

C/O KAMMER DER WIRTSCHAFTSTREUHÄNDER  
SCHOENBRUNNER STRASSE 222–228/1/6  
A-1120 VIENNA  
AUSTRIA

TEL +43 (1) 81173 228  
FAX +43 (1) 81173 100  
E-MAIL [office@frac.at](mailto:office@frac.at)  
WEB <http://www.frac.at>

Sir David Tweedie  
Chairman  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Sir David,

On behalf of the Austrian Financial Reporting and Auditing Committee (AFRAC), the privately organised standard-setting body for financial reporting and auditing in Austria, I appreciate the opportunity to comment on the Exposure Draft ED/2010/9 *Leases* (August 2010). Principal authors of this comment letter were Christoph Fröhlich, Peter Geyer, Michael Komarek, Gerhard Marterbauer, Harald Podoschek, Alexander Schiebel and Günter Schmidt. The professional background of these authors is heterogenous (preparers including lessees and lessors, academics, and audit companies) in order to assure a balanced Austrian view of the ED.

### **Question 1: Lessees**

- a) **Do you agree that a lessee should recognise a right-of-use asset and a liability to make lease payments? Why or why not? If not, what alternative model would you propose and why?**
- b) **Do you agree that a lessee should recognize amortization of the right-of-use asset and interest on the liability to make lease payments? Why or why not? If not, what alternative model would you propose and why?**

We generally support the proposed right-of-use model. The conceptual underpinning of this lessee accounting model assumes that the lessee uses the underlying asset during the lease term and thus benefits from its cash flows during the lease term irrespective of the lessee-side or lessor-side exposure to significant risks and benefits associated with the underlying asset. Therefore, the lessee recognizes the right-of-use asset but by no means the underlying asset itself. Consequently we agree that the lessee recognizes interest on the liability and amortization of the right-of-use asset.

However, we have some suggestions and concerns regarding the application of the model and the measurement of the right-of-use asset. The remainder of this letter sets out these suggestions and concerns in more detail.

## **Question 2: Lessors**

- a) **Do you agree that a lessor should apply the performance obligation approach when the lease exposes the lessor to significant risks and benefits associated with the underlying asset, and a derecognition approach otherwise? Why or why not? If not, what alternative model would you propose and why?**

We do not support the proposed hybrid model. We believe that lessors – in the same manner as lessees – should apply a single approach in accounting for leases.

We believe there are contradictions in the boards' arguments: On the one hand the boards' explain in BC 7 that IAS 17 is fundamentally flawed as the existence of two different accounting models for leases leads to similar transactions being accounted for differently whenever the differentiation between finance and operating leases becomes problematic. On the other hand the boards' explain in BC 25 that a single approach to lessor accounting would not be appropriate for all leases because of differences in the economics of the business models for different lessors; however, we emphasize that the same can be said for lessees.

We support the derecognition approach for all leases of the lessor because we believe that the performance obligation approach has two fundamental weaknesses:

- We are concerned that preparers of financial statements will have difficulties coming to a conclusion as to the extent to which the exposure risks or benefits associated with the underlying asset is transferred to the lessee. We believe that it is likely that different companies would treat similar contracts in a different way, so that there is again the issue of comparability, as with IAS 17. In addition to that, small differences between contracts could lead to the application of a different accounting model – again a problem encountered with IAS 17.
- Furthermore we believe, that after the inception of the lease, a portion of the asset's value is transferred from the lessor to the lessee. Therefore the lessee recognizes a right-of-use asset in its statement of financial position. Correspondingly we believe that the lessor has transferred some of the future cash-flows from the underlying asset but recognizes a lease receivable. This should be reflected in the valuation of the underlying asset. Otherwise the performance obligation approach overstates the sum of the total of the lessee and the lessor's assets.

- b) **Do you agree with the boards' proposals for recognition of assets and liabilities, income and expenses for the performance obligation and derecognition approaches to lessor accounting? Why or why not? If not, what alternative model would you propose and why?**

As we do reject the performance approach as a whole, we also do not agree with the boards' proposals for recognition of assets and liabilities, income and expenses.

Concerning the derecognition approach we support the recognition of assets and liabilities. However we disagree with the requirement in paragraph 55 not to remeasure the residual asset in the

derecognition approach for lessor accounting. This would lead to an undervaluation of the lessor's profitability and the ongoing interest income of the lessor would be substituted by a profit from the sale of the asset at the end of the lease term. This would create significant problems with long term leases as they would not be profitable until the end of the lease term.

