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IFRS-FA – öffentliche SITZUNGSUNTERLAGE

Sitzung:	**24. IFRS-FA / 10.02.2014 / 15:15 – 16:15 Uhr**
TOP:	**05 – Leasing**
Thema:	**Aktuelle Entwicklungen**
Unterlage:	**24_05a_IFRS-FA_Leases_Redeliberations**

1 In der Januar-Sitzung von IASB und FASB erörterte Themenbereiche

1 Im Folgenden werden alle vom IASB/FASB-Mitarbeiterstab ausgearbeiteten Handlungsalternativen, welche in der Januar-Sitzung den Boards vorgestellt wurden, dargestellt. In der Sitzung wurden noch keine Entscheidungen für oder gegen eine der aufgeführten Handlungsalternativen getroffen. Diese sind für die März-Sitzung vorgesehen.

1.1 Leasinggeber-Bilanzierung

2 Aus den eingegangen Stellungnahmen und den durch diverse zusätzliche Veranstaltungen gesammelten Rückmeldungen leitet der Mitarbeiterstab ab, dass die Mehrheit der *constituents* die Änderung der existierenden Leasinggeber-Bilanzierung (IAS 17 und Topic 840) nicht unterstützt. Als Hauptargumente werden genannt:

- *The existing lessor accounting model in Topic 840 and IAS 17 is well understood and accurately reflects the different economics of different lease transactions.*
- *Most users do not currently adjust lessors' financial statements.*
- *Although there is a clear need to change lessee accounting, lessor accounting is not fundamentally flawed and should not be changed solely because lessee accounting is changing. These constituents do not think that consistency between the lessee and the lessor accounting models is necessary.*
- *Changes to lessee accounting should not be delayed because of difficulties in determining the appropriate lessor accounting model.*
- *Although there would be some benefits from the proposed changes to lessor accounting, the costs involved in the proposals would outweigh the benefits.*

3 In Bezug auf die fragliche Symmetrie zwischen der Leasinggeber- und der Leasingnehmer-Bilanzierung schlussfolgert der Mitarbeiterstab:

- *The feedback received indicates that a majority of constituents, including most users consulted, view leases differently from a lessee's perspective than from a lessor's perspective. For a lessee, the issue that arises regarding the accounting for leases is whether a lessee has appropriately recognized the assets and the liabilities that arise from leases. For a lessor, the accounting for leases is mainly about the timing of recognition of income or revenue, and the accounting for the underlying assets. Users tend to have a different focus when analyzing the financial statements of a lessee compared to analyzing the financial statements of a lessor. Consequently, many have expressed the view that existing lessor accounting works well in practice whereas change is needed to existing lessee accounting.*
- *From a conceptual perspective, the staff think that there are strong arguments to support requiring the recognition of a lease receivable for all leases (other than short-term leases), assuming that the Boards propose the recognition of a lease liability by lessees for all leases (other than short-term leases). This is because the staff agree with the Boards' conclusions in the Basis for Conclusions to the 2013 ED that, under a right-of-use model, a lessor has a lease receivable that meets the definition of an asset at lease commencement. Nonetheless, having considered all of the feedback received throughout the project, the staff have concluded that achieving symmetry between the lessee and lessor accounting models should not be paramount for any final leases standard. This view is almost entirely influenced by cost-benefit considerations.*

4 In der Konsequenz wurden den Boards die nachfolgenden drei Ansätze für die zukünftige Bilanzierung durch den Leasinggeber vorgeschlagen. Sofern einer der vorgeschlagenen Ansätze für die Leasingnehmer-Bilanzierung (vgl. Abschnitt 1.2) von den Boards gewählt wird, führt keiner der drei Leasinggeber-Ansätze zu einer Symmetrie. Trotzdem werden nach Ansicht des Mitarbeiterstabs durch jeden der drei Ansätze die Kosten-Nutzen-Überlegungen angemessen adressiert und jeweils Konvergenz zwischen IAS/IFRS und US-GAAP erreicht.

1.1.1 Approach 1 - Determine whether the lease is effectively a sale or a financing based on the transfer of risks and rewards incidental to ownership

5 Kurzbeschreibung des Ansatzes:

A lessor would apply Type A accounting when the lease is effectively a sale or a financing of the underlying asset, rather than an operating lease (note: the staff are proposing that Type A lessor accounting should be consistent with existing IFRS finance lease accounting, rather than the receivable and residual approach proposed in the 2013 ED, vgl. Abschnitt 1.1.5*). All other leases would be classified as Type B leases.*

A lessor would account for a lease as a sale or a financing when the lease:

a) *Transfers ownership of the underlying asset to the lessee by the end of the lease term;*

b) *Grants the lessee a purchase option that it has a significant economic incentive to exercise; or*

c) *Otherwise transfers substantially all the risks and rewards incidental to ownership of the underlying asset. Situations that individually or in combination would normally lead to a conclusion that the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset include:*

   i) *The lease term is for a major part of the remaining economic life of the underlying asset.*

   ii) *The present value of the sum of the lease payments and any residual value guarantees obtained from any unrelated third-party amounts to substantially all of the fair value of the underlying asset at lease commencement.*

   iii) *The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.*

The indicator in (iii) above is consistent in principle with the indicator in paragraph 10(e) of IAS 17. However, because this indicator would be new to U.S. GAAP preparers, the staff think it is preferable to align the wording to the alternative use concept in the forthcoming revenue recognition standard. The concept of "alternative use" includes when the lessor would have to incur significant economic losses to direct the asset to another use (for example, incurring significant costs to rework the asset or only being able to sell the asset at a significant loss).

In addition:

a) *Consistent with existing IFRS, lessors would assess whether the situations ((i)-(iii)) in the paragraph above are conclusive in determining whether the lease transfers substantially all the risks and rewards incidental to asset ownership. If it is otherwise clear that the lease does not transfer substantially all the risks and rewards, the lease would be classified as a Type B lease.*

b) *Consistent with existing IFRS (and similar to existing U.S. GAAP), land and other elements would be assessed separately for purposes of lease classification when necessary, unless the land element is clearly immaterial.*

6 Zu Approach 1 werden folgende Hinweise gegeben:

- *Approach 1 would retain existing lessor accounting for U.S. GAAP and IFRS preparers in all material respects. When compared to eliminating lessor accounting from the project entirely, this approach achieves a converged lessor accounting model that does* *not introduce new concepts or result in inconsistencies (such as in lease definition, scope, etc.) with the proposed lessee accounting model.*

- *The main perceived deficiency in existing lease accounting is* lessee *accounting for existing operating leases. There has not been a significant perceived deficiency in existing lessor accounting, as evidenced by the fact that most users do not adjust a lessor's financial statements. Therefore, this approach aims to achieve a converged solution while minimizing the accounting changes, and thereby minimizing costs to preparers and users (in terms of their analyses).*
- *The majority of constituents support a dual lessor accounting model. Most of them support retaining the* existing *dual lessor model. This approach fundamentally retains existing lessor accounting by using the existing IFRS risks and rewards concept to determine whether the lease is effectively a sale or a financing.*
- *Many constituents commented that the changes proposed in the 2013 ED to lessor accounting would result in accounting that does not align to the economics of all leases or to a lessor's business model. Some of the users commented that the changes proposed in the 2013 ED to lessor accounting would* complicate *their analyses, and potentially require them to make adjustments to the reported income statement amounts for which they had not made adjustments previously. Consequently, some lessors may resort to non-GAAP reporting to satisfy users' needs. Accordingly, applying Type A accounting to these transactions would not appear to provide any associated benefits. This approach would address the concerns of these constituents.*
- *Almost all users and preparers of financial statements for lessors of property generally support the lessor accounting proposed in the 2013 ED (Type B for most leases of property), which is generally consistent with existing U.S. GAAP and IFRS lessor accounting for such leases. Each of the approaches proposed would achieve similar lessor accounting for property lessors as was proposed in the 2013 ED.*

