



McGregor: No Discussion Paper on Lessor Accounting

At a May 22 London conference sponsored by Leaseurope and the UK Finance and Lease Association, International Accounting Standards Board (IASB) member Warren McGregor provided new insight into the IASB/FASB project to develop a new global lease accounting standard to replace SFAS 13. The proposed new standard is based on a Rights and Obligations approach and replaces the current Risks and Rewards model. While confirming the current schedule that calls for adoption of a new standard by June 2011, McGregor told the conference attendees that lessor accounting might be back on the table.

On March 19, the IASB and FASB released a Discussion Paper titled, "Leases—Preliminary Views"—which focused on changes in lessee accounting, while giving cursory mention of lessor accounting. The Boards' aim has been to address perceived deficiencies in lessee accounting to expedite the project and defer consideration of lessor accounting to some future date. However, during McGregor's update on the lease accounting project at the London conference, he hinted that the Boards would decide some time after their July 2009 meeting whether to include lessor accounting within the framework of the existing project. The Boards received significant input on the lessor accounting issue that has caused them to rethink their previous strategy.

McGregor, appearing with IASB senior project manager Rachel Knubley, warned, however, that if lessor accounting were to begin raising any "major problems", then it would be delayed. As for issuance of a Discussion Paper on lessor accounting, he remarked, "It's not going to happen." The lessor community took this as a cause for concern as it prefers a thorough consideration of lessor accounting versus a superficial treatment of the many complex issues involved.

ELFA accounting policy consultant Bill Bosco joined a panel of experts at the conference in analyzing the potential impact of the proposed rules on various business and industry sectors. He offered attendees a simple tool he developed to calculate these impacts on lessees. (Readers interested in accessing this lease calculator should contact Ralph Petta at ELFA, rpetta@elfaonline.org.)

McGregor said that he anticipated a lengthy transitional period, possibly two years, so that systems could catch up with any changes and the normal post-implementation review after two years of reporting under the new standard.

In a meeting the prior day, representatives of leasing associations from around the world, including the ELFA, discussed the project with Ms. Knubley and informed her of their concern over the adoption of unnecessarily complex and costly lease accounting rules and their impact on small businesses. She responded that the Boards shared their concern over burdensome compliance requirements resulting from any new rules and informed the group that a cost-benefit analysis would be conducted prior to the issuance of the new standard. In addition, many important issues remain to be settled.

The deadline to send comment letters to the IASB and FASB on the proposed new rules is July 17. The ELFA is in

the process of preparing its comment letter and urges members and nonmembers to do the same. For a summary of the Discussion Paper and preliminary analysis by the ELFA of the proposed new standards, go to the ELFA website at [http://www.elfaonline.org/ind/topics/Acctg/\(http://www.elfaonline.org/ind/topics/Acctg/\)](http://www.elfaonline.org/ind/topics/Acctg/(http://www.elfaonline.org/ind/topics/Acctg/))

The ELFA is co-hosting a webinar on this topic. To learn more or to register, go to <http://tmstore.bna.com/Pagemanager.aspx?pageId=8405&promocode=TMAC69DL>(<http://tmstore.bna.com/Pagemanager.aspx?pageId=8405&promocode=TMAC69DL>)

Equipment Leasing and Finance Association
1825 K Street NW, Suite 900
Washington, DC 20006
Phone: 202.238.3400 | Fax: 202.238.3401

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