



EFRAG

European Financial Reporting Advisory Group ■

IASB ED *Leases*

Feedback report from outreach event in Brussels

25 June 2013

Introduction and summary of contents

Objective of the feedback report

IASB issued in May 2013 a new Exposure Draft on Leases. EFRAG **TEG** member Serge Pattyn promoted a meeting with Belgian users to collect their feedback on the proposals. 13 participants attended the meeting.

IASB Board members Philippe Danjou and Jan Engström, and IASB Technical Principal Patrina Buchanan presented the proposals.

Information to be considered together with this document

To view information related to the Exposure Draft Leases please access EFRAG's [Leases 2013 ED project page](#).

The ED can be found at [IASB's project page](#).

The comment period closes on 13 September 2013. Please send comments to commentletters@efrag.org.

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Feedback received

1. General

Participants' comments

Area	Comment
General feedback	There were split views about the requirement to recognise all leases. The majority of participants agreed but a significant number considered that improved disclosures for operating leases are a superior way to provide the information needed by users.
	The participants would rather supported a single approach measurement model for lessees with amortisation of the right-of-use asset and recognition of interest charge on the lease liability, than two different measurement approaches for Type-A and Type-B leases.

Feedback received

2. Scope and identification of a lease contract

Participants' comments

Area	Comment
Scope and key principles	One participant noted that under the proposals there will be an asset recognised on the balance sheet of both lessor and lessees. Another participant noted that this would not be the case for some cross-border leases. IASB representatives asked why users would look at the aggregate position of the lessor and the lessee.
	One participant disagreed with the proposal to recognise all leases on the balance sheet of lessees. In his view, leases should be recognised only when they are in substance similar to purchases of the underlying asset.
	Another participant agreed that recognition should be more selective. It was suggested that recognition should occur only when an asset is of specialised nature or when the underlying is a core asset for the lessee's operation.
	Another participant expressed concern over the fact that a change in recognition will require to adjust historical ratios. IASB representatives noted that many users already adjust reported figures to calculate their ratios – however, the adjustment is made in a conventional way that may not reflect the real operating lease commitments.

Feedback received

3. Measurement of leases

Participants' comments

Area	Comment
Measurement of leases	One participant noted that the proposals may affect the regulatory capital for banks and financial institutions.
	One participant asked if the proposals required to reassess the lease discount rate at each balance sheet. In his view, this would be problematic. IASB representatives explained that this would occur only when the payments are indexed to a rate.
	One participant expressed concern about a measurement based only on the minimum lease payments. Also, he thought that the treatment of options left room to structuring opportunities.
	Other analysts who agreed with the balance sheet proposals also agreed with the measurement proposals.

Feedback received

4. Type-A and Type-B leases

Participants' comments

Area	Comment
Type-A and Type-B leases	There was some degree of negative reaction to the proposal of having two different measurement approaches for the right-of-use asset. Participants mentioned that it would impair comparability.
	Also, participants did not think that the model provided a conceptual basis for a dual measurement.
	One participant noted that the proposals are already complex to apply; introducing two measurement approaches increases complexity.

Feedback received

5. Presentation and disclosures

Participants' comments

Area	Comment
Presentation and disclosures	There was a discussion about the impact of the proposals on the free cash flow calculation, considered a fundamental ratio for users.
	One participant noted that lease payments should be disclosed as operating in the cash flow statement.
	One participant recommended that entities are required to disclose information on individually significant lease agreements.
	One participant recommended requiring disclosure of uneven future payments.
	One participant recommended that entities are required to disclose estimated future cash flows (including variable lease payments).