Dear Sir or Madam:,

I would like to comment on lessee accounting in the new draft standard.

After carefully read the ED, and prepared an illustrated cash flow sheet and lessee accounting journal entries for both Type A and Type B accounting, I believe that leased assets should be depreciated on straight line basis using asset value minus guaranteed residual value, and then divided by shorter of lease term or asset useful life for both types of lease, I also concluded that distinguishing of Type A and Type B lease may be unnecessary as the accounting treatments are similar, and both need discount, depreciation. I also think only short-term lease should be identified and use straightforeword accounting treatment with lease payment directly recorded into profit and loss. Leases which are not short-term should be treated at the same way as illustrated on the EXCEL document submitted together with this file.

Finally, I suggest IFRS to use journal entries and numbers like me to illustrate the accounting treatment, so accountants can understand them quickly and prepare a proper account, that is the aim of IFRS, isn't it.

That are all my view so far.

Thank you

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Type	Α	lease

Lessee	0	1	2	3	4	5	6	7	8	9	10	合计
Annual lease payment		10	10	10	10	10	10	10	10	10	10	100
Gauranteed residual value											10	10
Minimum lease payment		10	10	10	10	10	10	10	10	10	20	110
Discount rate	5%											
NPV	83. 36											

Other direct expenses for lessee 2.00

Leased asset 85.36

PV of residual value 6.14

Lessee accounting treatments

	Debit	Credit
Leased asset	85. 36	
Leasing liability		83. 36
Cash		2.00

The first period end

	Debit	Credit
Financial expenses	4. 17	
Leasing liability		4. 17
Leasing liability	10	
Cash		10
Depreciation expenses	7. 92	
Accumulated depreciation		7. 92

Type B lease						
Lessee	0	1	2	3	4	5
Annual lease payment		10	10	10	10	10
Gauranteed residual value						51. 11
Minimum lease payment		10	10	10	10	61.11
Discount rate	5%					
NPV	83. 34					
PV of residual value	40.05					

Lessee accounting

At commencement date	Debit	Credit
Leased asset	85. 34	
Leasing liability		83.34
Cash		2.00

The first period end	Debit	Credit
Leasing liability	10	
Cash		10
Depreciation	8.66	
Financial expenses	4. 17	
Accumulated depreciation		8.66
Leasing liability		4. 17