

International Accounting Standards Board
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Discussion Paper: Leases - Preliminary Views

Grant Thornton International Ltd and its US member firm, Grant Thornton LLP, are pleased to comment on the International Accounting Standards Board's (the IASB) and the Financial Accounting Standards Board's (the FASB) joint Discussion Paper: *Leases - Preliminary Views* (the Discussion Paper).

We summarise our main comments in the following paragraphs. Our detailed comments and responses to the Invitation to Comment questions are included in the Appendix.

Support for a review of lease accounting

We support the project by the Boards to improve lease accounting with a principles-based and conceptually consistent accounting model.

Having said that, we do not believe that lease accounting needs to be addressed urgently or on an accelerated timetable. Given the complexity of the subject matter, and the inter-relationships between this and some of the Boards' other ongoing projects, we suggest that the Boards should take all necessary time to ensure that the issues are thoroughly examined. New requirements should be introduced only after sufficient study, field-testing and consideration of costs and benefits.

Need to address lessor accounting

We believe that it is important for the Boards to address the accounting for lease transactions from the perspective of the lessor at the same time as the accounting by lessees. While it may not be necessary to have exact correspondence between the accounting by the lessor and the lessee, the accounting by the lessor may offer insights into the appropriate accounting by lessees. We note that there are various business models that use the common legal terminology of leasing but differ significantly in substance. Some lessors may have no involvement with the leased asset other than to provide financing over the lease term (described as the simple lease model in the Discussion Paper). Other lessors may be manufacturers who offer lease financing as an alternative financing method to customers and may also have continuing involvement in the form of warranties or other services. Still others may construct or acquire assets to lease, actively manage the assets during the lease terms, and may include a range of other services within the scope of a lease.

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Rather than being more complex, such leases may be indicative of different business models. We encourage the Boards to consider whether those various business models may lead to different accounting by both lessors and lessees and, in any event and develop a principles-based accounting model that is sufficiently robust to reflect those differences.

Need to consider more complex lease models

By focusing on the simple lease model, we consider that the Boards have limited the discussion to scenarios when the lessor is essentially providing finance with little or no additional involvement in the leased asset. We may agree with some of the preliminary views in the Discussion Paper as applied to that business model without agreeing to those views as applied to other business models.

Rights of use and executory costs

We agree with the Boards that rights to use others' assets and obligations to pay rentals are assets and liabilities respectively. We also note that there is more than one possible approach to measuring those assets and liabilities in more complex leases.

An asset approach would start by trying to identify the portion of a physical asset that has been transferred from the lessor to the lessee and recognize only the portion of the obligation to pay rentals that refers to the physical asset. To do this it would be necessary to separate out the portions of the lease that do not relate to the physical asset such as common area maintenance, insurance, taxes, security, utilities, warranties and other items. These costs are not generally separated in a typical operating lease today, because the accounting for payments relating to right of use is the same as the accounting for the executory components.

A liability approach could start by identifying the entire noncancellable obligation to pay rentals and recognizing an intangible asset in the same amount. The intangible asset would be similar to the contract asset proposed in the revenue recognition project and would include amounts for future services and executory costs. A liability approach recognizes the entire obligation and therefore would not require allocation of the total lease costs between the right of use costs and costs for services and executory items.

The two approaches give the same outcome in the simple lease model where the lessor has little involvement during the lease term, so the Discussion Paper does not provide insight into the thinking of the Boards in other business models that employ leases. We would like to see more discussion on the Boards' view on the accounting for leases with more continuing involvement by the lessor during the lease term.

Option periods and contingent rent

We have some concerns about the accounting for option periods and contingent rent payments in the Discussion Paper. We do not believe that the preliminary views are consistent with the conceptual framework definitions of assets and liabilities and therefore will tend to become rules based. We do believe similar transactions should be accounted for similarly whether or not within a lease. For example, options within a lease should be accounted the same as other options and variable rate debt in the form of a lease should be accounted for the same as other variable rate debt. We therefore do not agree with many of the preliminary views of the Boards for measuring the right to use asset and obligation to pay future rentals including determination of the lease term or measurement of contingent rental payments at inception or subsequent periods. We encourage the Boards to develop principles based accounting methods that will reflect the economic substance of these provisions and that are consistent with the conceptual framework and the accounting for similar transactions.

