

EQUIPMENT LEASING AND FINANCING ASSOCIATION- NEWS

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EQUIPMENT LEASING AND FINANCE ASSOCIATION STATEMENT ON FASB/IASB EXPOSURE DRAFT ON LEASE ACCOUNTING

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Washington, D.C. — William G. Sutton, CAE, President and CEO of the Equipment Leasing and Finance Association, today released the following statement regarding the exposure draft published by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) today that would dramatically revise the current lease accounting standard:

“ELFA supports the FASB and IASB as they seek to establish a sound, workable accounting standard that applies to the assets and liabilities arising from lease transactions. We find, however, that the lease accounting model as proposed in the long-awaited exposure draft will not result in a significant improvement in the quality or reliability of financial information, will not faithfully depict the economics of equipment leases, is unduly complex and will impose a compliance burden on lessees.

“Lease financing is a critical means of capital formation for U.S. businesses through the acquisition and investment in capital plant and equipment and real estate. ELFA’s overriding concern is that any standard that replaces SFAS13 should improve the clarity in financial reporting of these transactions without undue burden on businesses from an accounting or a financial standpoint.

“ELFA will submit a comment letter to the IASB and FASB detailing the association’s specific concerns before the 120-day comment deadline on September 13. The association will ask the national and international accounting standards-setting bodies to address a number of concerns about the proposal, including issues related to lessee and lessor accounting. The primary issues relate to the new classification criteria for lessees and lessors, lease cost allocation for lessees, and revenue recognition for lessors that will not reflect the legal and economic nature of lease transactions in the financial statements of lessees and lessors.

“The \$725 billion equipment finance sector is an engine for U.S. economic growth. Despite the challenges presented by some of the concepts embodied in the exposure draft, the proposed lease accounting rules do not diminish the myriad of benefits enjoyed by companies who choose to acquire the use of productive assets they need through equipment leasing and financing. We consider this issue so critical that we have maintained an industry and association team, coordinated by ELFA’s Chief Operating Officer Ralph Petta, throughout the process thus far. This group will continue to monitor, analyze and communicate the potential impact of these changes to the boards, the lessor and lessee communities and other stakeholders.”

More Information

As part of the global effort to establish uniform corporate financial accounting standards, the FASB and IASB are working jointly to develop a new model for the recognition of assets and liabilities arising under lease contracts. The scope of the project is the same as FAS 13 covering commercial leases (those related to plant, property and equipment). The proposed new standard is expected to impact the balance sheets of all companies subject to U.S. GAAP who use leasing to acquire assets or as part of their asset management strategy. More information about the lease accounting proposal is available on the ELFA website at www.elfaonline.org/Issues/Accounting/.

About ELFA

The Equipment Leasing and Finance Association (ELFA) is the trade association that represents companies in the \$725 billion equipment finance sector, which includes financial services companies and manufacturers engaged in financing capital goods. ELFA members are the driving force behind the growth in the commercial equipment

finance market and contribute to capital formation in the U.S. and abroad. Its more than 575 members include independent and captive leasing and finance companies, banks, financial services corporations, broker/packageers and investment banks, as well as manufacturers and service providers. ELFA has been equipping business for success for more than 50 years. For more information, please visit www.elfaonline.org and follow ELFA on Twitter @elfaonline.

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