
Straight away

IFRS bulletin from PwC

15 June 2011

IASB/FASB leasing redeliberations – June 2011

What is the issue?

The boards continued their re-deliberation of lease accounting this week, with the discussion focusing on resolving lessor accounting. The boards have long held divergent views on how lessors should account for leases that resulted in the compromised 'hybrid approach' proposed in the exposure draft. Following constituents' almost universal criticism of the proposed model, the boards have been working to resolve the issues that have, to date, blocked a single derecognition lessor accounting model.

Taking the time needed

Progress this week was slow, with no key decisions made; but we believe the issuance of a high-quality standard is far more important than issuing standards by an arbitrary date. As such, we encourage the boards to continue taking the necessary time to get to the best answers on this standard – even if that means that completion extends beyond 2011.

Obtaining robust constituent feedback is a critical part of developing high-quality standards. The boards and their staffs have been working hard and have

accomplished a lot in a short period. Substantial changes have been made to the original proposals. The proposed leasing standard will have a fundamental impact on the financial reporting of many companies. This has led us to conclude that re-exposing the leasing standard and allowing ample time for constituents to formally comment is the best way for the boards to obtain the right level of input.

Informal feedback is good, but a formal process is more likely to result in a standard that meets investors' information needs, and preparers' operational needs, while avoiding unintentional consequences.

Providing a broad range of constituents with an opportunity to 'trial test' the revised proposed leasing standard and comment on the actual words and associated amendments will better inform the boards about whether the wording will be interpreted in the manner intended. Obtaining that input now, before the final leasing standard is issued, will reduce potential implementation issues. The boards should also consider providing ample time for preparers and investors to respond to the re-exposure draft issued in similar timeframes.

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