If you have any questions on our response, or wish us to amplify our comments, please contact our Executive Director of International Financial Reporting, Andrew Watchman (andrew.watchman@gtuk.com or + 44 207 391 9510) on behalf of Grant Thornton International Ltd or John Hepp, Partner, Professional Standards Group (John.Hepp@gt.com or +1 312 602 8050) on behalf of Grant Thornton LLP.

Yours sincerely,

Handwritten signatures of Kenneth C. Sharp and John L. Archambault.

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Appendix: Responses to Invitation to Comment questions

Chapter 2: Scope of lease accounting standard

Question 1

The boards tentatively decided to base the scope of the proposed new lease accounting standard on the scope of the existing lease accounting standards. Do you agree with this proposed approach?

If you disagree with the proposed approach, please describe how you would define the scope of the proposed new standard.

We believe that the scope of the standard should be broad enough to incorporate the various business models that make use of lease accounting. The current scope of existing standards does not need to differentiate between costs attributable to a right to use asset and costs attributable to future services and executory costs in ordinary operating leases. We believe it will be necessary to define the right to use asset or executory costs or both to implement the revised accounting model.

Question 2

Should the proposed new standard exclude non-core asset leases or short-term leases? Please explain why. Please explain how you would define those leases to be excluded from the scope of the proposed new standard.

We are not aware of any conceptual reason for excluding either non-core assets or short-term leases from the scope of the proposed new standard.

Chapter 3: Approach to lease accounting

Question 3

Do you agree with the boards' analysis of the rights and obligations, and assets and liabilities arising in a simple lease contract? If you disagree, please explain why.

We agree with the analysis for lessors whose business model does not include any involvement during the lease term and lessees with corresponding leases. As noted in our general comments, the analysis of the rights and obligations in a simple lease contract does not provide insight into how the model would apply to leases with more lessor involvement during the lease term.

Question 4

The boards tentatively decided to adopt an approach to lessee accounting that would require the lessee to recognise:

(a) an asset representing its right to use the leased item for the lease term (the right-of-use asset)

(b) a liability for its obligation to pay rentals.

Appendix C describes some possible accounting approaches that were rejected by the boards. Do you support the proposed approach? If you support an alternative approach, please describe the approach and explain why you support it.

We agree that obligation to pay rentals and rights of use that meet the definition of a liability and an asset should be recognized.

When the lessor's business model includes more involvement during the lease term we encourage the Boards to consider whether the asset would include amounts attributable to future executory costs or other services included within the lease contract. These associated costs need to be addressed in any revised leasing standard in a manner that is conceptually consistent and practicable to apply.

Question 5

The boards tentatively decided not to adopt a components approach to lease contracts. Instead, the boards tentatively decided to adopt an approach whereby the lessee recognises:

(a) a single right-of-use asset that includes rights acquired under options

(b) a single obligation to pay rentals that includes obligations arising under contingent rental arrangements and residual value guarantees.

Do you support this proposed approach? If not, why?

We believe that the accounting model discussed in the Discussion Paper is a components approach in that the separate elements of the asset and obligation are measured and recognized at inception and potentially remeasured in each subsequent reporting period. The preliminary views include accounting provisions that would create different accounting for similar transactions within a lease. For example, options create a right, but not an obligation, for the lessee to extend a lease. The rental payments due during the option period do not represent a liability and therefore are not an appropriate measure for the asset. Measurement using option period rentals will overstate the liability and the right to use asset, and misstate depreciation and interest expense in the noncancellable portion of the lease term. We believe that it would be better to account for the option as a separate element that reflects the potential asset by assigning a portion of the rental payments to the option.

We also do not agree that there should be a single obligation to pay rentals that includes obligations arising under contingent rental payments and residual value guarantees. Different types of contingent rentals may require different accounting methods. Some contingent rents based on interest rates may indicate that the lease is variable rate debt and should be accounted for accordingly. Some may be similar to an option, but not an obligation, to purchase additional rights to use the asset. Others may be a means of assessing or allocating costs for future services or other executory costs. And history indicates that some contingent costs may be amounts specified in a manner that appears to be contingent but are determinable with a high degree of accuracy. We do not believe that a single accounting method for those costs would be consistent with a principles based accounting approach based on consistent application of conceptual definitions.

We believe that guarantees should be accounted separately as well as a separate obligation and that guarantees within a lease should be accounted consistently with other similar guarantees outside of lease contracts.

