

Luiz Jacinto Street 71, São José dos Campos,
São Paulo - Brazil

Tel (cel) +55 12 982528384
eduardobaldoino@gmail.com

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London
United Kingdom
EC4M 6XH

Email: commentletters@ifrs.org

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Dear Mr Hoogervorst

Exposure Draft - ED/2013/6 - Leases

Eduardo Baldoino is pleased to give feedback to the International Accounting Standards Board's (IASB's - The Board) Exposure Draft *Leases* ("the ED").

I fully support IASB's initiative to such a great conceptual change, as is the proposed lease accounting in the ED. All the motives that mainly drove this change (lessee liability and lessor credit risk transparency) are in line with the basic propose of the IFRS as I see, which is to appropriately reflect in numbers the business where the reporting entity operates. I only have two comments related to the ED and will not therefore address orderly each question of the ED.

First, I would like to warn The Board about the implications that the lack of more guidance about the expression "insignificant portion" might cause. Although insignificance is defined in the dictionary as something of no value or something too small to be important, some auditing firms (in this case, one of the Big Four) are using in its public interpretation papers a outline value of 10% to be insignificant. For me, it is relatively easy to define what insignificant means and 10% or 5% is definitely not insignificant as it is not a portion of something that you would give away for nothing (maybe 1% is insignificant).

Being that said, I would like to suggest that the board add the value in use or the fair value less costs to sell the asset approach instead of the insignificant portion approach. In that approach, a lease would be classified as a Type B lease if the higher of the value in use or the fair value less costs to sell the leased asset was not reduced at the end of the lease term when compared to its value at the commencement date. Following, a lease would be classified as a Type A lease if the higher of the value in use or the fair value was reduced at the end of the lease when compared to its value at the commencement date. I believe that this suggested approach would be able to also reflect the economics of the transaction and make prepares and auditors understand why lease classification (type A and B) really makes sense. I think that the cash-flow expectation of the assets, reflected by its value in use (or fair value less costs to sell) is exactly what the board took into consideration to separate a Type A from a Type B lease, as this is economically appropriate.

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Secondly, related to question number 7: Transition. I think that a Company should not apply the ED for leases that will terminate within 12 months of the effective date. I don't think that, for leases in that period of time, the information would be worth its cost based on the relevance of it, as defined in the Conceptual Framework, both for lessors and for lessees.