

## **Feedback To The Exposure Draft Leases**

### **1. Question 5: lease term**

Do you agree with the proposals on lease term, including the reassessment of the lease term if there is a change in relevant factors?

Why or why not? If not, how do you propose that a lessee and a lessor should determine the lease term and why?

**【 Feedback 】** Don't agree, we think that a lot of expectations and judgments enhance the possibility of manipulation & prettification to the financial statements. We suggest using the non cancellable contract and payment amounts.

### **2. Question 7: transition**

Paragraphs C2 C22 state that a lessee and a lessor would recognise and measure leases at the beginning of the earliest period presented using either a modified retrospective approach or a full retrospective approach. Do you agree with those proposals? Why or why not? If not, what transition requirements do you propose and why?

Are there any additional transition issues the boards should consider?

If yes, what are they and why?

**【 Feedback 】** Don't agree.

The exposure draft put great impact on the accounting treatment of the lessee in operating lease with existing standards. IASB require the lessee recognizing and measuring leases use fully

retrospective method. To those companies who are involved in great amounts of lease contracts, with the rights to use the lease assets not being the main and core resources, will spend a lot of recourse to using the full retrospective approach to meet the requirement, which will effect less change to finance indicators, thus will put Less impact on the financial indicator.

We hope the International Financial Accounting Committee considering the implement cost of the new standards, allow these enterprise simplified the accounting adjustment, alternatively, can require them to increase the content of disclosure to meet the demands of investors.

### **3、 Question 8: disclosure**

Paragraphs 58-67 and 98-109 set out the disclosure requirements for a lessee and a lessor. Those proposals include maturity analyses of undiscounted lease payments; reconciliations of amounts recognised in the statement of financial position; and narrative disclosures about leases (including information about variable lease payments and options). Do you agree with those proposals? Why or why not? If not, what changes do you propose and why?

**【Feedback】** We don't agree with those proposals.

We think these disclosure requirements is too tedious. To meet those requirements, enterprises have to put in a lot of resources. To those

companies who are involved in great amounts of lease contracts, with the rights to use the lease assets not being the main and core resources, the new requirement will greatly increase the cost of disclosure, without bring any more useful information to the users of financial statements.

We hope the International Financial Accounting Committee to simplified disclosure requirements of those enterprises, according to the principle of importance, and only remain the disclosure requirements of the outstanding.

**4. Question 12 (IASB-only):** Consequential amendments to IAS 40  
The IASB is proposing amendments to other IFRSs as a result of the proposals in this revised Exposure Draft, including amendments to IAS 40 Investment Property. The amendments to IAS 40 propose that a right-of-use asset arising from a lease of property would be within the scope of IAS 40 if the leased property meets the definition of investment property. This would represent a change from the current scope of IAS 40, which permits, but does not require, property held under an operating lease to be accounted for as investment property using the fair value model in IAS 40 if it meets the definition of investment property. Do you agree that a right-of-use asset should be within the scope of IAS 40 if the leased property meets the definition of investment property? If not, what

alternative would you propose and why?

**【Feedback】** We suggest the IASB to make it clear that if the leased property meets the definition of investment property, using the fair value model in IAS 40 is optional, but not compulsory

5、 In addition to the above feedback, we have no more option on other questions in the exposure draft.