Chapter 4: Initial measurement

Question 6

Do you agree with the boards' tentative decision to measure the lessee's obligation to pay rentals at the present value of the lease payments discounted using the lessee's incremental borrowing rate?

If you disagree, please explain why and describe how you would initially measure the lessee's obligation to pay rentals.

We do not agree that an unadjusted incremental borrowing rate will always be the correct discount rate to use for measurement of the obligation and encourage the Board to examine other alternatives. In some cases, the incremental borrowing rate may be reasonably correct, for example, when the lessor's business model has little or no involvement during the lease period and the transaction is in substance similar to a collateralized loan. However, the cost of lease financing may not be as precise an equivalent of borrowing costs in jurisdictions where lessor rights to the underlying property may be easier to enforce than lender rights to collateral. For other business models with more extensive involvement by the lessor during the lease term, the incremental borrowing rate may not be a reflection of the market for rentals (market rents and the incremental borrowing rate for an individual lessee would not be highly correlated). Varying the amount of the asset and the obligation based on the lessee's credit will not present representationally faithful information for the users of the financial statements.

Question 7

Do you agree with the boards' tentative decision to initially measure the lessee's right-of-use asset at cost?

If you disagree, please explain why and describe how you would initially measure the lessee's right-of-use asset.

We agree in principle with measuring the lessee's right of use asset at cost in the simple lease case scenario when the lessor has little or no other involvement during the lease term. When the lease contract contains costs for other related elements, such as future utilities, taxes, security or maintenance, our answer would depend on whether the obligation and asset would be recorded at the full amount of the future lease payments. If not, the allocation of costs to the right of use asset and other amounts would be complicated, especially if the allocation would be made on the basis of the estimated future relative fair values or selling prices discounted using the incremental borrowing rate. Therefore we encourage the Boards to provide additional information on how more complex leases would be accounted for in future documents. The accounting by the lessor may help provide insight to the accounting by the lessee. The asset and liability recognition model within the revenue recognition project addresses many of the same issues and could provide useful insights.

Chapter 5: Subsequent measurement

Question 8

The boards tentatively decided to adopt an amortised cost-based approach to subsequent measurement of both the obligation to pay rentals and the right-of-use asset.

Do you agree with this proposed approach?

If you disagree with the boards' proposed approach, please describe the approach to subsequent measurement you would favour and why.

We generally agree with this approach with some exceptions. For example, it may be necessary to provide exceptions for investment property within the scope of IAS 40 *Investment Property*. Also, it may be necessary to account for land leases that transfer title or include an option to purchase the land differently.

Question 9

Should a new lease accounting standard permit a lessee to elect to measure its obligation to pay rentals at fair value? Please explain your reasons.

We believe that this question should be addressed as part of the broader question of whether liabilities should be reported at fair value. In our view, a noncancellable obligation to make fixed rental payments is similar to a held to maturity security and that short term fluctuations due to movements in interest rates or the credit standing of the lessee would not provide useful information about future cash flows. However, certain components of a lessee's obligation, such as a residual value guarantee or an embedded financial instrument, such as an obligation to pay rents in a foreign currency, may be usefully measured at fair value.

Question 10

Should the lessee be required to revise its obligation to pay rentals to reflect changes in its incremental borrowing rate? Please explain your reasons.

If the boards decide to require the obligation to pay rentals to be revised for changes in the incremental borrowing rate, should revision be made at each reporting date or only when there is a change in the estimated cash flows? Please explain your reasons.

We encourage the Boards to explain further the relevance of the information to user of the financial statements. If the Boards decide that changes in the incremental borrowing rate should be recognized, we believe that the amounts should be reflected in profit and loss for the period and not capitalized as part of the right to use asset. As noted in our response to Question 6, we have some concerns about the use of the incremental borrowing rate in all circumstances, all locations, or for all types of lease.

Question 11

In developing their preliminary views the boards decided to specify the required accounting for the obligation to pay rentals. An alternative approach would have been for the boards to require lessees to account for the obligation to pay rentals in accordance with existing guidance for financial liabilities.

Do you agree with the proposed approach taken by the boards? If you disagree, please explain why.

We are inclined to agree with the alternative approach. We are concerned that different accounting for similar transactions leads to future complications if one comes to be seen as more favorable. Applying a different model exclusively to leases could lead to that result.