1.1.2 Approach 2 - Determine lease classification based on the transfer of risks and rewards for financial lessors and based on the transfer of control for other lessors

7 Kurzbeschreibung des Ansatzes:

Under Approach 2 (as in Approach 1), a lessor would account for a lease that is effectively a sale of the underlying asset or *a financing transaction as a Type A lease. A lessor would account for all other leases as Type B leases.*

For purposes of classifying leases as Type A or Type B, Approach 2 would distinguish between:

- *Those leases that do not give rise to selling profit or loss (typically leases entered into by financial lessors); and*

- *Those leases that give rise to selling profit or loss (typically leases entered into by all other lessors - including manufacturers and dealers, as well as most other lessors that manage their leased assets as their "stock-in trade").*

A lessor would classify a lease that does not give rise to selling profit or loss in the same manner as Approach 1—that is, based on the transfer of risks and rewards.

A lessor would classify a lease that gives rise to selling profit or loss by assessing whether the lessee obtains control of the underlying asset as a result of the lease (consistent with the notion of a sale in the forthcoming revenue recognition standard). Consequently, a lessor would account for a lease as an instalment sale on the same basis as any other revenue contract. If control of the underlying asset does not transfer to the lessee, the lessor would account for the lease as a Type B lease.

A lease would be classified as a Type A lease if:

(a) The lease transfers ownership of the underlying asset to the lessee by the end of the lease term;

(b) The lessee has a significant economic incentive to exercise an option to purchase the underlying asset; <u>or</u>

<u>For a lease that does not give rise to selling profit or loss</u>

(c) The lease otherwise transfers substantially all the risks and rewards incidental to ownership of the underlying asset. Situations that individually or in combination would normally lead to a conclusion that the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset include:

(i) The lease term is for a major part of the remaining economic life of the underlying asset.

(ii) The present value of the sum of the lease payments and any residual value guarantees obtained **from any unrelated third-party** amounts to substantially all of the fair value of the underlying asset at lease commencement.

(iii) The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

<u>For a lease that gives rise to selling profit or loss</u>

(c) The lessee otherwise has the ability to obtain substantially all of the remaining benefits of the underlying asset as a result of the lease. Situations that individually or in combination would normally result in the conclusion that the lessee has the ability to obtain substantially all of the remaining benefits of the underlying asset as a result of the lease include:

(i) The lease term is for a major part of the remaining economic life of the underlying asset.

(ii) The present value of the sum of the lease payments and any residual value guaranteed **by the lessee** amounts to substantially all of the fair value of the underlying asset at lease commencement.

(iii) The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

8 Der Vorschlag des Approach 2 wird u.a. wie folgt begründet:

- *Existing U.S. GAAP (Topic 840) and IFRS (IAS 17) differentiate between those leases that give rise to selling profit (or loss) and those that do not.*
- *Approach 2 would retain the link that exists under current U.S. GAAP and IFRS between "sales-type" lease accounting (that is, those leases of manufacturers and dealers that generally give rise to selling profit or loss and typically result in "top-line" sales or product revenue) and revenue recognition (based on the forthcoming revenue recognition standard). This approach would stipulate that lessors should recognize sales or product revenue arising from a lease, as well as profit or loss on the underlying asset, only if the lease is effectively a sale based on the concept in the forthcoming revenue recognition standard (that is, whether the lessee obtains control of the underlying asset as a result of the lease because it has the ability to direct the use and obtain substantially all of the remaining benefits of the underlying asset).*
- *This proposed difference in the lease classification analysis performed by those lessors that use leasing as a means to market their products would be consistent with the requirement in the forthcoming revenue recognition standard to determine whether a sale has occurred from the* customer's *perspective.*
- *The primary difference between an analysis based on whether the lessee obtains control of the underlying asset as a result of the lease (Approach 2) as compared to one based on whether the lessor transfers substantially all the risks and rewards incidental to ownership (Approach 1) is the consideration of third-party involvement in the lease. Third-party involvement in the lease can take the form of third-party residual value guarantees, insurance, or other residual value support, such as that provided in buyback or remarketing agreements. This is because an unrelated third party's guarantee of the residual value of an underlying asset would be expected to have no bearing on whether the lessee has, as a result of the lease, the right to direct the use of the underlying asset and obtain substantially all of its remaining benefits. That assessment would focus solely on the rights and benefits that the* lessee *obtains as a result of the lease. As a consequence, any third party involvement in a lease could affect the assessment of the transfer of the asset from the lessor's perspective but would not from the lessee's perspective.*

1.1.3 Approach 3 - Lessor business model approach

9 Der Ansatz differenziert nach dem jeweiligen *Business Model* des Leasinggebers (je Assetklasse), welches wiederum maßgeblich für die Bilanzierung wäre:

a) *Type A lessors—Those lessors who price leases based on estimates of the value of the asset at the beginning and end of the lease to obtain a desired return. The following are possible indicators of such a business model:*
   i) *The lessor typically leases the underlying asset only once (or perhaps twice) before disposing of the asset.*
   ii) *The pricing of any services associated with the lease is clearly separated.*
   iii) *The lessor purchases the underlying asset only as a consequence of the lease (for example, only once a lessee has been identified).*

b) *Type B lessors—Those lessors who price leases to obtain a desired return on their total investment in the underlying asset over the entire period that the lessor intends to hold the asset, which is typically much longer than the period of any individual lease. The following are possible indicators of such a business model:*
   i) *The lessor leases the underlying asset multiple times over its economic life.*
   ii) *The underlying asset is a long-lived asset, and may be a portion of a larger physical asset.*
   iii) *The pricing of the lease is more akin to the pricing of a commodity rather than determined by the desire to obtain a particular return on the underlying asset from the lease.*
   iv) *The lessor provides services associated with the underlying asset to the lessee, with the pricing often not clearly separated.*

10 Der Vorschlag des Approach 3 wird u.a. wie folgt begründet:

- *This approach is based on the rationale that lessor accounting should be reflective of the underlying economics of the lease, which is often best reflected by aligning lessor accounting to the lessor's business model. Most constituents support a dual lessor model because they think that there are economic differences between different types of leases, and that different lessors have different business models.*
- *This approach would also retain the accounting that users and preparers of financial statements for property lessors have stated is most useful and representationally faithful.*
- *The lessor business model approach would be applied by class of underlying asset. This is mainly to acknowledge that some lessors lease multiple classes of assets with different attributes, and for which the lessor's business model varies accordingly.*
- *Because a lessor of property or other long-lived assets often continues to actively manage the underlying asset and the value of the asset may not decrease substantially over the lease term, it would appear to provide useful information in those situations for the lessor to continue to recognize the entire underlying asset during the lease, instead of accounting for the lease as if the lessor had sold a "piece" of the asset.*

- *Furthermore, a lessor business model approach may address one of the main arguments against Approach 1 or Approach 2 in this paper. That argument is mainly that, because the existing lease classification test does not result in outcomes that sufficiently reflect a lessor's business model, it can provide anomalous results that are not useful to users. The staff understand that some lessors often go to great lengths (and cost) to achieve the accounting that they believe best reflects their business model (for example, by purchasing a specified amount of third-party residual value insurance to meet the existing lease classification thresholds).*

