



A-504, Great Eastern Gardens, LBS Marg, Kanjurmarg (W), Mumbai, India – 400078
Tel: +91 022 25796031 www.neocfo.com

International Accounting Standards Board
30, Cannon Street
London
United Kingdom

November 30, 2010

Subject: Comments on Exposure Draft - Leases

Dear Sir / Madam,

Thank you for giving us an opportunity to comment on the subject Exposure Draft (ED).

First a few words about us. We are a consulting entity operating in India. We offer a broad range of advisory services in the Finance, Accounting and Corporate Governance domains to incorporated companies. We also provide support to Company Boards in the role of an Independent Director.

Our comments are as follows.

1. We concur with the Board's conclusion that the existing lease accounting standard is flawed. The current standard produces financial statements that are of limited use to lenders particularly in case of entities which rely significantly on operating leases for the use of assets needed for their businesses. The dividing line between the two categories of leases being sharp, one cannot rule out the possibility of financial lease being structured so as to fall into the operating leases bucket. In short, we agree that the financial implication of every type of lease should be reflected in an useful manner on the main body of the financial statements.
2. Having said the above, we think the Board's objective should be to ensure the faithful presentation of the financial implications of all leases. This objective could have been achieved through suitably amending IAS 17 instead of proposing a new standard. The new standard has complicated lease accounting by proposing additional requirements whose incremental benefits are debatable.
3. In shipping and airline industries, operating leases are sub- classified into two categories. They are wet leases (time charters) and dry leases (bare boat charters). The latter alone can be termed a lease in the true sense. We suggest that the standard should require only a disclosure in the notes to accounts in all cases involving wet leases.

Subject to our above comments we agree with the various propositions listed as questions in the ED.

Yours sincerely
Balan Wasudeo
Consulting CFO