**Question 3: Short term leases**

**The exposure draft proposes that a lessee or a lessor may apply the following simplified requirements to short-term leases, defined in Appendix A as leases for which the maximum possible lease term, including options to renew or extend, is twelve months or less:**

- a) At the date of inception of a lease, a lessee that has a short-term lease may elect on a lease-by-lease basis to measure, both at initial measurement and subsequently, (i) the liability to make lease payments and (ii) the right-of-use asset at a undiscounted amount of lease payments plus initial direct costs. Such lessees would recognize lease payments in profit or loss over the lease term (paragraph 64).**
- b) At the date of inception of a lease, a lessor that has a short-term lease may elect on a lease-by-lease basis not to recognize assets and liabilities arising from a short-term lease in the statement of financial position, nor derecognize any portion of the underlying asset. Such lessors would continue to recognize the underlying asset in accordance with other IFRSs and would recognize lease payments in profit or loss over the lease term (paragraph 65).**

**Do you agree that a lessee or a lessor should account for short-term leases in this way? Why or why not? If not, what alternative approach would you propose and why?**

We think that the non-recognition of short term leases in IAS 17 was never an area of concern. Therefore, we believe that in order to avoid unnecessary burdens on the preparers of financial statement, short term leases should be accounted for as has been the case until now under IAS 17. In our opinion, the costs of the current proposal would outweigh the benefits. However, we feel, that it would be acceptable to apply the proposed treatment of short term leases for lessors also to lessees.

**Question 4: Definition of a lease**

- a) Do you agree that a lease is defined appropriately? Why or why not? If not, what alternative definition would you propose and why?**

We support the proposed definition of a lease but simultaneously reject the scope exclusion of paragraph 8 (see our answer to b).

- b) Do you agree with the criteria in paragraphs B9 and B10 for distinguishing a lease from a contract that represents a purchase or sale? Why or why not? If not, what alternative criteria would you propose and why?**

We support the boards' view that contracts, which contain an automatic transfer of legal title on the underlying asset, are in substance purchases, and should be accounted for correspondingly. However, we feel that such contracts are not included in the definition of a lease anyway. The proposed definition of a lease states that a lease is a contract in which the right to use a specified asset is conveyed for a period of time in exchange for consideration. We believe that if legal title is automatically transferred, the right to use the underlying asset is transferred ultimately without any temporal restriction. Thus, a contract that contains an automatic transfer of legal title does not fulfill the definition of a lease, in our view.

We are skeptical whether contracts that include a bargain purchase option should also be treated like purchases in substance.

Though from a theoretical point of view one may assume, with reasonable certainty, that a bargain purchase option will be exercised, from a practical point of view it is quite common that this is not the case: especially leases of movable properties can make the lessee not exercise the purchase option, even if it is a bargain, as he no longer wants to use the property and has no intention of selling it himself.

We therefore feel that a bargain purchase option does not automatically and in any case lead to a transfer of legal title.

- c) Do you think that the guidance in paragraphs B1–B4 for distinguishing leases from service contracts is sufficient? Why or why not? If not, what additional guidance do you think is necessary and why?**

We think the proposed guidance to distinguish leases from service contracts is sufficient.

**Question 5: Scope exclusions**

The exposure draft proposes that a lessee or a lessor should apply the proposed IFRS to all leases, including leases of right-of-use assets in a sublease, except leases of intangible assets, leases of biological assets and leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources (paragraphs 5 and BC33–BC46).

**Do you agree with the proposed scope of the proposed IFRS? Why or why not? If not, what alternative scope would you propose and why?**

We generally agree with the scope proposed in the exposure draft. However, we see it as a problem, that certain leased intangible assets such as software would now be treated differently from leased property, plant and equipment; as we are of the opinion that the economic substance of a lease contract for software is not different to a lease contract for a machine. We would suggest that the boards' consider that this would lead to different treatment of similar transactions.

We have heard the argument that the board considers to reevaluate the entire accounting for intangibles. However, as this is not a current project there will be a substantial period of time until such new accounting rules would apply. Therefore we support the inclusion of intangibles as software in the standard for leases.

