



Memorandum

To:	AASB Members	Date:	10 December 2013
From:	Nikole Gyles	Agenda Item:	10.1.1 (tabled)
Subject:	Leases – project update November	File:	M135

Action

Receive an update on recent discussions held by the IASB and the FASB on their joint project to develop a Standard on *Leases*, and decide whether there are any issues that need to be raised with the IASB on those tentative decisions at this stage.

IASB/FASB meeting – November 2013

At their 20-22 November 2013 meeting the Boards discussed a summary of feedback received on ED/2013/6 *Leases*. No decisions were made.

The comment letter analysis¹ (IASB Agenda Paper 3A) indicated that many constituents support the recognition of a right-of-use (ROU) asset and a lease liability by a lessee for all leases of more than 12 months. Others support improving the existing lessee accounting in IAS 17 *Leases* by improving the disclosure requirements, rather than changing recognition and measurement. Most constituents support the objective of developing a comprehensive and converged lessee accounting model for IFRS and U.S. GAAP.

However, many constituents expressed significant concerns about the proposals. Many disagree with the proposed **lessee** accounting model. Some of these constituents are of the view that the existing lessee accounting model in IAS 17 should not be changed. Others disagree with one or more specific aspects of the proposed model, such as the proposed dual approach or the requirement to periodically reassess lease assets and lease liabilities. In addition, the majority of constituents disagree with the proposed **lessor** accounting model. Most are of the view that the existing lessor accounting model in IAS 17 should not be changed.

The majority of constituents also have concerns about the costs and complexity of the proposals. Specific areas that constituents highlight as being particularly costly or complex include:

- (a) The dual lessee accounting model
- (b) The Type A lessor accounting model
- (c) The reassessment proposals
- (d) The disclosure proposals
- (e) The scope of the transactions subject to the proposals.

Staff recommendation

Staff do not think there are any issues arising from the November 2013 IASB and FASB meeting that need to be raised with the IASB at this stage. Staff will continue to monitor developments.

Question 1 to Board members:

Does the Board agree with staff's recommendation?

¹ The AASB comment letter is available at:
http://www.aasb.gov.au/admin/file/content106/c2/AASB_comment_letter_to_IASB_ED_2013_6_Leases.pdf
(accessed 6 December 2013)