1.1.4 Würdigung der vorgeschlagenen Ansätze durch den Mitarbeiterstab

11 *The staff think that an approach based on the existing principle of determining whether a lease is effectively a sale or a financing (that is, either Approach 1 or Approach 2) is preferable to Approach 3 mainly because of the increased judgment and complexity that would result from determining a lessor's business model under Approach 3. The staff think that Approach 3 would result in lessor accounting outcomes that are most closely aligned with how a lessor operates its leasing activities. For this reason and if applied consistently, the staff think that Approach 3 has the potential to provide the most useful information to users. Nonetheless, there is a cost associated with Approach 3 for some lessors. It is also unclear whether lessors would be able to determine their respective business models consistently on the basis of the proposed guidance for Approach 3. Consequently, the staff do not think that introducing the lessor business model approach would be appropriate at this time.*

12 *The staff see merits in adopting either Approach 1 or Approach 2. Approach 1 may be more appropriate, principally because, in the absence of any substantive difference in accounting outcomes, retention of the existing lessor guidance would reduce interpretive and other complexities that could result from the adoption of Approach 2. The incremental complexity of having two lease classification principles (both risks and rewards for financial lessors and the transfer of control for manufacturers, dealers, and other lessors) might not be justified when the accounting outcomes are expected to be identical for the vast majority of leases. Some staff also think that it may be more appropriate to assess when a lessor has sold an underlying asset from the lessor's perspective, rather than from the lessee's perspective.*

13 *In contrast, the staff also see merits for the longer term in establishing conceptual alignment between the requirements for a sale in the forthcoming revenue recognition standard and the evaluation of whether a lease is effectively an installment sale in any final leases standard. Those staff that would support Approach 2 as their first choice think that Approach 2 accomplishes this goal at minimal incremental cost to preparers as compared to Approach 1. This is because the lease classification analysis for those leases that generally give rise to selling profit or loss (that is, those of manufacturers, dealers, and other nonfinancial lessors) is*

not significantly different from the analysis that would be applied to leases not giving rise to selling profit (or loss). These staff members think that the relatively minor additional complexity of Approach 2, as compared to Approach 1, would be justified. This is because the outcome of adopting Approach 2 would be the issuance of revised revenue guidance and leases guidance, both of which would include the same principle on which to determine what constitutes the sale of a nonfinancial asset.

1.1.5 Type A Accounting

14 Für die Bilanzierung von Type A-Leases wurden den Boards zwei Ansätze vorgestellt.

15 ***Approach A*** *– To retain the receivable and residual approach proposed in the 2013 ED for all Type A leases.*

Under Approach A, a lessor would apply the receivable and residual approach in the 2013 ED to Type A leases. If the Boards were to adopt this approach, the staff would further consider possible simplifications or improvements to the approach by, for example:

a) *Simplifying or removing the complex accounting that could result when a portion of the lease payments are variable; and therefore, are included in determining the interest rate implicit in the lease (for example, by allowing the lessor to otherwise estimate a reasonable discount rate).*
b) *Allowing the lessor to evaluate the lease receivable and residual asset as a single asset for purposes of impairment.*

16 Zu Approach A werden u.a. folgende Hinweise gegeben:

- *The receivable and residual approach would provide more transparent information about a lessor’s exposure to credit risk (associated with the lease receivable) and asset risk (associated with the residual asset). It would also restrict the recognition of profit at lease commencement to only the profit relating to the lease.*
- *If the Boards adopt Approach 1 or Approach 2 (an approach generally consistent with existing lessor accounting lease classification), the staff think that the costs of applying the receivable and residual approach will likely outweigh the benefits.*
  - *The benefits of separately recognizing a lease receivable and a residual asset are reduced when compared to the rationale for doing so in the 2013 ED because (1) the population of leases to which a lessor would apply the receivable and residual approach under Approach 1 or Approach 2 would be expected to be smaller than under the proposals in the 2013 ED and (2) the amount of those residual assets, as compared to the lease receivables, would be expected to be smaller.*
  - *There is a cost associated with applying the receivable and residual approach. Lessors have confirmed that they would need new or enhanced accounting*

systems to calculate and track the unearned profit, as well as to accrete and track the residual asset separately from the lease receivable.

- *If the Boards adopt Approach 3 (that is, the lessor business model approach), the staff think that the cost-benefit conclusion with respect to the receivable and residual approach is not as apparent. Under a lessor business model approach, some lessors will likely have a material amount of Type A leases for which the residual asset is a significant portion of the underlying asset, and for which the unearned profit is a significant proportion of the total profit relating to the underlying asset. Nonetheless, it is worth noting that many users were indifferent as to whether they receive the improved information about residual assets in the balance sheet or in the notes, while others would prefer to receive that information in the notes.*

17 ***Approach B*** *– To eliminate the receivable and residual approach proposed in the 2013 ED and instead apply existing IFRS finance lease accounting (which is also existing U.S. GAAP sales-type lease accounting) to all Type A leases, subject to potential minor drafting improvements.*

If a lease is classified as a finance lease under existing IFRS, the lessor recognizes a receivable for an amount equal to the net investment in the lease (and does not recognize the underlying asset in its balance sheet). The lessor measures the net investment in the lease at the present value of the minimum lease payments plus any unguaranteed residual value. A lessor recognizes interest income on the net investment in the lease over the lease term using the effective interest method, and any profit on the underlying asset at lease commencement. Manufacturer or dealer lessors recognize revenue and cost of goods sold on finance leases in the same way as for outright sales.

18 Zu Approach B werden u.a. folgende Hinweise gegeben:

- *If the Boards adopt Approach 1 or Approach 2, the staff think that, from a cost benefit perspective, it is preferable to adopt Approach B (that is, to apply existing finance lease accounting to Type A leases). This is because:*
    - *As noted earlier in this paper, the staff expect little incremental benefit in applying the receivable and residual approach (Approach A in this paper) compared to retaining existing finance lease accounting.*
    - *Retaining existing finance lease accounting would result in substantively lower costs for lessors than adopting the receivable and residual approach.*
- *Alternatively, the Boards could direct the staff to adopt Approach B in this paper, but stipulate that a lessor should present the lease receivable separately from the residual asset in the balance sheet. This modified version of Approach B would provide additional residual asset information that users have said would be beneficial. At the same time, this modified version of Approach B would alleviate many of the difficulties*

associated with the receivable and residual approach, which largely stem from accounting for the unearned profit component. The staff think that the incremental costs and complexity to adopt this modified version of Approach B would not be significant when compared to existing finance lease accounting.

19 Letztendlich empfiehlt der Mitarbeiterstab Approach B für die Bilanzierung von Type A-Leases, unabhängig vom gewählten Leasinggeber-Modell (Approach 1 - 3; siehe oben):

- *If the Boards prefer Approach 1 or Approach 2, the staff do not think Approach A (the receivable and residual approach proposed in the 2013 ED) provides sufficient additional benefit to financial statement users to justify the costs lessors would incur to adjust their accounting systems and processes.*
- *The staff recommend Approach B even if the Boards prefer Approach 3. The staff do not think Approach A would provide sufficient incremental benefit compared to existing finance lease accounting to justify its costs in terms of system and process changes. Some staff members think that if the Boards pursue this course of action, they should consider the modified Approach B discussed earlier in this paper. This modified approach would separately present the lease receivable and the residual asset (measured at the present value of the estimated residual value without any unearned profit component), which has the potential to provide valuable information to users in a more cost-effective manner than retaining the entire receivable and residual approach.*

1.2 Leasingnehmer-Bilanzierung

20 Die nachfolgenden wesentlichen Erkenntnisse werden aus den eingegangenen Stellungnahmen zum ED/2013/6 und dem weiteren erhaltenen Feedback abgeleitet.