**Question 6: Contracts that contain service components and lease components**

The exposure draft proposes that lessees and lessors should apply the proposals in Revenue from Contracts with Customers to a distinct service component of a contract that contains service components and lease components (paragraphs 6, B5–B8 and BC47–BC54). If the service component in a contract that contains service components and lease components is not distinct:

- a) the FASB proposes the lessee and lessor should apply the lease accounting requirements to the combined contract.
- b) the IASB proposes that:
  - (i) a lessee should apply the lease accounting requirements to the combined contract.
  - ii) a lessor that applies the performance obligation approach should apply the lease accounting requirements to the combined contract.
  - iii) a lessor that applies the derecognition approach should account for the lease component in accordance with the lease requirements, and the service component in accordance with the proposals in Revenue from Contracts with Customers.

**Do you agree with either approach to accounting for leases that contain service and lease components? Why or why not? If not, how would you account for contracts that contain both service and lease components and why?**

We support the proposed treatment of distinct service components of contracts that contain both service and lease components.

For indistinct services we also support the treatment proposed by the IASB that lessors that apply the derecognition approach should account for the lease component in accordance with the lease requirements and for the service component in accordance with the proposals in “Revenue from Contracts with Customers”. As we already explained in our answer to question 2 we reject the performance obligation approach, consequently we do not support the boards’ proposal that a lessor that applies the performance obligation approach should apply the lease accounting requirements to the combined contract.

### **Question 7: Purchase options**

The exposure draft proposes that a lease contract should be considered as terminated when an option to purchase the underlying asset is exercised. Thus, a contract would be accounted for as a purchase (by the lessee) and a sale (by the lessor) when the purchase option is exercised (paragraphs 8, BC63 and BC64).

**Do you agree that a lessee or a lessor should account for purchase options only when they are exercised? Why or why not? If not, how do you think that a lessee or a lessor should account for purchase options and why?**

Yes, we agree. AFRAC believes that all payments that are under the control of the lessee should not be included in the measurement of lease assets and lease liabilities because this would be in conflict with the asset and liability definition of the Framework and IAS 32 and even with the non-recognition of contingent assets and the recognition of liabilities in IAS 37. The Framework requires a past event causing the asset or liability: the exercise of a purchase option is a future event. IAS 32, which basically requires contractual rights to receive cash (financial assets) or contractual obligations to deliver cash (financial liability) does not apply because this option is a nonfinancial derivative as the underlying asset is not a financial instrument and will be delivered to the lessee upon exercise of the option. IAS 37 makes the entity not recognize a liability if the liability is at the discretion of the entity: for us the exercise of the option is at the discretion of the lessee. IAS 37 makes the entity not recognize a contingent asset except for cases, where the realization of income is virtually certain (IAS 37.33): for us the exercise price of the option would represent a contingent asset if included in the right of use asset (lessee) or the right to receive lease payments (lessor).

As it is at the discretion of the lessee whether he exercises an option or not, the strike price of an option is a contingent payment under the control of the lessee. Therefore it is, in our view, not correct to include purchase options in the measurement of the asset and the liability.

### **Question 8: Lease term**

**Do you agree that a lessee or a lessor should determine the lease term as the longest possible term that is more likely than not to occur taking into account the effect of any options to extend or terminate the lease? Why or why not? If not, how do you propose that a lessee or a lessor should determine the lease term and why?**

We do not agree that a lessee or a lessor should determine the lease term as the longest possible term that is more likely than not to occur.

As far as options to extend the contractual term are concerned the lessee has no unconditional liability to make lease payments and conversely the lessor has no unconditional right to receive lease payments before this option is exercised. As we already explained in our answer of question 7, we think that payments that are at the discretion of the lessee are in conflict with the asset and liability definition of the Framework and of IAS 32 and they are in conflict with the non-recognition of contingent assets and the recognition of liabilities in IAS 37 (see our answer to Q7).

As far as options to terminate the contractual term are concerned the proposed approach would, in some jurisdictions, lead to practical problems. For instance in Austria rental agreements for apartments are subject to the Mietrechtsgesetz (MRG - Act on Tenancy Law). MRG makes it almost impossible for the landlord to terminate a rental agreement for an unlimited period whereas the tenant can terminate the contract easily. Therefore the tenant has an unlimited right to use the apartment but can terminate the contract at short notice. There are existing examples of lease agreements which have been lasting for more than fifty years until now, although the tenant could cancel the lease on short notice. In such cases, the lessee might be able to estimate that it is highly probable that the lease will continue for at least ten years. However, it is impractical for the lessee to estimate the longest possible term that it is more likely than not to occur – 20 years, 25 years, 30 years or 50 years. For the lessor, this estimate would be completely impossible. Furthermore, we believe that the users of financial statements would not be interested in such an estimation of an asset and a liability in these cases.

