

Submitted electronically

24 October 2013

Mr. Hans Hoogervorst
Chair
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Formal Recommendation regarding Lessee Accounting from Capital Markets Advisory Committee

Dear Mr. Hoogervorst,

The Capital Markets Advisory Committee (“CMAC”) of the IASB discussed the Lease accounting project at its most recent meeting. In line with our Charter¹ this letter contains our formal recommendation to the International Accounting Standards Board (“IASB”) with respect to the Lessee accounting proposals contained in the Board’s Exposure Draft published in 2013. We hope this will assist the IASB in its deliberations given the on-going debate about what users want.

The unanimous consensus among the CMAC members present is that the IASB’s and the Financial Accounting Standards Board’s joint proposal for Lessee accounting is a better solution than a ‘disclosure-only’ alternative, and that the alternative of making no changes to the current standards is not acceptable.

There already is widespread consensus among users (and preparers) that operating leases give rise to assets and liabilities. We noted at our meeting that a significant majority of the respondents to the outreach efforts undertaken by both Boards (including the comment letters received) are opposed to maintaining the current rules and support change. However, some users appear to have questioned the merits of actually recognising these assets and liabilities and seem to prefer requiring improved disclosures only as a compromise solution. The unanimous view at our CMAC meeting on 17 October 2013 was that a ‘disclosure-only’ solution would be a sub-optimal solution for Lessee accounting, since it would not materially reduce costs for preparers and would fail to deliver the required information to users in a decision-useful fashion.

Concerns were also expressed that while a disclosure-only solution might be acceptable to expert users of financial statements, it would not be helpful to the majority of investors who require financial statements to provide them with clear information from the outset.

¹ The CMAC charter states that the members of the CMAC do not represent the views and interests of their affiliations, except where explicitly stated. The CMAC charter can be found here: <http://www.ifrs.org/The-organisation/Advisory-bodies/CMAC/Pages/CMAC.asp>

CMAC members share the concerns expressed by preparers and others that the final Standard should not impose unnecessary costs on preparers (since these are ultimately borne by investors), but we noted in our discussions that the costs of a disclosure-only solution were likely to be similar to the proposals put forward by the Boards. As such, the unanimous view expressed at our meeting was that the greatest return from the investment required to adapt to new Lease accounting rules will come from adopting the proposals as put forward by the Boards in their 2013 Exposure Drafts.

We applaud the significant efforts both Boards and their Staffs have made in seeking feedback on this proposed accounting change but we believe that users will not be well served by further delays to this long-awaited change to Lease accounting, and so we encourage the IASB to conclude its deliberations before the end of this year if possible.

Yours sincerely,

Sue Harding
CMAC co-chair

Martijn Bos
CMAC co-chair