabilities.

## Appendix – List of respondents

	<b>Respondent</b>	<b>Country</b>	<b>Type</b>
1	Allianz SE	Germany	Preparer
2	The Institute of Chartered Accountants in England and Wales (ICAEW)	UK	Accountancy body
3	The Linde Group (Linde)	Germany	Preparer
4	Spanish Association of Renting and Leasing (AER)	Spain	Business organisation
5	Swedish Bankers' Association and Association of Swedish Finance Houses (SBA)	Sweden	Business organisation
6	Comissão de Normalização Contabilística (CNC)	Portugal	National Standard Setter
7	Leaseurope	International	Business organisation
8	Federation of European Accountants (FEE)	International	Accountancy body
9	The Danish Accounting Standards Committee (FSR)	Denmark	National Standard Setter
10	Instituto de Contabilidad y Auditoría de Cuentas (ICAC)	Spain	National Standard Setter
11	The Dutch Accounting Standards Board (DASB)	The Netherlands	National Standard Setter
12	European Securities and Markets Authority (ESMA)	International	Authority
13	Accounting Standards Committee of Germany (DRSC)	Germany	National Standard Setter
14	The Swedish Financial Reporting Board (RFR)	Sweden	National Standard Setter
15	Deutsche Telekom (DT)	Germany	Preparer
16	World Savings Bank Institute/ European Savings Banks Group (WSBI/ESBG)	International	Business organisation
17	European Banking Federation (EBF)	International	Business organisation

	<b>Respondent</b>	<b>Country</b>	<b>Type</b>
18	European Retail Round Table (ERRT)	International	Business organisation
19	The Norwegian Accounting Standards Board (NRS)	Norway	National Standard Setter
20	European Banking Authority (EBA)	International	Authority
21	Eumedion	International	Users' organisation
22	The Polish Accounting Standards Committee (KSR)	Poland	National Standard Setter
23	European Public Real Estate Association (EPRA)	International	Business organisation
24	ACTEO AFEP MEDEF	France	Business organisation
25	Barclays Bank plc	UK	Preparer
26	The European Federation of Financial Analysts Societies – Financial Accounting Commission (EFFAS)	International	Users' organisation
27	La Société Française des Analystes Financiers (SFAF)	France	Users' organisation
28	BusinessEurope (BE)	International	Business organisation
29	Organismo Italiano di Contabilità (OIC)	Italy	National Standard Setter
30	Belgian Accounting Standard Board (BASB)	Belgium	National Standard Setter