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Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

> Project: Leases (Topic 840) Reference Number: 1850-100

Dear Technical Director:

We thank you for the opportunity to comment on the proposed Accounting Standards Update on Leases (Topic 840). We support the FASB and IASB's move towards a new approach for leasing. Overall, we agree with the new accounting model, with a few adjustments for misjudgments and clarity. Now and in the past, lease accounting has led to a vast number of off-balance sheet assets and liabilities, construing financial statements and misleading financial statement users.

In issuing a new standard for leases, it is important to keep consistency and assurance in mind. In a big picture, we believe the most accurate accounting comes from the most definite and probable events at the time. Attached are our responses on the proposed lease accounting.

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#### Question 1: Lessees

a) Do you agree that a lessee should recognize 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?

We agree that the lessee should recognize a right-of-use asset and a liability to make lease payments because it would eliminate the problem of off-balance sheet financing and increase the comparability of the financial statements. However, we agree with comment letter 14, written by William Bosco of Leasing 101, that the final draft should use current GAAP definitions to define minimum lease payments. The definition of a liability, according the IASB's Conceptual Framework for Financial Reporting 2010, is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. Measurement in this exposure draft includes obligations that are not present at the time of recognition, e.g., contingent options and extensions. Initial measurement should only include the present obligations.

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 agree with comment letter 9, written by Linus Low, and comment letter 15, written by Scott Emerick, that amortization of the right to use asset is consistent with IAS 16, accounting for property, plant and equipment. However there are some issues that arise that must be taken into consideration. Due to the change in standards, there could be violations of debt covenants due to higher debt to equity ratios, and lower interest-coverage ratios. This outcome could lead to a loss in the amount of financing available to the company, and a decrease in the credit rating. We agree with comment letter 14; this outcome could also create issues with cost reimbursements in existing contracts and with existing government regulations that only allow for rent expense to be reimbursed, not amortization or imputed interest.

# **Question 2: Lessors**

a) Do you agree that a lessor should apply (i) the performance obligation approach if the lessor retains exposure to significant risks or benefits associated with the underlying asset during or after the expected lease term and (ii) the derecognition approach otherwise? Why or why not? If not, what alternative approach would you propose and why?

We agree with William Bosco, comment letter 14, that the performance obligation method should only be applied to leases where the lessor has a performance obligation, and the risk that the lessor will not perform that obligation is at such a high level that it is unlikely that the lessee will make payment. We also agree with Bosco in that risks and rewards analysis is inappropriate because retaining risks does not mean that a lessor performance obligation exists. If the value of the right of use asset has been transferred, and the lessor has delivered the asset, then the lessor controls the asset, and the value of the right of use asset should be derecognized from lessee's balance sheet. The definition of an asset, according the IASB's Conceptual Framework for Financial Reporting 2010, is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

Under the performance obligation approach, the lessor does not derecognize the leased asset. In addition, the lessor recognizes a right to receive lease payments for the leased asset at the present value of the future lease payments, which is offset by a lease liability. Therefore the asset is overstated on the books of the lessor. However under the derocognition approach, only the residual value of the leased asset is recognized on the books of the lessor, which does not cause an overstatement of assets.

b) Do you agree with the boards' proposals for the recognition of assets, 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?

Again we agree with William Bosco, comment letter 14, that the performance obligation approach does not recognize that the value of the right of use asset has been transferred from the lessor to the lessee. We would recommend the derecognition approach be used for all

leases in order to avoid an overstatement of assets on the lessors books. As we noted in question 1 a, the definition of a liability, according the IASB's Conceptual Framework for Financial Reporting 2010, is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. Measurement in this exposure draft includes obligations that are not present at the time of recognition, e.g., contingent options and extensions. Initial measurement should only include the present obligation, otherwise the asset is overstated.

c) Do you agree that there should be no separate approach for lessors with leveraged leases, as is currently provided for under US GAAP (paragraph BC15)? If not, why not? What approach should be applied to those leases and why?

We agree that there should not be a separate approach for lessors with leveraged leases because the only difference is in the manner of financing. It is still a lease, and should be recognized the same as the other leases.

# Question 3: Short-term leases

This 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 12 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 at the undiscounted amount of the lease payments and (ii) the right-of-use asset at the undiscounted amount of lease payments plus initial direct costs. Such lessees would recognize lease payments in the income statement 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 Topics and would recognize lease payments in the income statement over the lease term (paragraph 65). (See also paragraphs BC41-BC46.) 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 agree that the cost of recognizing short-term leases in the same way as long-term leases could be burdensome. For this reason, we agree with the simplified requirements regarding lessee and lessor accountingfor short-term leases.

