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Posted: 11/09/10

NEW STUDY OFFERS GUIDANCE ON EXPECTED CHANGES TO LEASE ACCOUNTING

EQUIPMENT LEASING & FINANCE FOUNDATION
Your Eye On The Future

Study Helps Lessees and Lessors Plan for Major Accounting Overhaul

Washington, D.C., November 9, 2010 - Proposed changes to lease accounting rules will significantly impact the balance sheets and operations of companies that utilize lease financing (lessees) and providers of lease financing (lessors), according to a new study from the Equipment Leasing & Finance Foundation. The study, "Changes to Lease Accounting: Rules, Reactions and Realities," is designed to help users understand the proposed changes, recognize the market impact of the changes, and identify the challenges and opportunities they represent.

The lease accounting proposal was released by the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in August, and a final rule is expected in 2011. While the proposal is intended to standardize the lease accounting process, it is expected to add significant complexity and processes to both lessor and lessee accounting.

The Foundation's study examines how the changes are expected to:

- Affect customers' propensity to lease
- Alter the attractiveness of lease financing
- Modify customers' approach to lease transactions
- Change how lessors develop and market financial products
- Impact lessor and lessee business processes and related portfolio management systems
- Influence lessor business models and ownership structures
- Affect equipment leasing and finance providers' decisions to remain in the market or encourage new entrants to replace them.

The study advises lessors to proactively assess the potential impact of the changes, educate their sales forces about the changes, develop go-to-market strategies, and establish transition and implementation plans.

One major change in the proposed rules is a requirement that all leases be capitalized on the lessee's balance sheet. The study notes that while this capitalization could result in a decline in leasing for those customers who focus solely on utilizing operating leases, this is only one of the many benefits of leasing, and not even the most important. Other lessee motivations such as conservation of working capital, flexibility, and asset utilization still remain as significant volume drivers.

'While the full impact of the lease accounting changes on the equipment leasing and finance industry is still unknown, both lessees and lessors are advised to take action now,' said Edward A. Dahlka, Jr., Chairman of the Foundation and President of Assurance Asset Finance. 'First, submit a comment letter to the FASB and IASB that provides your company's views on the changes. Second, use the Foundation's new study to develop a plan of action so you'll be ready for the impending changes."

To read the executive summary of "Changes to Lease Accounting: Rules, Reactions and Realities" or to purchase the full report, go to http://www.leasefoundation.org/IndRsrcs/MO/FASB.htm

About the Author

A primary author of the study, Shawn Halladay, is a principal of The Alta Group . He manages the accounting compliance and implementation division of The Alta Group, as well as professional development for clients of

Alta, a global equipment leasing and finance industry management consultancy since 1992.

About the Foundation

The Equipment Leasing & Finance Foundation is a 501c3 non-profit organization that provides vision for the equipment leasing and finance industry through future-focused information and research. Primarily funded through donations, the Foundation is the only organization dedicated to future-oriented, in-depth, independent research for the leasing industry. Visit the Foundation online at www.LeaseFoundation.org.

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