21 *Recognition of lease expenses in a lessee's income statement:*

- *Many users consulted currently adjust a lessee's income statement for leases accounted for as operating leases under existing U.S. GAAP and IFRS. The most common technique used is to split the operating lease expense for the period into depreciation and interest using estimation techniques (for example, two-thirds of the operating lease expense as depreciation and one-third as interest).*
- *Many users, including most industry-specific users, support the income statement proposals in 2013 ED for the following reasons:*
    - o *Most users that provided feedback agree that there are economic differences between property leases and leases of assets other than property.*
    - o *Almost all airline and transport analysts agree with the proposal to recognize and present amortization separately from interest for most leases of assets other than property because, in their view, there should be consistency in the*

treatment of owned and leased assets. Retail, restaurant, and hotel analysts generally support the recognition of a single lease expense for property leases, typically presented as an operating expense. They view lease expenses as an important part of the operating expenses of a retailer, hotelier, or restaurateur.

   - *Some users who are not industry-focused also support the proposed dual model. They are of the view that a lessee's income statement should reflect what a lessee pays for consumption (depreciation) of the underlying asset separately from what it pays for financing (interest). They think the proposed dual model is a practical way to do this. Some of these users would, however, consider the lease expense for Type B leases to be a financing (interest) expense.*

- *Nonetheless, many users disagree with the income statement proposals in the 2013 ED. Most of those who disagree, including two of the three major credit rating agencies and most of the other credit analysts that provided feedback, proposed recognizing amortization expense separately from interest expense for all leases (that is, applying Type A accounting to all leases). This reflects their view that all leases create assets and "debt-like" liabilities.*
- *In contrast, some other users who disagree with the income statement proposals suggest that a lessee should recognize a single, straight-line lease expense for all leases currently classified as operating leases. This reflects their view that, for these leases, the benefit to the lessee is received evenly over the lease term. The accounting would more closely align lease expense with lease payments, which these users view as preferable.*
- *Some other constituents, particularly lessees with property leases, support the proposed accounting in the 2013 ED for property leases. They think that the income statement lease expense recognition requirements in Topic 840 and IAS 17 work well for these leases and accurately reflect the economics of such leases. Consequently, they support a lessee recognizing a single straight-line lease expense in its income statement for most property leases.*
- *However, a majority of constituents (including most preparers) disagree with the dual accounting model proposed in the 2013 ED, which is based on consumption of the underlying asset.*
- *Some constituents, in particular, standard setters, accounting firms, and some preparers, disagree with having a dual lessee model for conceptual reasons. These constituents think that, if the Boards wish to require capitalization of leases by a lessee, any attempt to differentiate between those leases in the income statement is arbitrary and inconsistent with the recognition of a nonfinancial asset and a financial liability for all leases (other than short-term leases).*

- *These constituents and others think that any dual model perpetuates the risk of structuring to gain a particular accounting outcome and note that structuring is one of the major criticisms of the existing model in IAS 17 and Topic 840.*
- *Other constituents disagree with the classification principle on which the dual accounting model is based. Most of these constituents, mainly preparers and some of the accounting firms, prefer a dual model based on the principle in IAS 17 and Topic 840 for the following reasons:*
    - *It is readily understood and has worked well in practice, as compared to the consumption principle which is new and untested. This would reduce the complexity and judgment many entities would need to apply at least initially and for a period of time after adoption of a new leases standard.*
    - *It captures economic differences between leases more accurately than the proposed consumption principle.*
    - *It is closely tied to the commercial and bankruptcy laws and income tax requirements in some jurisdictions (for example, in the U.S.), unlike the consumption principle.*
    - *It is a more pragmatic way to achieve the recognition of assets and liabilities for all leases on a lessee's balance sheet. Constituents with this view support the recognition of assets and liabilities on a lessee's balance sheet but acknowledge that the logical accounting consequence of that recognition (which would be a single Type A model) has been rejected by many constituents as not reflective of the underlying economics of all leases. These constituents think that the Boards introduced a dual lessee model for pragmatic reasons in response to those concerns rather than for any conceptual accounting reason and support retention of the existing lease classification line on similar pragmatic grounds.*
- *Many constituents raised concerns about the costs and complexity of the proposed dual lessee accounting model, stating that:*
    - *There would be costs involved in applying any new classification guidance and in setting up the new accounting systems required for Type B accounting.*
    - *The dual model is complex, particularly the judgments that need to be made in classifying leases.*

22 *Classification Proposals:*

- *Most constituents are concerned about various aspects of the proposed classification guidance.*
- *Most constituents expressed concern about the use of subjective phrases that would impact lease classification, including the terms "insignificant," "major part," and "substantially all." These constituents think that these phrases, without any additional*

guidance as to their meaning, would lead to inconsistent application of the classification guidance.

- *Constituents are also concerned about aspects of the two-tiered classification test in the 2013 ED, including the application of the consumption principle on the basis of comparing the present value of lease payments to the fair value of the underlying asset and comparing the lease term to the economic life of the underlying asset. These constituents are concerned that the tests would lead to similar leases of the same underlying asset being classified differently. For example, some constituents are concerned about an entity classifying property leases as Type A leases, especially land-only leases.*
- *Other constituents have concerns about the definition of property in the classification guidance. Most of these constituents think that the definition of property in the 2013 ED is too narrow.*
- *Some constituents have concerns about specific aspects of the classification guidance, including the guidance relating to:*
  - *Leases of land and buildings. Some constituents would prefer to separate the land and building elements of these leases, while others disagree with using the remaining economic life of the building to classify the combined lease.*
  - *Lease components with the right to use more than one asset. Some constituents request more guidance on how to determine the "primary asset," while others disagree with the primary asset concept, particularly for leases with property and nonproperty elements.*
  - *Economic life. Some constituents disagree with the proposal to use the remaining economic life of the underlying asset for classification of property leases and the total economic life of the underlying asset for leases of assets other than property. Most of these constituents would prefer to use the total economic life for all underlying assets. They do not think that the classification of leases of the same underlying asset should change from Type B to Type A as the asset ages, which could be the case if classification depends on the remaining life of the underlying asset.*
  - *Fair value. Some constituents disagree with the proposal to base the classification test on the fair value of the underlying asset because, for some assets (particularly some long-lived assets other than property), fair value is difficult to determine.*
- *Constituents suggest the following various modifications to the classification guidance, if the Boards decide to retain classification guidance similar to that proposed in the 2013 ED:*

- *Classification based solely on the underlying asset for leases of both property and assets other than property. These constituents would prefer an entity to apply the consumption principle strictly on the basis of the nature of the underlying asset (that is, classify all property leases as Type B leases and all leases of assets other than property as Type A leases).*
- *Classification based solely on the consumption principle (that is, whether the lessee consumes more than an insignificant amount of the economic benefits embedded in the underlying asset) and not based on the nature of the underlying asset.*
- *Changing the classification test in a way that would reduce, but not eliminate, Type A property leases and Type B leases of assets other than property.*
- *Expanding the definition of property to incorporate the concept of "integral equipment" under existing Topic 840 or the recent IFRS Interpretations Committee's discussions on the definition of property. These constituents think that such an expanded definition should incorporate assets such as telecommunications towers, fiber-optic cables, and pipelines.*
- *Improving the guidance with regard to terms such as "economic life," "insignificant," "major," and "substantially all."*
- *Using numerical tests rather than terms such as "insignificant" or "major."*

23 Vor diesem Hintergrund wurden durch den Mitarbeiterstab die nachfolgenden drei Handlungsalternativen ausgearbeitet.

1.2.1 Approach 1 – Single Type A Lessee Accounting Model

24 Kurzbeschreibung des Ansatzes:

Under Approach 1, for each lease, a lessee would recognize:

- *A lease liability, initially measured at the present value of lease payments, and subsequently measured at amortized cost using the effective interest method.*
- *A ROU asset, initially measured at an amount generally equal to the lease liability and subsequently measured at amortized cost. A lessee would amortize the ROU asset consistently with other nonfinancial assets, using a systematic basis that reflects the expected pattern of consumption of benefits from using the underlying asset, which typically would be straight-line.*

Under Approach 1, the lessee's total lease expense for an individual lease would typically decrease over the lease term because (a) the interest expense is based on the liability balance, which decreases as the lessee makes payments, and (b) the ROU asset would typically be amortized on a straight-line basis.