## Definition of a lease

This exposure draft proposes to define a lease as a contract in which the right to use a specified asset or assets is conveyed, for a period of time, in exchange for consideration (Appendix A, paragraphs B1–B4 and BC29–BC32). This exposure draft also proposes guidance on distinguishing between a lease and a contract that represents a purchase or sale (paragraphs 8, B9, B10 and BC59–BC62) and on distinguishing a lease from a service contract (paragraphs B1–B4 and BC29–BC32).

## **Question 4**

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

The definition of a lease is consistent with IAS 17. We agree that the definition of lease is defined appropriately.

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 agree with the criteria for distinguishing a lease from a contract that represents a purchase or a sale. We suggest that the boards either define "trivial" as referred to in B9, or discard that word from the section, as it leaves the decision open to interpretation on whether the contract is for a purchase or a lease. We agree with William Bosco, comment letter 14, that the only terms needed are bargain purchase option and automatic title transfer.

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 agree that the guidance in paragraphs B1-B4 for distinguishing leases from service contracts is useful, however not sufficient. Specifically, B3 states that a contract that permits substitution of a similar asset does not contain a lease because the underlying asset is not specified. If this substitution is stated in the contract, how is the contract accounted for?

#### Scope Question 5: Scope exclusions

This exposure draft proposes that a lessee or a lessor should apply the proposed guidance 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).

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

We agree that leases to explore for natural resources and leases of biological assets should be accounted for in accordance with those specific types of assets. This concept is in concurrence with IAS 17. However we disagree that intangible assets should be precluded from the scope of this guidance, as intangible assets are just as useful as their tangible counterparts. Intangible assets could be combined with "investments," and treated similarly.

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

This exposure draft proposes that lessees and lessors should apply the guidance in proposed Accounting Standards Update, *Revenue Recognition* (Topic 605): *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:

- I. The FASB proposes the lessee and lessor should apply the lease accounting requirements to the combined contract.
- II. The IASB proposes that a lessee should apply the lease accounting requirements to the combined contract. A lessor that applies the performance obligation approach should apply the lease accounting requirements to the combined contract. 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 guidance in the exposure draft on revenue from contracts with customers.
- a) 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?

Yes. We agree that if the service component can be easily separated and is clearly distinct from the lease component it should be allocated to the separate contract. However, we understand that in many lease contracts the service components can be unclear. Deloitte's example, in the July 2009 Discussion Paper in response to the Preliminary Views in March, describes a hotel management company who engages in a contract with a hotel owner for managing day-to-day operations. What portion of this contract is regarded as lease and what portion as service? In such an example, a distinct division of the two components is impossible. Thus, we agree that if the service component is unclear and not proven separate, the contract should be treated as a combined contract.

We agree with the IASB's proposal of the lessor's treatment of the service component. If the service component is distinct and the lessor applies the derecognition approach, the lessor must account for the service component in accordance with the revenue from contracts with customers.

## Question 7: Purchase options

This exposure draft proposes that a lease contract should be considered 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).

a) 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. If the option to purchase the underlying asset is exercised, we believe the asset should no longer be termed a lease. The definition of a lease, according to the FASB/IASB Exposure Draft, is a contract in which the right to use a specified asset (the underlying asset) is conveyed, for a period of time, in exchange for consideration. Thus, if the purchase option is exercised, there is a sale transaction along with a purchase transaction. This transaction will take place at the end of the contract term, thus transferring the title of the underlying asset to the lessee.

We recommend the draft to be clear that the lease contract is only terminated when the sale (by lessor) and purchase (by lessee) occurs. The contract should not be terminated under the conclusion of a "more likely than not" transaction. The termination of the contract is required because a sale occurs with derecognizing an asset and a purchase occurs with acquiring an asset. The control is transferred from the lessor to the lessee. No lease further exists.

#### Measurement

This exposure draft proposes that a lessee or a lessor should measure assets and liabilities arising from a lease on a basis that:

- assumes 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 (paragraphs 13, 34, 51, B16-B20 and BC114-BC120)
- II. includes in the lease payments contingent rentals and expected payments under term option penalties and residual value guarantees specified by the lease by using an expected outcome technique (paragraphs 14, 35, 36, 52, 53, B21 and BC121–BC131). Lessors should only include those contingent rentals and expected payments under term option penalties and residual value guarantees that can be reliably measured.
- III. Is updated 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 (paragraphs 17, 39, 56 and BC132–BC135).

## Question 8: Lease term

a) 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?

