



---

Contact(s) **Sunhee Kim** [skim@iasb.org](mailto:skim@iasb.org) +44 (0)20 7246 6906

---

Project **Leases**

Topic **IASB Due process**

---

## Purpose

1. This paper reviews whether the Board has complied with due process steps as required in the *IASB Due Process Handbook* based on the steps listed in paragraphs 110-111 ('Comply or explain' approach) of that Handbook in the leases project.

## Background

2. When the boards added lease accounting to their agendas, they agreed that the project would consider both lessee and lessor accounting. However, in July 2008 the boards tentatively decided to defer consideration of lessor accounting and concentrate on developing an improved lessee accounting model. Consequently, the March 2009 Discussion Paper (DP) on *Leases* focused on lessee accounting. However, one chapter of the DP discussed some issues associated with lessor accounting.
3. During the comment period of the DP, the boards determined that consideration of lessor accounting at the same time as lessee accounting would increase the quality of the standard, and thus, decided to consider lessor accounting to better understand the economics of lease transactions.

4. Since then, the boards have made significant progress on lessor accounting. Consequently, the boards intend to issue an exposure draft that covers both lessee and lessor accounting.

### **General Review of Compliance with Due Process**

5. This part of the paper reviews whether this project has complied with due process steps as required in *IASB Due Process Handbook*.

#### **'Comply or explain' approach**

6. Paragraphs 110-112 of *IASB Due Process Handbook* includes guidance on a 'Comply or explain' approach. It states that:

110 The following due process steps are mandatory:

- developing and pursuing the IASB's technical agenda
- preparing and issuing standards and exposure drafts, each of which is to include any dissenting opinions
- establishing procedures for reviewing comments made within a reasonable period on documents published for comment
- consulting the SAC on major projects, agenda decisions and work priorities
- publishing bases for conclusions with standards and exposure drafts.

111 Other steps specified in the Constitution are not mandatory. They include:

- publishing a discussion document (eg a discussion paper)
- establishing working groups or other types of specialist advisory groups
- holding public hearings
- undertaking field tests (both in developed countries and in emerging markets).

112 If the IASB decides not to undertake those non-mandatory steps defined by the Constitution, it will, as required by the Constitution, state its reasons. Explanations are normally made at IASB meetings, and are published in the decision summaries and in the basis for conclusions with the exposure draft or standard in question.

#### **Compliance with mandatory steps**

7. The staff think that the Board has complied with all mandatory steps as listed in paragraph 110 of the Handbook in the leases project.

#### **Compliance with non-mandatory steps**

8. **Working group.** The Board has established a working group for this project. The boards have held three formal meetings with the working group. The last working group meeting was held in September 2009. In between the formal meetings, the staff have sought informal input from working group members on a number of lessee and lessor accounting issues.
9. **Public hearings.** The Board plans to hold public hearings (roundtables).
10. **Field testing.** The Board will need to consider whether to do any field testing of an exposure draft on leases. The staff will bring a proposal on this issue to the Board after the publication of an exposure draft on leases. Issues to consider might include:
  - (a) Cost and benefit
  - (b) Availability of participants
  - (c) Availability of information.
11. **Discussion paper (DP).** The Board published a discussion paper on leases in March 2009. However, the DP mainly discussed lessee accounting with limited discussion about lessor accounting. Some constituents have called for the Board to issue a discussion paper on lessor accounting before proceeding to an exposure draft.
12. For the following reasons, the staff think that it is not necessary to publish a comprehensive DP on lessor accounting before publishing an exposure draft on lessee and lessor accounting.

13. The staff think that:
- (a) comments received from constituents on the March 2009 Leases DP about lessor accounting have helped develop approaches to lessor accounting;
  - (b) before issuing an exposure draft on leases, the IASB has conducted significant outreach activities about the project to seek inputs from various constituents, including the lessor industry; and
  - (c) the IASB plans to continue discussing with industry and other interested parties in lessor accounting to help develop a final standard.

### Summary

14. The staff note that this project has complied with all mandatory steps as listed in paragraph 110 of the Handbook thus far.
15. The staff note that the Board will need to consider whether to do any field testing after the publication of an exposure draft on leases.
16. The staff note that, for the reasons stated in paragraph 13, the Board has not considered it necessary to issue a comprehensive discussion paper on lessor accounting. The Basis for Conclusions will note this.

#### Question 1

Is the Board satisfied that the Board:

- (a) has performed all mandatory due process steps in the leases project?
- (b) has performed sufficient non-mandatory due process steps in this project?