

## A New Call for the IASB to Re-expose its Leases Standard

I have called for both the IASB and the FASB to re-expose their proposed Leases standard. Now the European Financial Reporting Advisory Group (AKA EFRAG) is also calling on the IASB to re-expose via a letter to the IASB dated June 15, 2015. EFRAG points out that the IASB has changed important provisions since the last exposure draft and has not offered an opportunity to the public to comment on the changes.

Naturally both the FASB and IASB do not want a third exposure draft. The EFRAG letter should have no impact on the FASB version of the proposed rules. The IASB appears to be ignoring the letter. The key with the IASB is that the European Commission must approve all new accounting rules. The European Commission relies on advice from EFRAG in deciding whether to approve new rules. There have been times where they forced changes before ratifying the rules.

I still think the FASB “got it right” in keeping a two lease model. The IASB decision to account for all leases as capital leases is eliminating valuable information on operating leases and capital leases. This will be a problem for readers of financial statements , specifically lenders and credit agencies. It will also place an operating burden on IASB lessee companies as they may have to re-do the accounting for operating leases if a user of their financials requires a breakdown of operating leases versus capital leases.