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## Today's News

### FASB News

#### Main Investor Panel Rejects Leases Project

Topic(s): FASB, IASB, IFRS, GAAP, Disclosure, Specialized Industries, GAAP, Financial Reporting, Corporate Governance

**Summary:** *The FASB and IASB have long defended their controversial lease accounting project by saying investors and analysts want fundamental changes to current accounting. But the FASB's main investor advisory panel now says it will formally object to the proposal because it is too complex and not an improvement over current U.S. GAAP.*

The struggling lease accounting project was dealt another blow August 27, 2013, when members of the FASB's main investor advisory panel said they would formally object to the proposal.

The FASB and IASB's plan to put almost all lease expenses on company balance sheets is overly complex, is not an improvement over current accounting, and does not give investors and analysts the information they need to determine a company's financial health, members of the Investors Advisory Committee said at a meeting at the FASB's headquarters in Norwalk, CT.

"Part of the problem with the current proposal is that you've got complexities and assumptions, and accounting constructs that

muddle the economics," said IAC member David Trainer, CEO of New Constructs, LLC.

Instead, the advisory committee said they want the FASB and IASB to scrap the project and draw up a package of footnote disclosures about lease terms and obligations that would allow investors to come to their own conclusions about a company's lease liabilities.

"We would recommend a proposal based on a disclosure package that would give both equity and fixed-income investors the disclosures you need to understand the risks and uncertainties related to a lease," said Gary Buesser, a director at Lazard Asset Management, LLC.

The FASB and IASB released converged proposals in May, with the FASB's Proposed Accounting Standards Update ([ASU No. 2013-270 Leases \(Topic 842\)](#)), and the IASB's Exposure Draft ([ED No. 2013-5, Leases](#)).

The proposal requires almost all leases of more than 12 months to be recorded on company balance sheets, a sea change in practice for businesses that rent equipment or real estate. The plan is a response to years of criticism that businesses that lease storefronts or airplanes have just as much financial liability as those that buy property or equipment or take out mortgages.

FASB members seemed defeated by the harsh words from the investor panel. The FASB and IASB have long rebuffed company and preparer complaints about the project by saying investors and analysts want a fundamental change to current lease accounting, which leaves most lease expenses off company balance sheets.

The criticisms were not unexpected, however. The same investor group in July 2012 warned the FASB that the project had become so complex and confusing, it would help no one. (See [Investor Panel Pans Lease Project Progress](#) in the July 26, 2012, edition of *Accounting & Compliance Alert*.)

The FASB itself also is divided on the merits of the proposal, with three members—Harold Schroeder, Thomas Linsmeier, and Marc Siegel—dissenting when it was released in May.

After the meeting, FASB Chairman Russell Golden said it was too early to tell how the latest investor views would affect how the FASB and IASB continue the project.

The boards will continue to assess comment letters and other feedback and plan to hold four international roundtable meetings in September and October to gather more input on the best way to proceed, Golden said.