Therefore, we encourage the Boards to explain the conceptual basis for any departure from IAS 39 and other GAAP so that the principles in any future standard can be applied on a consistent basis.

Question 12

Some board members think that for some leases the decrease in value of the right-of-use asset should be described as rental expense rather than amortisation or depreciation in the income statement. Would you support this approach? If so, for which leases? Please explain your reasons.

Overall, we believe that presentation issues can be addressed within the context of the financial statement presentation project or by disclosure within the notes to the financial statements. The answer for an individual reporting entity may depend in part on the business model employed by the lessor and the lessee and the resulting level of involvement of the lessor in the asset during the lease term. If the Boards elect the amortization alternative, we encourage the Boards also to consider the accounting for the executory costs contained within many lease agreements.

Chapter 6: Leases with options

Question 13

The boards tentatively decided that the lessee should recognise an obligation to pay rentals for a specified lease term, ie in a 10-year lease with an option to extend for five years, the lessee must decide whether its liability is an obligation to pay 10 or 15 years of rentals.

The boards tentatively decided that the lease term should be the most likely lease term. Do you support the proposed approach? If you disagree with the proposed approach, please describe what alternative approach you would support and why.

We do not agree with this approach. Under the current accounting model, certain renewal periods (for example, bargain renewal periods, renewal periods with a large penalty for failure to renew, and renewal periods preceding a bargain purchase option) are included within the original lease term to prevent circumvention of the capitalization criteria. We believe that those anti-abuse provisions would no longer be necessary in a model that recognizes all right to use assets and rental obligations where there is not an “all or nothing” threshold for recognition.

An option differs in economic substance from a noncancellable commitment because an option is a right, but not an obligation, to continue a lease. Including the option periods within the lease term would overstate both the obligation under the lease and the right to use asset, would not be representationally faithful to the substance of the contract, and therefore would not provide relevant information to users of the financial statements. However, information about options that are economically valuable would be useful to user. Therefore options should be recognized as assets and disclosed within the notes to the financial statements.

Should the Boards elect to recognize option periods as part of the lease obligation, we believe that the most likely lease term is less desirable than measurement based on the expected value. Measurements based on the “most likely” amounts introduce situations where a small change in judgment can have a significant impact on the amounts recognized in the financial statements. This is similar to “all or nothing” aspects of the current model.

Question 14

The boards tentatively decided to require reassessment of the lease term at each reporting date on the basis of any new facts or circumstances. Changes in the obligation to pay rentals arising from a reassessment of the lease term should be recognised as an adjustment to the carrying amount of the right-of-use asset. Do you support the proposed approach?

If you disagree with the proposed approach, please describe what alternative approach you would support and why. Would requiring reassessment of the lease term provide users of financial statements with more relevant information? Please explain why.

As noted in our previous answer, we do not believe that option periods should be included within the lease term under the proposed accounting model. Therefore, it should not be necessary to re-evaluate the lease term unless there is exercise of an option or some other change in the agreement. However, consideration of whether the value of an option has increased or decreased in value may provide useful information to investors.

Question 15

The boards tentatively concluded that purchase options should be accounted for in the same way as options to extend or terminate the lease. Do you agree with the proposed approach?

If you disagree with the proposed approach, please describe what alternative approach you would support and why.

We do not agree with the proposed approach. We believe that purchase options within a lease should be accounted for as a separate element in a manner that is consistent with the definitions of assets and liabilities within the conceptual framework and the accounting for similar contracts outside of a lease.

Chapter 7: Contingent rentals and residual value guarantees

Question 16

The boards propose that the lessee's obligation to pay rentals should include amounts payable under contingent rental arrangements. Do you support the proposed approach?

If you disagree with the proposed approach, what alternative approach would you recommend and why?

We do not agree with the preliminary views of the Boards. The nature of contingent rentals may vary depending on the business model of the lessor and lessee and the level of involvement of the lessor with an asset during the lease term and other factors. For example, some contingent rents may relate to use of the asset and other contingent rents may be variable financing costs that do not relate to the use of the underlying asset. A one size fits all approach to contingent rents could create anomalous accounting results. We ask the Boards to consider that there may be different accounting for contingent rents with different economic substance.

For example, in some business models, a rental obligation with contingent rents based on changes in an interest rate index may be economically similar to a variable rate loan. We believe that the nature, timing, and amount of financing liabilities with variable interest rates should not differ depending on whether the financing is in the form of a lease or the form of a loan. A rental obligation based on a variable interest rate could also be hedged. The accounting for contingent rents based on variable interest rates should include that possibility.