25 Zu Approach 1 werden folgende Hinweise gegeben:

- *Approach 1 treats a lease as the acquisition of a ROU asset on a financed basis. The accounting is substantially equivalent to financing the acquisition of other nonfinancial assets, including other economically similar assets such as the rights to use particular intellectual property (for example, licenses such as franchise rights). That ROU asset is a nonfinancial asset, which Approach 1 would account for consistently with other nonfinancial assets. The lease liability is a financial liability, which Approach 1 would account for consistently with similar financial liabilities.*
- *Under this approach, the components of the lease (that is, the ROU asset and the lease liability) are recognized separately—although linked on initial measurement, they are subsequently measured independently of each other. The amortization or depreciation pattern of the ROU asset is based on the expected pattern of consumption of benefits from the asset and there is no relationship between the pattern of consumption of benefits from the ROU asset and the manner of financing.*
- *Approach 1 acknowledges that service or service-like elements are often pivotal to a lessee's decision to enter into a lease (for example, to avoid the costs and effort of managing the underlying assets). Accordingly, a lessee's decision to lease is often not an attempt to finance the purchase of the underlying asset. However, Approach 1 asserts that all leases include a financing element, regardless of whether the lease represents a lease-versus-buy decision by the lessee. This is because all leases have a lease element (the right to use the underlying asset for a period of time) that is separate from any other service or service-like elements in the contract. The lessee obtains the lease element (that is, the right to control the use of an underlying asset) at lease commencement when the lessor makes the underlying asset available for the lessee's use, and the lessee generally pays for that right over the period of the lease. Absent extenuating circumstances, after lease commencement, the lessor's only performance obligation with respect to the ROU element is not to do anything that would breach the contract (that is, not to do anything that would violate the lessee's right to use the underlying asset).*

1.2.2 Approach 2 – Simplified Version of 2013 ED Lease Classification Test

26 *Approach 2 would effectively retain the lease classification test from the 2013 ED, but with key simplifications and improvements.*

To accomplish this, the lease classification test under Approach 2 would be as follows:

(a) A lessee would account for leases of "property", other than short-term leases, as Type B leases unless the lease transfers control of the property to the lessee. Property would be defined as land, buildings, or "integral equipment" (that is, any

physical structure or equipment attached to land or buildings that cannot be removed and used separately without incurring significant cost) or portions thereof. The lessee would be deemed to control the underlying asset when any one of the following three criteria are met:

- *(i) The lease transfers ownership of the property to the lessee by the end of the lease term.*
- *(ii) The lessee has a significant economic incentive to exercise an option to purchase the underlying asset (note: if the Boards decide to revise the notion of significant economic incentive, the staff would propose to revise this criterion accordingly).*
- *(iii) The lessee otherwise has the ability to obtain substantially all the remaining benefits of the underlying asset as a result of the lease. The following situations, individually or in combination, would normally indicate that the lessee has the ability to obtain substantially all the remaining benefits of the underlying asset as a result of the lease:*
  - *(a) The lease term is for a major part of the remaining economic life of the underlying asset.*
  - *(b) The sum of the present value of the lease payments and any residual value guaranteed by the lessee amounts to substantially all of the fair value of the leased asset.*
  - *(c) The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.*

In leases with land and other elements, when necessary (for example, when the lease classification of each element on its own is not otherwise clear) lessees would separate the land element(s) from the other element(s) for purposes of determining lease classification unless the land element is clearly immaterial.

(b) A lessee would account for all leases of assets other than property, other than short-term leases, as Type A leases. A lessee would also account for leases of property for which the lessee obtains control of the property as Type A leases.

27 *The staff think that Approach 2 could be developed in either of the following ways:*

- *A lessee would be required to apply Type B accounting to leases of property for which the lessee does not obtain control of the property.*
- *A lessee would have the option to apply Type B accounting to all of its leases of property for which the lessee does not obtain control of the property. Otherwise, the lessee would apply Type A accounting to all leases, other than short-term leases.*

28 Zu Approach 2 werden folgende Hinweise gegeben:

- *The rationale for Approach 2 is similar to Approach 1, in that the approach would, as a starting point, say that Type A accounting is appropriate when a lessee recognizes a ROU asset (as a nonfinancial asset) and a lease liability (as a financial liability). Approach 2 proposes that Type B accounting is inappropriate from a conceptual perspective.*
- *Nonetheless, Approach 2 would either require or permit a lessee to account for the vast majority of its existing operating leases of property as Type B leases as an* exception *to the ROU model developed. The rationale for that exception is derived from the economics and pricing of leases (that is, linked to the consumption principle in the 2013 ED). The exception would permit lessees to better reflect the economics of most property leases for which the lessee is not expected to consume a very significant portion of that property over the lease term.*
- *When the lessee is not expected to consume a very significant portion of the underlying asset (for example, in a 3 or 5-year lease of property), the lease payments made by the lessee would represent amounts paid to provide the lessor with a return on its total investment in the underlying asset (that is, a charge for the use of the asset by the lessee). Because of this, that return or charge would be expected to be even, or relatively even, over the lease term. The lessor would not factor in a return of a consumed portion of the underlying asset because little, if any, of the asset is expected to be consumed during the lease term. Because of this, the lessee does not, in effect, acquire a portion of the underlying asset, but rather is paying solely for the right to use the lessor's asset, and the lease in those cases is not equivalent to the purchase of a nonfinancial asset. In many respects for such a lease, the payments made by the lessee could be viewed as somewhat similar to an entity paying interest on an interest-only loan. That is because the lessee effectively borrows the underlying asset, uses it during the lease term while paying the lessor even (or relatively even) lease payments for that use, and returns the underlying asset to the lessor with virtually the same value or service potential as it had at the commencement date.*
- *In contrast, when the lessee is expected to consume more than an insignificant portion of the underlying asset during the lease term, the lessor generally would price the lease to both obtain a return on its total investment in the underlying asset and also recover an amount representing the portion of the underlying asset that the lessee is expected to consume during the lease term. In other words, the lessor would price the lease as if it were selling (and the lessee were buying) the portion of the underlying asset that the lessee is expected to consume. In that case, the lessee should account for the lease as a contract to purchase a portion of the underlying asset on a financed basis, and treat*

the resulting ROU asset in the same manner as other nonfinancial assets purchased on a financed basis.