No. We disagree that the lease term should be the longest possible term that is more likely than not to occur. Lease terms are not always definite, for a variety of reasons. The best way to account for a lease term is to take the signed upon number periods for the lease term at the inception of the lease. The exposure draft gives the example of a 40 percent chance of a 10-year lease (the non-cancellable term), a 30 percent chance of a 15-year lease, and another 30 percent chance of a 20-year lease. The idea behind the FASB and IASB proposing this draft is for financials to reflect the most accurate information available to financial users. Therefore, the methodology should be strict. The exposure draft concludes in the example that the lease term is 15 years (a 30 percent chance after the non-cancellable 10 year term). The 30 percent chance is not a financial obligation until exercised.

We conclude that in the exposure draft example, the lease term should be 10 years. When renewal options are exercised, a financial then the contract term is altered, and the accounting can be adjust to reflect the change in the contract.

## Question 9: Lease payments

a) 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? We do not agree that the obligations of contingent rentals and expected payments should be included in the measurement of the assets and liabilities of the lease. As stated in response to question one, we agree with comment letter 14, written by William Bosco of Leasing 101, that the final standard should use current GAAP definitions to define minimum lease payments.

The definition of a liability, according the IASB's Conceptual Framework for Financial Reporting 2010, is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. Contingent rentals are not present obligations. Initial measurement should only include the present obligations, and when a contingent rental occurs, then the lease payments may be reassessed. By only including the present obligations, it will decrease the differences in measurement of assets and liabilities arising from the leasing transactions across firms.

b) 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 reliably measured? Why or why not?

No. We disagree that contingent rentals and expected payments should be included in the lease term (see response to #9a). It is the objective of financial reporting to provide accurate information to the user, and including these two items would increase the liability without changing the present obligations of the lease. When a circumstance arises with accurate expected payments or contingent rentals, then the lease term will be modified.

#### Question 10: Reassessment

a) 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?

Yes, we 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 since the previous reporting period. If facts or circumstances indicate that there would be a significant change in an asset or liability since the previous reporting period, it is essential that lessees and lessors reassess to reflect the change. This accounting allows for more relevant information to the users because it would reflect the current economic position and decrease the chance of understating or overstating a lease asset or liability.

#### Sale and leaseback

This exposure draft proposes that a transaction should be treated as a sale and leaseback transaction only if the transfer meets the conditions for a sale of the underlying asset and proposes to use the same criteria for a sale as those used to distinguish between purchases or sales and leases. If the contract represents a sale of the underlying asset, the leaseback also would meet the definition of a lease, rather than a repurchase of the underlying asset by the lessee (paragraphs 66–67, B31 and BC160–BC167).

#### **Question 11**

a) 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?

Yes, we agree with the criteria for classification as a sale and leaseback transaction. There must be an actual purchase of the asset by another entity, and the contract to lease the asset back must either be entered into at or near the same time, negotiated as a package with a single commercial objective, or performed concurrently or consecutively. The fact that the company sold an asset it already controlled in order to lease that asset back from the company it sold it to gives proof to the sale and leaseback transaction.

## Presentation

This exposure draft proposes that lessees and lessors should present the assets, liabilities, income (or revenue), expenses and cash flows arising from leases separately from other assets, liabilities, income, expenses and cash flows (paragraphs 25–27, 42–45, 60–63 and BC142–BC159).

# 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, 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?

Yes, we agree that a lessee should present liabilities to make lease payments and right of use assets separately from other financial liabilities and assets. The right of use assets should be classified as they would if they were purchased as opposed to being leased, but displayed separately because the assets are not owned by the company. Lease liabilities should also be displayed separately due to their interdependency with the right of use asset.

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, totaling 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?

We agree that if the performance obligation approach is to be used, then the lessor should present the asset or liability as a net lease asset or liability in order to avoid overstatement, continue to show ownership, and reflect interdependency.

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 do agree that a lessor applying the derecognition approach should present rights to receive lease payments separately from other financial assets. Separate presentation would provide more useful information to the users of financial statements as to the nature of those cash flows. We also agree that the residual assets should be presented separately because it is merely the lessors interest in that asset at the end of the term and not a current asset of the company.

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 the lessors should distinguish assets and liabilities that arise under a sublease in the statement of financial position because it will allow the users to have a complete financial picture of the company, and identify the relationship between the sublease and the headlease.

# Question 13: Income statement

a) Do you think that lessees and lessors should present lease income and lease expense separately from other income and expense in the income statement (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?

We agree with the boards that separating lease income and lease expense from other income and expense may be relevant and useful in a financial statement user's decision. We understand that lease income and lease expenses do differ from other income and expenses; however, this additional caption of solely lease amounts may be immaterial in a number of certain entities' financials. Making this change mandatory would benefit some

entities, while cluttering other entities with unnecessary amounts. In that regard, we believe the entity should be permitted to present the two separately, but not required.

