



Heads Up

On track for a revised exposure draft on leases

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“In summary”

In the nearly two years that the FASB and IASB (the ‘Boards’) have spent addressing comments received on their August 2010 exposure draft (ED), the Boards have made a number of changes to their proposed guidance on leases. Considering the significance of changes to the proposals from those outlined in the ED, the Boards decided to re-expose the lease accounting proposals for comment with a revised ED expected to be issued in the first quarter of 2013. On the basis of this timeline, a final standard is likely to be issued in late 2013, with an effective date no earlier than annual reporting periods beginning 1 January 2015.

Some of the implications of the expected changes to the ED include:

- changes in the number of contracts subject to lease accounting
- an increase in the lease-related assets and liabilities on the balance sheet, affecting financial ratios in debt covenants
- straight-line expense recognition for many real estate leases and accelerated expense recognition for many equipment leases
- contracts that allow for rental but not interest expense reimbursement or that have a link to EBITDA may require re-negotiation.

Considering these impacts and the long term nature of many leases, we encourage entities to consider the expected ED and how it may impact their business.

The expected ED is anticipated to require a full retrospective or modified retrospective approach for existing operating leases and an ability for finance leases to either be carried forward at the amounts recognised as at the date of initial application or otherwise full retrospective approach applied.

We do have a greater degree of certainty about the proposals, however please note that the anticipated proposals may be revised yet again in the process of finalising the revised exposure draft in Q1 2013 or before the final standard is issued.

IFRS in Focus

- [On track for a revised exposure draft on leases](#) (PDF 291kb)

IAS Plus

- [Leases project page](#)

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