- *Approach 2 retains the underlying economic rationale of the dual model proposed in the 2013 ED, but would aim to address particular concerns raised about the lease classification proposals in the 2013 ED as follows:*
    - *Many constituents expressed the view that the definition of "property" in the 2013 ED (that is, land or a building – or portion thereof) was too narrow. Approach 2 would expand that definition to include those items accounted for as "integral equipment" (for example, many telecommunications towers and pipelines), which are presently considered to be real estate under existing U.S. GAAP.*
    - *Constituents expressed concern about the complexity introduced by the "exception tests" in the 2013 ED lease classification test (that is, paragraphs A2 and A3 of Appendix A to this paper). This approach would simplify the 2013 ED proposals because it would remove the "exception" tests for leases of assets other than property proposed in the 2013 ED (paragraph A2 of Appendix A to this paper). Accordingly, a lessee would classify all leases of assets other than property as Type A leases, without any lease classification test. The staff do not expect a significant change in lease classification outcomes as a result of this simplification. This is because we would have expected most leases of assets other than property (of more than 12 months) to be classified as Type A leases in any event because assets other than property depreciate in value over time. Consequently, for such leases, a lessee would be expected to consume more than an insignificant portion of the underlying asset during the lease term. Examples of leases that a lessee would have been expected to classify as a Type B lease under the 2013 ED and would classify as a Type A lease under this approach are:*
        - *A 3-year railcar lease, when the rail car has a total economic life of 50 years.*
        - *An 18-month ship lease, when the ship has a total economic life of 30 years.*

1.2.3 Approach 3 – Simplified and Updated IAS 17 Lease Classification Approach

29 *Approach 3 is based on the existing lease classification principle underlying existing U.S. GAAP (Topic 840) and IFRS (IAS 17) in that a lessee would classify a lease as Type A or Type B based on whether it is effectively purchasing the underlying asset as a consequence of the lease. Under Approach 3, a lessee would make the determination of whether the lease is effectively a purchase of the underlying asset based on whether it obtains control of the*

underlying asset as a result of the lease (consistent with the complementary notion of a sale in the forthcoming revenue recognition standard). The lease classification test in Approach 3 would result in the vast majority of existing capital/finance leases being classified as Type A leases and the vast majority of existing operating leases being classified as Type B leases.

When a lessee obtains control of the underlying asset, the lessee would account for the lease as a Type A lease. A lessee would account for all other leases, other than short-term leases, as a Type B lease.

30 *A lessee would effectively obtain control of the underlying asset when any* one *of the following three criteria is met at lease commencement:*

a) *The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.*
b) *The lessee has a significant economic incentive to exercise an option to purchase the underlying asset (note: if the Boards decide to revise the notion of significant economic incentive, the staff would propose to revise this criterion accordingly).*
c) *The lessee otherwise has the ability to obtain substantially all of the remaining benefits of the underlying asset as a result of the lease. Situations that individually or in combination would normally indicate that the lessee has the ability to obtain substantially all of the remaining benefits of the underlying asset as a result of the lease include:*
   i) *The lease term is for a major part of the remaining economic life of the underlying asset.*
   ii) *The sum of the present value of the lease payments and any residual value guaranteed by the lessee amounts to substantially all of the fair value of the leased asset.*
   iii) *The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.*

The situations in (i) - (iii) are not always conclusive. If it is otherwise clear that the lessee will not obtain substantially all of the remaining benefits of the underlying asset during the lease term (for example, when the estimated fair value of the underlying asset is expected to appreciate over the lease term such that the remaining benefits at the end of the lease term are effectively unchanged or enhanced since lease commencement), this criteria (criteria c) would not be met.

Under Approach 3, land and other elements would be assessed separately for purposes of lease classification when necessary, unless the land element is clearly immaterial.

31 Zu Approach 3 werden folgende Hinweise gegeben:

- *Approach 3 is based on the view that "true leases" have a specialized role in business that neither reflect the full transfer of a nonfinancial asset (for example, the purchase of a piece of equipment), nor are equivalent to a service contract. As a consequence, the* *lessee's accounting for a "true lease" does not have to conform to comparable accounting for a purchased asset or a services contract.*

- o *A lease is not equivalent to a financed purchase of the underlying asset because the lessee does not have the same rights or obligations as a result of the lease as it would obtain from owning that underlying asset. For example, the lessee does not have the right to sell the asset nor pledge the asset as collateral.*
- o *A lease is also not equivalent to a service contract because the lessor's performance with respect to the right of use is complete at lease commencement when assuming the contract will be fulfilled as promised. After making the underlying asset available for the lessee's use, the lessor's obligation with respect to the lease element only requires the lessor not to perform (for example, not pledge the leased asset as collateral or not to infringe upon the lessee's "quiet enjoyment" of its right to use the leased asset). The lessor may, however, have other obligations relating to non-lease elements in the arrangement (for example, ancillary maintenance services) that are separate from the lease element. Some constituents have expressed the view that these requirements evidence that "true leases" are "service-like"; however, these contractual requirements do not require additional performance by the lessor or the transfer of additional goods or services. This view is consistent with the Boards' conclusions in the forthcoming revenue recognition standard with respect to licenses of intellectual property. The Boards have concluded in that forthcoming standard that commitments to maintain and defend patent rights, or to maintain exclusivity, are not performance obligations of the licensor because those actions do not transfer a promised good or service to the licensee.*

- *Based on the premise that leases are not equivalent to either purchased assets or service contracts, Approach 3 would look to the lease as the unit of account. The approach would propose that the recognition of a lessee's total lease expense should reflect the pattern in which the benefit from the lease is consumed, which is generally (but not always) straight-line over the lease term.*
- *Recognition and separate presentation of the ROU asset and the lease liability elements that result from the lease is appropriate because:*
  - o *The ROU asset represents probable future economic benefits that will flow to the lessee as a result of the lease.*
  - o *The obligation to make lease payments is a present obligation arising from the past event of entering into the lease and the lessor's performance with respect to the right-of-use.*

    - *The ROU asset and the lease liability are not eligible for net presentation in the balance sheet under either U.S. GAAP or IFRS because of the nonfinancial nature of the ROU asset.*
- *Similarly to Approach 1, Approach 3 proposes a single accounting model for all "true leases." Both Approach 1 and Approach 3 would account for those leases that are effectively purchases of the underlying asset by the lessee as purchases (that is, applying Type A accounting). Approach 1 however concludes that the ROU assets that result from "true leases" are no different from other types of acquisitions of nonfinancial assets, and therefore should be accounted for no differently. However, Approach 3 takes the view that "true leases" differ from the purchase of other nonfinancial assets. Approach 3, therefore, proposes to account for "true leases" differently from the purchase of a nonfinancial asset and also differently from those leases that are effectively purchases.*
- *The staff have proposed Approach 3 in lieu of proposing that preparers simply adopt IAS 17's lease classification guidance. The staff view the adoption of IAS 17's lease classification guidance as less favorable than adopting Approach 3. This is because Approach 3 would align the concept of an effective purchase (or sale) with the principle in the forthcoming revenue recognition standard rather than the principle for a purchase (sale) in the soon to-be superseded existing U.S. GAAP and IFRS revenue recognition guidance.*

1.2.4 Würdigung der vorgeschlagenen Ansätze durch den Mitarbeiterstab

32 *Single model versus dual model:*

The staff, like much of the Boards' constituency, is split on whether the Boards should adopt a single Type A lessee accounting model (that is, Approach 1) or adopt a dual model (that is, either Approach 2 or Approach 3).

Those staff members that support Approach 1 think that this approach would be the simplest (that is, least costly and complex) to apply in the long-term, would provide the most useful information to users, and is the most conceptually supportable. These staff members recall the opposition to FAS 13 when it was published, and think that there would continue to be vocal opposition to any new leases guidance that proposes to recognize leases on a lessee's balance sheet, regardless of how a lessee depicts the lease in the income statement. These staff are of the view that the principal opposition to Approach 1, that of the front-loaded expense effect, is both overstated and potentially overly influenced by the view of leases perpetuated by the longstanding FAS 13 (Topic 840) and IAS 17 standards. These staff members think that a ROU model is best expressed through a single Type A lessee model.