In addition to that, we believe that the proposed approach to determine the lease term does not reflect the flexibility to react to changing circumstances that are inherent in options to extend or cancel a lease. If an airline leases an airplane for ten years without the possibility of early cancellation and another airline leases a similar plane for one year with the annual option to prolong the lease term for another year and the second airline estimates a period of ten years to be the longest lease term that is more likely than not to occur, both airlines would show the same amounts in their financial statements if the exposure draft is applied. However, from an economic view there is a material difference, because in case of an unforeseen collapse of the aviation industry the second airline would be flexible and able to avoid continuing lease payments, whereas the first airline would be exposed to a material liquidity risk.

We believe that this economic difference is so important for the users of financial statements that they should be reflected in the balance sheet and the income statement; disclosures in the notes are not sufficient.

Options to extend the contractual term should only be considered if their exercise is virtually certain because there are economic penalties which would prevent the lessee from not exercising them. For example, if the lessee made leasehold improvements which would not be refunded by the lessor in case of early termination, it would be reasonable to measure the liability to make lease payments for the estimated life of the leasehold improvements.

Finally, we note that we acknowledge the boards' effort to attempt to capture the economic substance of a lease rather than the formal rights and obligations. However, in our view the conflict with the Framework and certain IFRS (see our response to Q7) outweigh these benefits.

### **Question 9: Lease payments**

**Do you agree that contingent rentals and expected payments under term option penalties and residual value guarantees that are specified in the lease should be included in the measurement of assets and liabilities arising from a lease using an expected outcome technique? Why or why not? If not, how do you propose that a lessee or a lessor should account for contingent rentals and expected payments under term option penalties and residual value guarantees and why?**

**Do you agree that lessors should only include contingent rentals and expected payments under term option penalties and residual value guarantees in the measurement of the right to receive lease payments if they can be measured reliably? Why or why not?**

AFRAC believes, as explained in the answers to questions 7 and 8 that payments should only be included in the measurement of assets and liabilities arising under a lease, if they are not under the control of the lessee. As Stephen Cooper pointed out in his alternative view rentals that are contingent on asset usage are similar to options to extend a lease agreement; the lessee has the right to receive more of the right-of-use asset. We believe that these contingent lease payments therefore should neither be included in the measurement of the lease asset nor the lease liability. They are in conflict with the asset and liability definition of the Framework and of IAS 32 and they are in conflict with the non-recognition of contingent assets and the recognition of liabilities in IAS 37 (see our answers to Q7 and Q8).

However, if the lease payments are contingent on an index or rate that cannot be controlled by the lessee, the contingent payments do not cause the conflicts described in the last paragraph. These contingent rentals should be included in the measurement of the lease asset and liability.

Again, we note that we acknowledge the boards' effort to attempt to capture the economic substance of a lease rather than the formal rights and obligations, but in our view the conflict with the Framework and certain IFRS (see our response to Q7) outweigh these benefits.

### **Question 10: Reassessment**

**Do you agree that lessees and lessors should remeasure assets and liabilities arising under a lease when changes in facts or circumstances indicate that there is a significant change in the liability to make lease payments or in the right to receive lease payments arising from changes in the lease term or contingent payments (including expected payments under term option penalties and residual value guarantees) since the previous reporting period? Why or why not? If not, what other basis would you propose for reassessment and why?**

We agree that lessees or lessors should remeasure assets and liabilities arising under a lease when changes in facts or circumstances indicate that there is a significant change in the liability to make lease payments, or in the right to receive lease payments, arising from changes in the lease term or contingent payments since the previous reporting period.

However we reject the inclusion of contingent payments that are at the discretion of the lessee, and of options to extend the lease term unless it is virtually certain that the option will be exercised in the measurement of assets and liabilities. All other changes in the lease term or contingent payments that are not at the discretion of the lessee e.g. changes in indexes etc. should be accounted for.

