

**From:** Keith Reilly [mailto:keith.reilly@mq.edu.au]  
**Sent:** Monday, 26 August 2013 2:29 PM  
**To:** AASB Mailbox  
**Subject:** Submission on ED 242 Leases

Mr Kevin Stevenson  
Chairman  
Australian Accounting Standards Board  
PO Box 204, Collins Street  
WEST VICTORIA 8007

By Email: [standard@asb.gov.au](mailto:standard@asb.gov.au)

26 August 2013

Dear Kevin

Macquarie University's Department of Accounting and Corporate Governance is pleased to provide the Australian Accounting Standards Board (AASB) with its comments on ED 242 Leases which is a re-badged copy of the International Accounting Standards Board's (the Board) Exposure Draft ED/2013/6 - (the ED). We have considered the ED, as well as the accompanying draft Basis for Conclusions.

Macquarie University's response reflects our position as a leading educator to the Australian and global community. This submission has benefited with input from discussions with key constituents, and in particular we appreciate the opportunity to be a participant at the AASB's Sydney Roundtable on 8 August 2013 where the ED was extensively discussed and was attended by representatives of the Board and AASB members and staff. We note that at the Sydney Roundtable and we believe also at the Melbourne Roundtable, a majority of participants did not support ED 242.

We do not support ED 242 Leases applying to publicly accountable entities as we believe that it will not provide an improvement in reporting of Leases. The proposal that there be 2 types of Leases to cover the former Operating Lease transactions does not in our view have a principles based approach. Whilst we support bring longer term Leases on the Balance Sheet so that readers of the financial statements are able to better assess the gearing of an entity, we are concerned that having 2 different expense models for Lessees will confuse readers, is unnecessarily complex to both preparers and users, and will also lead to structuring so as to avoid including certain Leases on the Balance Sheet.

We believe that a better and simpler approach would be to require all current Operating Leases being defined quite broadly without exemptions, being put on the Balance Sheet, and the expense model then being the actual Lease payments made each year for Operating Leases.

We believe it is critical that for any fundamental reform to accounting standards, there is a need for the United States Financial Accounting Standards Board (FASB) and the IASB to reach substantive agreement. In the absence of agreed views from the IASB and the FASB, we would be opposed to any change in the existing Leases Accounting Standards (IAS 17/AASB 117).

For non-publicly accountable entities, we support the current requirements in the IFRS for SMEs accounting standard issued by the IASB, and for non-reporting entities we support the current position where AASB 117 is not applicable to non-reporting entities.

If you require any further information or comment, please contact me.

Keith Reilly

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