Those staff members supportive of a dual model think that not all leases are the same, and that many, if not most, leases are not the same economically as a purchase of the underlying asset or the purchase of other nonfinancial assets. These staff also recall that a single Type A model was previously exposed twice (that is, in the 2009 DP and the 2010 ED), and that a large proportion of comment letters expressed the view that this model would not appropriately reflect the economics of all leases. Those staff members preferring a dual lessee model as their first choice support Approach 3 for the reasons outlined in the next sub-section.

33 *Dual model approach:*

If the Boards conclude that a dual lessee model should be retained, the staff remain split between Approaches 2 and 3.

Those that support Approach 2 generally support Approach 1 as their first choice (however, not all staff that support Approach 1 as their first choice, support Approach 2 as their second choice). Their support for Approach 2 as compared to Approach 3, therefore, is at least partially influenced by the fact that a majority of leases (numerically, not by value) would retain Type A lessee accounting under Approach 2. These staff members think that applying Type A accounting (that is, presenting amortization of the ROU asset separately from interest on the lease liability) to leases of assets other than property provides useful information to users. These staff members also generally think Approach 2 will be easier to apply than Approach 3 in the long-term because Approach 2 would not require any lease classification for leases of assets other than property. This would remove the complexity of lease classification for the majority (by number) of leases.

Those staff that support Approach 3 over Approach 2 do so largely because they think that Approach 3 best reflects the economics of leases based on the rights and obligations conferred as a result of the lease. They also remain unconvinced that consumption of the underlying asset equates to a partial purchase of the underlying asset that is equivalent to the purchase of that entire asset or any other nonfinancial asset. Therefore, distinguishing between those leases that are, in substance, purchases of the underlying asset and those that do not convey similar rights and obligations to the lessee is, in their view, the most appropriate lessee accounting approach. These staff also think that Approach 3 would be less costly than Approach 2 (as well as Approach 1) in transition, and would remain less costly to apply than Approach 2 over the long-term for the reasons outlined earlier in the paper.

1.3 Mögliche Vereinfachungen für die Leasingnehmer-Bilanzierung

34 Aus den Stellungnahmen und den weiteren erhaltenen Einschätzungen leitet der Mitarbeiterstab Bedenken hinsichtlich der Kosten und Nutzen, welche aus der Anwendung der vorgeschlagenen Regelungen auf *small-ticket leases* resultieren, ab.

35 Als *small-ticket leases* werden verstanden:

Constituents described small-ticket leases as leases that are large in number but small in dollar value, are secondary to a lessee's overall business, and involve the following underlying assets:

- *information technology equipment (for example, computers, printers, photocopiers, mobile phones, and tablets);*
- *office equipment or furniture; and*
- *automobiles.*

36 Um diese Bedenken zu berücksichtigen, wurden die nachfolgenden Vereinfachungsmöglichkeiten diskutiert.

1.3.1 Materiality guidance

37 *Some constituents stated that, although small-ticket leases are often individually immaterial, the materiality provisions in IFRS and U.S. GAAP do not offer sufficient relief, for the following reasons:*

- *The leases proposals contain new concepts to which it is difficult and time-consuming to apply existing materiality provisions.*
- *Small-ticket leases can be individually immaterial but material in the aggregate.*
- *Although the materiality provisions ultimately determine the population of leases to which the 2013 ED should apply, the burden of proof required by auditors and regulators to demonstrate that leases are not material negates any potential benefit from applying the materiality provisions.*

Some of these constituents suggested that the boards should add explicit materiality requirements to the leases guidance (for example, stating that leases that are less than a certain dollar amount, percentage of total assets, or percentage of total expenses are excluded from the scope of the leases guidance). Other constituents requested clarification of how the existing materiality guidance would apply to leases.

38 Der Mitarbeiterstab spricht daher folgende Empfehlung aus:

The staff do not think that the boards should consider providing an explicit scope exclusion for immaterial leases. Neither IFRS nor U.S. GAAP provide materiality requirements at a standards level, instead relying on the guidance in IAS 1 and Topic 105 to apply to all transactions. The staff do not think the boards should diverge from this approach only in the case of leases. The the existing materiality guidance is capable of being applied to leases similarly to any other transaction accounted for under U.S. GAAP or IFRS.

1.3.2 Short-term leases

39 *Many constituents supported the recognition and measurement exemption for short-term leases. These constituents think that the exemption is a practical way to help reduce costs and exclude many small-ticket leases from the scope of the leases guidance while still providing relevant information to users. However, many other constituents do not think the short-term lease exemption provides enough relief for preparers, especially with respect to small-ticket leases. These constituents note that a lease rarely has a maximum possible term of 12 months or less.*

40 *Some of these constituents suggested extending the recognition and measurement exemption for short-term leases beyond one year. These constituents offered various suggestions as to what the threshold for the exemption should be, ranging from eighteen months to five years.*

41 *Other constituents suggested that the definition of 'short-term' should be based on an assessment of the lease term as defined in the 2013 ED (that is, the noncancellable term of the lease plus any optional periods for which the lessee has a significant economic incentive to exercise). They said that, for example, a one-year lease with a one-year extension option that a lessee does not have a significant economic incentive to exercise should still qualify as a short-term lease. These constituents think that it is beneficial to use the same definition when determining the lease term of all leases, including short-term leases.*

42 *The staff's view is that a lessee should be permitted, as an accounting policy election, to not apply the recognition and measurement requirements to short-term leases and instead recognise lease payments in profit or loss, typically on a straight-line basis.*

43 *The staff understand that the majority of small-ticket leases have lease terms of three to five years. This understanding has been verified by information obtained from European and U.S. leasing associations as well as from comment letters and from field work participants. Consequently, the staff think that the boards would have to increase the threshold to at least three years to exclude a significantly larger amount of small-ticket leases than for a one-year short-term exemption.*

44 *Such an increase could potentially exclude from the scope of the leases guidance not only small-ticket leases, but also many 'non-small-ticket' leases. Moreover, the staff think that extending the short-term threshold beyond one or two years could give rise to a significant incentive to change leasing behaviour to achieve short-term lease classification.*

45 *Another way to expand the short-term lease recognition and measurement exemption would be to change the definition of a short-term lease to include leases with extension options, assessed in the same way as lease term would normally be determined (that is, using the significant*

economic incentive assessment test if the boards confirm the lease term proposals in the 2013 ED).