**Question 11: Sale and leaseback**

**Do you agree with the criteria for classification as a sale and leaseback transaction? Why or why not? If not, what alternative criteria would you propose and why?**

We believe that the criteria in paragraph B31, that the Boards included to help distinguish whether the ongoing involvement of the seller/lessee would preclude a sale, might lead to an inconsistency with the ED "Revenue from Contracts with Customers". Whereas the ED "Revenue from Contracts with Customers" is focused on transfer of control, the proposals in B31 seem to be based primarily on transfer of risk and benefits. We do not outright reject the proposed approach as it has its merits, nevertheless we would encourage the boards consider this issue.

We would prefer to reword B31(a): The seller/lessee has an option to repurchase the asset at an amount that is significantly lower than fair value or the seller/lessee has an obligation or the buyer/lessor can compel the lessee to repurchase the asset.

**Question 12: Statement of financial position**

**a) Do you agree that a lessee should present liabilities to make lease payments separately from other financial liabilities and should present right-of-use assets as if they were tangible assets within property, plant and equipment or investment property as appropriate, but separately from assets that the lessee does not lease (paragraphs 25 and BC143–BC145)? Why or why not? If not, do you think that a lessee should disclose this information in the notes instead? What alternative presentation do you propose and why?**

We agree that the lessee should present the right of use assets as if they were tangible assets within property, plant and equipment or investment property as appropriate, but separately from assets that the lessee does not lease.

We believe that the measurement of the right-of-use asset and the liability to make lease payments should not include payments that are at the discretion of the lessee (see our answers to Q7-9). Under this condition we see no difference between a liability to make lease payments and a financial liability and, thus, no need to present the liability to make lease payments separately from other financial liabilities.

However, if the measurement of the liability to make lease payments should, contrary to our view, eventually include payments that are at the discretion of the lessee, we would prefer the part of the liability to make lease payments being contingent in this regard to be presented separately from other financial liabilities, as this might satisfy the information needs of the users of financial statements.

- b) Do you agree that a lessor applying the performance obligation approach should present underlying assets, rights to receive lease payments and lease liabilities gross in the statement of financial position, totalling to a net lease asset or lease liability (paragraphs 42, BC148 and BC149)? Why or why not? If not, do you think that a lessor should disclose this information in the notes instead? What alternative presentation do you propose and why?**

As we explained in our answer to question 2, we do not support the performance obligation approach to lessor accounting and we do believe that the derecognition approach as a single approach to lessor accounting should be applied (see c) below).

- c) Do you agree that a lessor applying the derecognition approach should present rights to receive lease payments separately from other financial assets and should present residual assets separately within property, plant and equipment (paragraphs 60, BC154 and BC155)? Why or why not? Do you think that a lessor should disclose this information in the notes instead? What alternative presentation do you propose and why?**

We believe that the measurement of the right to receive lease payments should not include payments that are at the discretion of the lessee (see our answers to Q7-9). Under this condition we see no difference between a right to receive lease payments and a financial asset and, thus, no need to present the right to receive lease payments separately from other financial assets.

However, if the measurement of the right to receive lease payments should, contrary to our view, eventually include payments that are at the discretion of the lessee, we would prefer the part of the right to receive lease payments being contingent in this regard to be presented separately from other financial assets, as this might satisfy the information needs of the users of financial statements.

- d) Do you agree that lessors should distinguish assets and liabilities that arise under a sublease in the statement of financial position (paragraphs 43, 60, BC150 and BC156)? Why or why not? If not, do you think that an intermediate lessor should disclose this information in the notes instead?**

We agree that a description, explaining which assets and liabilities of an intermediate lessor arise from a sublease, may be useful for users of financial statements. However, we believe that it would be sufficient to disclose this information in the notes. Otherwise the balance sheet loses in lucidity.

**Question 13: Statement of comprehensive income**

**Do you think that lessees and lessors should present lease income and lease expense separately from other income and expense in profit or loss (paragraphs 26, 44, 61, 62, BC146, BC151, BC152, BC157 and BC158)? Why or why not? If not, do you think that a lessee should disclose that information in the notes instead? Why or why not?**

In our opinion it is not necessary to require lessees to present their lease expense separately from other income and expense in profit or loss. We do not see how this requirement would fit in the cost of sales method of preparing the statement of comprehensive income. Furthermore we believe that the current requirement in IAS 1.85 that an entity shall present additional line items, headings and subtotals in the statement of comprehensive income and the separate income statement, when such presentation is relevant to an understanding of the entity's financial performance is sufficient. If the separate presentation of lease expense is relevant for understanding the entity's financial performance, it should be presented separately, otherwise it should be only disclosed in the notes.