Contingent rentals that could provide additional rights of use may be a form of option. For example, some automobile leases with a variable component based on kilometers driven over a certain minimum could be viewed as a right, but not an obligation, to acquire additional use of the underlying asset on a per kilometer basis. The accounting for such contingent rents should include consideration of whether there is an obligation at rent inception and on subsequent measurement.

Some contingent rentals may relate to future services or other executory costs. For example, the future operating and maintenance costs for a food court might be allocated among the surrounding restaurants based on the dollar value of future sales. The accounting for such future services has not been specified in the Discussion Paper but we believe that the broader issue of accounting for lease payments for future services should be considered first before the accounting for contingent rentals that may be payments for future services.

We agree that contingent amounts that are readily determinable (and therefore fixed in substance) should be included within the lessee's obligations to pay rentals. This is more in the nature of an anti-abuse provision and should be addressed in a principles-based manner.

Question 17

The IASB tentatively decided that the measurement of the lessee's obligation to pay rentals should include a probability-weighted estimate of contingent rentals payable. The FASB tentatively decided that a lessee should measure contingent rentals on the basis of the most likely rental payment. A lessee would determine the most likely amount by considering the range of possible outcomes. However, this measure would not necessarily equal the probability-weighted sum of the possible outcomes. Which of these approaches to measuring the lessee's obligation to pay rentals do you support? Please explain your reasons.

We do not agree that contingent rents should be included within the lessee's obligation to pay rentals. If contingent rentals are included, we believe that measurement using a probability-weighted estimate provides more relevant information than a measurement based on the most likely rental payment.

Question 18

The FASB tentatively decided that if lease rentals are contingent on changes in an index or rate, such as the consumer price index or the prime interest rate, the lessee should measure the obligation to pay rentals using the index or rate existing at the inception of the lease. Do you support the proposed approach? Please explain your reasons.

As noted in our response to Question 16, we do not believe that contingent lease rentals that are in substance variable rate debt should be included with the measurement of the obligation or the right to use asset. We note that the substance of these two contingencies is to pass risk to the lessee. For example, a variable interest rate is a financing risk that is separate from the right to use asset. The lessee could elect to hedge future rents based on changes in the interest rate. Contingent payments based on the consumer price index may pass part of the risk of a change in market rents, interest rates, or both to the lessee. The more relevant information for users may be to account for the lessee's assumption of those risks at fair value, separately from rent payments.

Should the Boards continue with the model expressed in their preliminary views, we believe that all measurements should use the best information available. If better information about the expected future consumer price index or prime interest rate is available, we believe that information should be incorporated into the measurement in order to provide the most relevant and reliable information.

Question 19

The boards tentatively decided to require remeasurement of the lessee's obligation to pay rentals for changes in estimated contingent rental payments.

Do you support the proposed approach? If not, please explain why.

We believe that this issue merits further study. As noted in our response to Question 18, separate recognition of some financing risks outside of rental payments may provide the most relevant and understandable information for users. In such cases, we would support remeasurement of those components but not remeasurement of the lessee's overall obligation to pay rentals.

Question 20

The boards discussed two possible approaches to recognising all changes in the lessee's obligation to pay rentals arising from changes in estimated contingent rental payments:

(a) recognise any change in the liability in profit or loss

(b) recognise any change in the liability as an adjustment to the carrying amount of the right-of-use asset.

Which of these two approaches do you support? Please explain your reasons. If you support neither approach, please describe any alternative approach you would prefer and why.

We do not agree with either approach as specified and believe that the overall accounting for contingent rents requires additional study. In general, we would support a conceptually consistent, principles-based approach that would capitalize amounts that meet the definition of an asset or liability and recognize other amounts immediately through profit and loss.

Question 21

The boards tentatively decided that the recognition and measurement requirements for contingent rentals and residual value guarantees should be the same. In particular, the boards tentatively decided not to require residual value guarantees to be separated from the lease contract and accounted for as derivatives.

Do you agree with the proposed approach? If not, what alternative approach would you recommend and why?

We do not agree with the proposed approach. We believe that residual value guarantees and similar obligations, such as obligations to remove leasehold improvements, should be accounted for similarly to guarantees outside of lease agreements and not as contingent rent. As noted in our response to Question 16, we do not believe that there is a single model that reflects the economics of all contingent rental payments.