46 *The main benefit of doing so would be to address the concerns raised about daily rentals and month-to-month leases, which may not meet the definition of a short-term lease proposed in the 2013 ED. The staff think it is appropriate that month-to-month leases with a non-cancellable period of less than 12 months would meet the definition of short-term. Additionally, it would introduce more consistency into the leases guidance because entities would have to perform only one assessment of the options in a lease for the purposes of determining the lease term and for determining whether the lease is a short-term lease.*

47 Der Mitarbeiterstab spricht daher folgende Empfehlung aus:

The staff think that the boards should:

- *confirm a recognition and measurement exemption for a lessee's short-term leases;*
- *confirm that the short-term lease threshold is 12 months; and*
- *change the definition of 'short-term lease' so that it is assessed consistently with the definition of 'lease term'.*

1.3.3 Unit of account – Portfolio

48 *Some constituents suggested that additional requirements should be added about how the lease proposals should be applied to small-ticket leases (assuming that those leases remain within the scope of the leases guidance).*

49 *Most of these constituents suggested that the boards should permit an entity to apply the proposals to a portfolio of contracts rather than at an individual lease level, similarly to the practical expedient in the Revenue Recognition proposals. These constituents stated that many small-ticket leases are part of master lease agreements or could otherwise be bundled into portfolios of similar contracts.*

50 *These constituents think that permitting the proposals to be applied at a portfolio level would significantly reduce:*

- *the costs associated with applying the proposals to a large volume of leases; and*
- *the costs involved in applying particular aspects of the proposals, including determining the lease term and discount rate, separating lease and nonlease components, transition, and reassessment.*

51 Der Mitarbeiterstab spricht daher folgende Empfehlung aus:

The staff's view is that the leases guidance should include a provision similar to the provision in the forthcoming revenue recognition guidance, permitting a lessee to apply the leases guidance *at a portfolio level if the lessee has a reasonable expectation that doing so would not result in a material difference from applying the leases guidance at a contract level. The staff think that such a provision will provide significant cost relief for entities applying the leases guidance with very little, if any, reduction in the relevance of the information produced by such application.*

52 *However, if the boards think that is inappropriate, the leases guidance could include more detail on the composition of an appropriate portfolio (for example, all individual leases within a portfolio should have the same underlying asset, similar lease terms and similar other contractual terms) rather than a statement that an entity must have a reasonable expectation that applying the leases guidance at a portfolio level is not materially different from applying the leases guidance at a contract level.*

1.3.4 Noncore assets

53 *Many constituents suggested that the boards should address the issue of small-ticket leases by excluding leases of 'noncore' underlying assets from the scope of the leases guidance. These constituents think that applying the guidance only to leases of core assets would provide users with relevant and useful information about an entity's significant leases and, at the same time, considerably ease the burden for preparers, especially during transition.*

54 *Although the materiality provisions, short-term lease exemption, and unit of account guidance would all provide some cost relief regarding small-ticket leases, the staff think that costs would remain. If the boards wish to remove almost all of the cost associated with applying the leases guidance to small-ticket leases, then the staff think the boards would need to consider providing an explicit scope exclusion as was suggested by constituents.*

55 *The staff think that such a scope exclusion could have two main elements:*

- *Small-ticket element: the scope exclusion should only be available to leases for which:*
  - *there is a large group of similar underlying assets, and*
  - *each lease is individually insignificant.*
- *Noncore element: the scope exclusion should only apply to leases of assets that are not 'core' to an entity's operations. The staff think that the most appropriate and operational way to distinguish between core and noncore assets would be to distinguish between assets that are used to generate revenue and those that are used for administrative purposes.*

56 *The staff do not think the scope exclusion could rely solely on the small-ticket element, because it may lead to scope exclusions for leases that are very important to an entity's operations, such as store leases for a retailer or trucks for a distribution company. Accordingly, the staff think it is important to include the noncore element in a scope exclusion, because it is important that any*

such scope exclusion would not capture leases that are directly related to an entity's revenue-generating operations.

57 *The staff think an important benefit of such a scope exclusion would be that it would most directly address the concerns about small-ticket leases. This scope exclusion could result in significant cost reductions and, at the same time (and if applied properly—and consistently), result in only a correspondingly small decrease in the benefits of the information provided about an entity's leasing activities.*

58 *However, the staff acknowledge that are a number of disadvantages to introducing a scope exclusion for noncore assets:*

- *Any scope exclusion based on the small-ticket and noncore concepts would be difficult to apply consistently because it would be based on qualitative concepts. The specific scope exclusion proposed above would be difficult to apply consistently because it would introduce subjective terminology (for example, 'insignificant', 'administrative', and 'revenue-generating'). The scope exclusion proposed above would also be difficult to apply consistently if an asset is being used for both a revenue-generating and administrative purpose, or if an entity has two similar underlying assets that are being used for two different purposes.*
- *Any scope exclusion would introduce an incentive for entities to modify their leases to obtain off-balance-sheet accounting treatment.*
- *Any scope exclusion would further complicate the leases guidance by adding another judgemental assessment that entities must make.*
- *The scope exclusion proposed would not capture all of the leases that entities consider to be small-ticket leases (for example, forklifts used as part of a distribution business).*
- *A noncore scope exclusion would be inconsistent with the way that other types of assets and liabilities are capitalised in IFRS and U.S. GAAP.*
- *Leases of noncore assets could still give rise to material assets and liabilities.*

59 Der Mitarbeiterstab spricht daher folgende Empfehlung aus:

Although the staff are attracted to the idea of providing a scope exclusion for small-ticket leases and leases of noncore assets, the staff think the disadvantages outweigh the advantages. The staff are particularly concerned that the scope exclusion would be difficult to apply, add complexity to the final leases guidance, and result in similar leases being accounted for differently.

In addition, if the boards agree with the staff views earlier in this paper, the staff think that the materiality provisions, short-term lease recognition and measurement exemption, and unit of account guidance will offer substantive cost relief for small-ticket leases.

1.3.5 Zusammenfassung der Empfehlungen zu möglichen Vereinfachungen

60 *The staff think that:*

- *No specific requirements regarding materiality should be included in the leases guidance.*
- *The one-year short-term recognition and measurement exemption for lessees should be retained (and not expanded beyond 12 months). The definition of 'short-term' should be changed to be consistent with the definition of 'lease term'.*
- *The leases guidance should be able to be applied at a portfolio level.*
- *There should not be any additional scope exclusions for small-ticket leases or leases of noncore assets.*

2 Weitere Themenbereiche zur Vorbereitung der ASAF-Sitzung

61 Im Rahmen der im März stattfindenden ASAF-Sitzung sollen zudem mögliche Vereinfachungen erörtert werden, welche nicht Gegenstand der IASB/FASB-Sitzung im Januar waren. Diese sollen insbesondere hinsichtlich ihrer Wirkung zur Reduzierung der Kosten aus der Anwendung des ED/2013/6 diskutiert werden.

62 Im Speziellen sollen die Einschätzungen des IFRS-FA zu folgenden Vereinfachungsmöglichkeiten besprochen werden:

- lease term:
  - *Remove the reassessment requirements (ie reassess only when a renewal or termination option is exercised or not exercised); or*
  - *reassess only when there is evidence of a significant change in relevant factors relating to the exercise of renewal or termination options.*
- variable lease payments that depend on an index or a rate:
  - *Remove the reassessment requirements; or*
  - *reassess only when there is evidence that remeasuring the liability would lead to a significant change in that measurement.*
- discount rate:
  - *Make it easier to determine a lessee's incremental borrowing rate by including practical expedients (for example, permitting the use of a lessee's secured borrowing rate or an estimate of that rate; permitting the use of a credit-adjusted risk free rate; etc.).*

- separation of lease and non-lease components:
  - *Simplification 1: Permit a lessee to account for lease and non-lease components together as a single lease rather than separating the components.*
  - *Simplification 2: Permit a lessee to estimate the payments relating to lease and non-lease components when there are no observable standalone prices (similar to the requirements in paragraphs 14 and 15 of IFRIC 4).*

63 Es wird darauf hingewiesen, dass derzeit ein zusätzlicher *Outreach* („*Field Test*") von EFRAG in Zusammenarbeit mit dem DRSC durchgeführt wird, welcher ausschließlich mögliche Vereinfachungen der Regelungen des ED/2013/6 für Leasingnehmer thematisiert. Die angesprochenen Unternehmen wurden um die Beantwortung des Fragebogens bis zum 14. Februar 2014 gebeten.