Concerning the lessor's lease income, we think that a separate presentation of lease income is not necessary. In IAS 18.7 revenue is defined as the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Thus lease income in most cases clearly is revenue. Revenue is presented as single line in the financial statements. It is not clear why lease income, unlike all other forms of revenue, has to be presented separately. We think that it suffices to disclose the lease income in the notes.

**Question 14: Statement of cash flows**

**Do you think that cash flows arising from leases should be presented in the statement of cash flows separately from other cash flows (paragraphs 27, 45, 63, BC147, BC153 and BC159)? Why or why not? If not, do you think that a lessee or a lessor should disclose this information in the notes instead? Why or why not?**

We believe that the cash flows arising from leases should be presented in the statement of cash flows of lessees separately from other cash flows as it provides useful information.

Concerning the statement of cash flows of lessors, we believe that a separate presentation is not necessary especially with regard to the application of the indirect method. We think it would be sufficient to present the cash receipts from lease payments in the notes.

### **Question 15: Disclosure**

Do you agree that lessees and lessors should disclose quantitative and qualitative information that:

- a) identifies and explains the amounts recognised in the financial statements arising from leases; and
- b) describes how leases may affect the amount, timing and uncertainty of the entity's future cash flows (paragraphs 70–86 and BC168–BC183)? Why or why not? If not, how would you amend the objectives and why?

We agree with the general principle, that lessees and lessors should disclose quantitative and qualitative information that identifies and explains the amounts recognized in the financial statements arising from leases and describes how leases may affect the amount, timing and uncertainty of the entity's future cash flows. The list of disclosure requirements is very extensive and we appreciate that paragraph 71 of the Exposure Draft requires that an entity should consider the level of disclosures appropriate to deliver useful information and not to obscure it by including a large amount of insignificant detail.

Paragraph 73 (a) vii requires, that initial direct costs incurred during the reporting period and included in the measurement of the right-of-use asset or right to receive lease payments have to be disclosed. As this is not required by any other standard (e.g. IFRS 7 does not require to disclose the capitalized transaction costs) we do not see the necessity to present this information for leases.

### **Question 16: Transition**

- a) The exposure draft proposes that lessees and lessors should recognise and measure all outstanding leases as of the date of initial application using a simplified retrospective approach (paragraphs 88–96 and BC186–BC199). Are these proposals appropriate? Why or why not? If not, what transitional requirements do you propose and why?

We see that the mandatory full retrospective application might be onerous for some preparers especially lessees. For these preparers the simplified retrospective approach would be a relief. This benefit might outweigh the disadvantage that by resetting all leases to “year 1” the expenses of the lessees and the income of the lessors are front loaded.

- b) Do you think full retrospective application of lease accounting requirements should be permitted? Why or why not?

Although we do believe, that the simplified retrospective approach has its merits, we believe that full retrospective application should be provided as an option. First of all it might be easier to apply, especially for lessors and secondly some lessees might desire to avoid the front loading of expenses that is caused by resetting all leases to year 1.

**c) Are there any additional transitional issues the boards need to consider? If yes, which ones and why?**

If the interest rate implicit in the lease is known, it should be applied at transition.

**Question 17: Benefits and costs**

**Paragraphs BC200–BC205 set out the boards’ assessment of the costs and benefits of the proposed requirements. Do you agree with the boards’ assessment that the benefits of the proposals would outweigh the costs? Why or why not?**

We have serious doubts whether the costs of reassessing contingent rentals and options on a contract-by-contract basis and gathering lease information for even short term leases will be justified by the user’s benefits. The complexity of the proposed standard would require extensive education activities and implementation of new processes.

**Question 18: Other Comments**

**Do you have any other comments on the proposals?**

We would ask the boards to clarify how put options and renewal options of the lessors should be treated. We believe that the proposed standard is not clear in this respect and only deals with call options held by the lessee.

Please do not hesitate to contact me if you wish to discuss any aspect of our comment letter in more detail.

Kind regards,

Romuald Bertl

Chairman