Chapter 8: Presentation

Question 22

Should the lessee's obligation to pay rentals be presented separately in the statement of financial position? Please explain your reasons. What additional information would separate presentation provide?

We believe that presentation issues and other issues (such as whether a lease obligation should be within the financing section of the financial statements) should be considered as part of the financial statement presentation project. We do not believe that there should be a universal requirement for separate presentation in the statement of financial position.

Question 23

This chapter describes three approaches to presentation of the right-of-use asset in the statement of financial position. How should the right-of-use asset be presented in the statement of financial position? Please explain your reasons.

What additional disclosures (if any) do you think are necessary under each of the approaches?

We believe that presentation issues should be considered as part of the financial statement presentation project. Generally we believe that a right of use asset differs from ownership and the assets should be displayed separately. (Any residual amounts from owned assets may be available to meet the claims of creditors while and residual from leased assets accrue to the lessor). Whether the assets are displayed as intangible assets or in the same line item as comparable physical assets may depend on how the Boards decide to measure more complex leases. This in turn could be determined in part by considering the business model of the lessor and lessee and the nature and extent of involvement of the lessor with the leased asset over the lease term.

We believe that there are still too many unresolved issues on the accounting models to provide a meaningful answer on disclosure issues at this time.

Chapter 9: Other lessee issues

Question 24

Are there any lessee issues not described in this Discussion Paper that should be addressed in this project? Please describe those issues.

We believe that the Boards should consider a second document to address some of the issues raised in this comment letter, including the definition of a lease, the definition of a right to use asset (or a definition of executory costs), the accounting for leases with different business models and levels of lessor involvement, including in substance purchases, sale and leaseback, investment properties (including master leases and subleases), allocation of cost within a multiple element contract, the accounting for options to extend a lease or purchase a leased asset, and the various forms of contingent rent payments.

We reiterate also that a discussion of lessor accounting may be indispensable to development of a principles-based approach to lessee accounting.

Chapter 10: Lessor accounting

Question 25

Do you think that a lessor's right to receive rentals under a lease meets the definition of an asset? Please explain your reasons.

We believe that a noncancellable right to receive lease rentals may be either a contract asset (as described in the revenue recognition project) or, in the case of an in substance sale of the asset, a financial instrument depending on the business model of the lessor and the nature and type of lessor involvement with the leased asset during the lease term.

Question 26

This chapter describes two possible approaches to lessor accounting under a right-of-use model: (a) derecognition of the leased item by the lessor or (b) recognition of a performance obligation by the lessor. Which of these two approaches do you support? Please explain your reasons.

We do not believe that a single recognition model would be representationally faithful to all types of leases and all business models. The economic substance of business models where the lessor has little or no ongoing involvement with the asset during or after the lease term (economically similar to a financing) may be more faithfully represented by derecognition of the leased asset by the lessor. The economic substance of business models where the lessor manufactures and sells or leases assets with ongoing warranty or other obligations may be more faithfully represented using a model that recognizes performance obligations in a way similar to that proposed in the revenue recognition project. The economic substance of business models where the lessor has substantial continuing involvement during and after the lease term and provides other services may be accounted for using the revenue recognition model or some other approach. We believe that the issue requires additional study but should be addressed as part of this project as the answer may help determine the accounting by both the lessor and the lessee.

Question 27

Should the boards explore when it would be appropriate for a lessor to recognise income at the inception of the lease? Please explain your reasons.

Similar to our response to Question 26, we believe that the answer to this question depends on the business model of the lessor. There are various business models and types of leases, some of which may be economically similar to a sale of the underlying asset and others which may be more in the nature of provision of services.

Question 28

Should accounting for investment properties be included within the scope of any proposed new standard on lessor accounting? Please explain your reasons.

We do not believe that the accounting for investment properties should be within the scope of any proposed standard. However, any impact on the accounting described within IAS 40 *Investment Properties*, should be within the scope of the project in the event that any conforming amendments are required.

Question 29

Are there any lessor accounting issues not described in this Discussion Paper that the boards should consider? Please describe those issues.

As noted previously, we believe that the project should incorporate and consider lessor accounting as well as lessee accounting. A standard that does not consider the various business models under which lessors operate could lead to inconsistencies or oversights during the consideration of the accounting by lessees.