## Question 14: Statement of cash flows

a) 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?

Yes. We agree with the idea that separating the cash flows from leases would be beneficial to the financial statement users. Cash flows arising from lease payments are a distinct source of income, and it makes sense to report separately. In the prior question, we concluded that the entity should be permitted, not required to separate lease income and expenses. However, we believe this proposed change in the cash flows should be enforced for all entities in the new lease standard. This is because separating these cash flows presentation does not seem as difficult as the income and expenses.

# **Disclosure Question 15**

a) Do you agree that lessees and lessors should disclose quantitative and qualitative information that:
(a) identifies and explains the amounts recognized 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? (c) (paragraphs 70–86 and BC168-BC183)? Why or why not? If not, how would you amend the objectives and why?

Yes, we agree 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 how those lease transactions affect the amount, timing and uncertainty of the entity's future cash flows. We believe that disaggregation will allow for the most useful information. It is not obscured by the aggregation of items that have different characteristics. Allowing for the use of both aggregation and disaggregation may lead to inconsistencies in the financial statements and confuse the end users; however, we understand that aggregation allows for similar leases to be displayed without overwhelming the end user with too much information.

#### **Transition Question 16**

a) This exposure draft proposes that lessees and lessors should recognize 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 agree that the simplified retrospective approach is the most appropriate way to transition into the new accounting principals because it still allows for comparability throughout the periods shown, unlike the prospective application, but is less costly than a full retrospective application.

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

Yes, a full retrospective approach would increase comparability, and thus increase the usefulness of the information provided to users of financial statements while those leases remain outstanding. Users would be able to compare the previous lease assets and liabilities with today's assets and liabilities. In addition, users will find the trend of the company's performance in lease activities, which would be useful to help make a decision. It should be permitted; however, we do not believe that it should be required due to the costs of a full retrospective application.

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

We agree that it is useful to recognize, and measure, all outstanding leases as of the date of initial application using a simplified retrospective approach. However, disclosure of

information regarding these right of use assets and lease liabilities and how they were configured would be useful to the users. This may increase the cost because entities would be required to determine how assets and liabilities would have been measured from previous periods.

#### Benefits and costs Question 17

a) 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?

The initial transition will result in significant costs to the company because it would require a change to management reporting and reporting entities. In addition, everyone involved would need the time to change, and adapt, to this proposed standard. There will also be a cost to the company when the time comes to reassess the lease, however, as the proposed standard states, "that the detailed examination of every lease is not required unless a significant change in the lease payments is expected to occur."

As BC204 in exposure draft illustrates, the proposed model is an improvement to existing lease accounting requirements because users of financial statements would no longer need to make adjustments to operating lease information.

Users of financial statements are the ones that benefit from the proposed standard, and the objective of financial statements is to provide those users with useful information in order to make rational decisions regarding the company producing those statements. This proposed standard provides users better information to base those decisions upon, so we agree that this long-term benefit does outweigh the initial costs associated with transition to the proposed standard.

Deloitte Global IFRS leader Veronica Poole commented on the possible ramifications of the propose lease accounting, saying the draft standard is a "long overdue reality check" that will introduce greater transparency. "The downside to the standards, if implemented, will be significantly increased liabilities on the typical corporate balance sheet, which could have a knock-on effect on key performance indicators," Poole added. "The result could be lower asset turnover ratios, lower return on capital, and an increase in debt-to-equity ratios, which could affect borrowing capacity or compliance with loan covenants."

## Other comments Question 18

a) Do you have any other comments on the proposals?

We believe the proposed addition to the financial statements regarding assets and leases would be beneficial to the financial statements. In Deloitte's July 2009 Discussion Paper, Deloitte supported an idea to separately present owned assets and leased assets in the financials. This presentation would quickly show financial statement users a quick difference in how the entity operates through assets. This presentation could either be a separate page in the financials or merely added in the disclosure notes.

#### Non-public entities Question 19

a) Should any of the proposed guidance be different for non-public entities (private companies and not-for-profit organizations)? If so, which requirement(s) and why?

We do not think it is necessary to implement this proposed guide non-public entities. As stated in exposure draft BC202, "the objective of the proposed guidance is to establish principles so that lessees and lessors report relevant and representationally faithful information to users of financial statements about the amounts, timing and uncertainty of the cash flows arising from leases." Users of financial statements include, but are not limited to, potential investors and creditors. Because non-public entities do not have potential investors, the main user of this information would be a creditor. The implementation and reassessment of this proposed standard is very costly, and most of the non-public entities are relatively smaller than public entities; implementation in non-public entities could lead to a costs which may not exceed the benefit they to users.