

Summary of survey conducted by JLA on the revised exposure draft *Leases*

Purpose

To broadly understand the views from preparers of financial statements on the revised exposure Draft (re-ED) issued by the IASB and the FASB.

Items

1. Lessee accounting
2. Straight-line lease expense recognition
3. Measurement of a lease term
4. Accounting for a short term lease
5. Accounting for a lease of a non-core asset

Companies surveyed & respondents

	Companies surveyed	Respondents	Respondents/companies surveyed
Public companies	3,538	514	14.5%
Non-public companies	5,688	737	13.0%
Total	9,226	1,251	13.6%

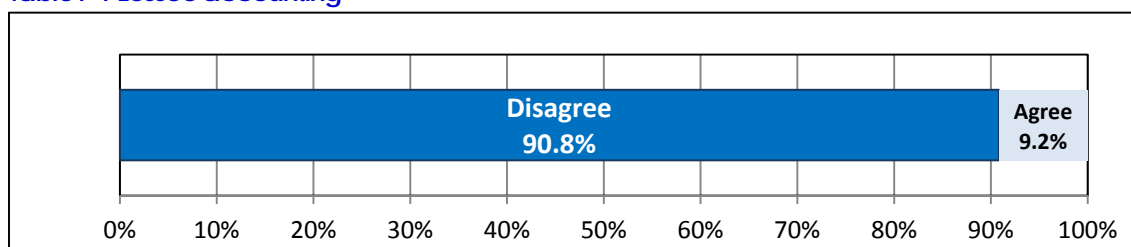
Summary

1. Lessee accounting

[<Do you agree to the proposal for lessee accounting?>](#)

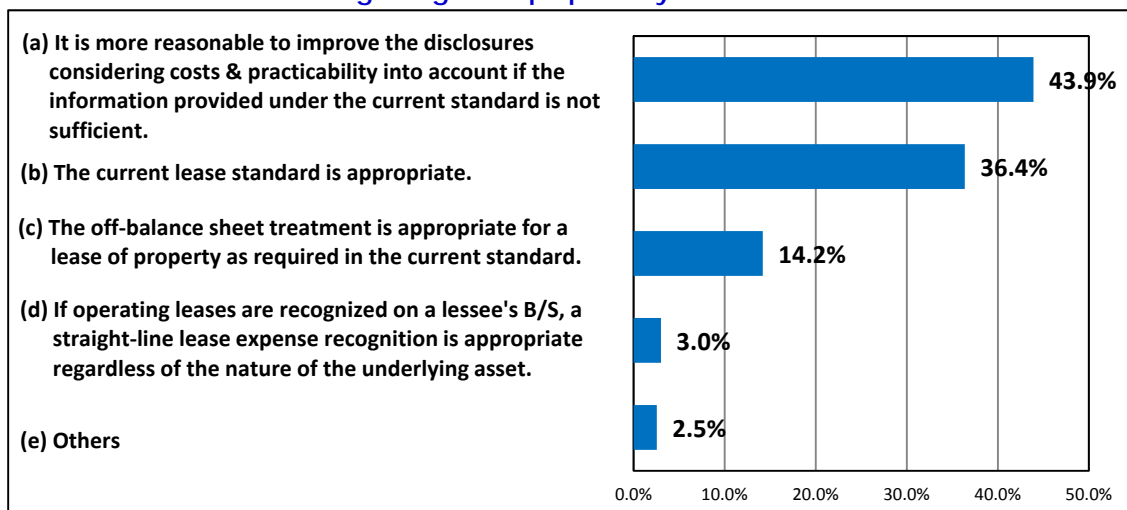
According to the result of the survey, the majority of the respondents disagree to the lessee accounting proposed in the re-ED, while the minority of the respondents agree.

Table1-1 Lessee accounting



The respondents who disagreed to the proposal in the re-ED indicated the reasons as follows. Over 80% of respondents, who chose either (a) or (b) below, view that the current standard should be retained. This implies that the respondents have strong concerns associated with costs and burdensomeness if the proposed lessee accounting in the re-ED were implemented.

Table1-2 The reasons for disagreeing to the proposal by the boards

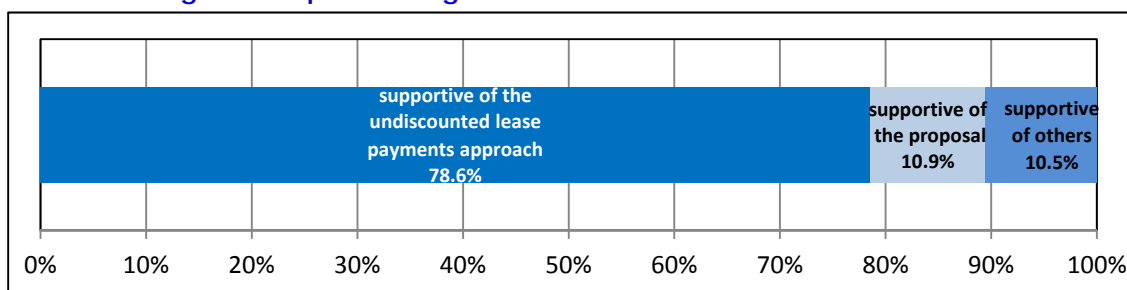


2. Straight-line lease expense recognition

<Which approach do you agree to, either the proposed lease expense recognition pattern in which the lessee recognizes lease expense on a straight-line basis or “undiscounted lease payments approach”?>

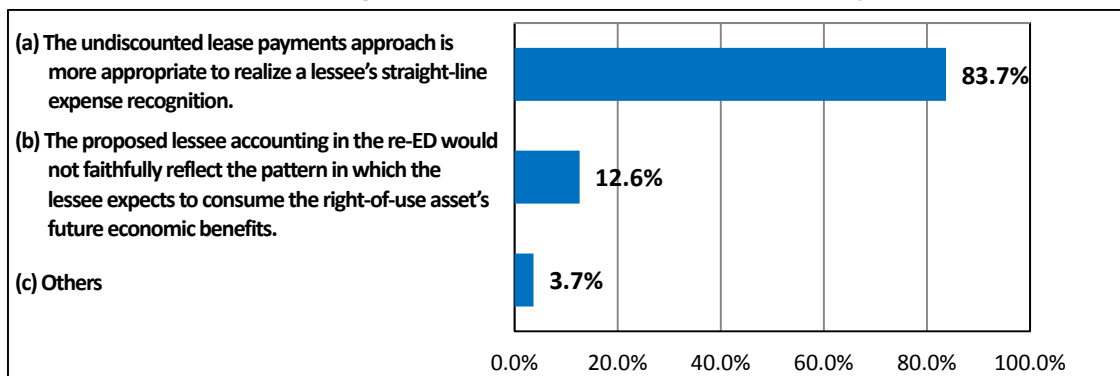
According to the survey, the majority of companies are much more supportive of the “undiscounted lease payments approach” rather than the proposal by the boards.

Table 2-1 Straight-line expense recognition



The reasons for being supportive of the “undiscounted lease payments approach” are as follows. The undiscounted lease payments approach is more appropriate from the standpoint of costs, benefits and practicability. The “undiscounted lease payments approach” is superior to the proposal by the boards from the standpoint of the rationale of depreciation method. In addition to this, there are some companies which prefer to choose either the proposal in the re-ED or the “undiscounted lease payments approach”, and there are some which prefer another approach where the lessee apportions interest component of lease payments over the lease term on a straight line basis.

Table 2-2 The reasons for being supportive of the undiscounted lease payments approach

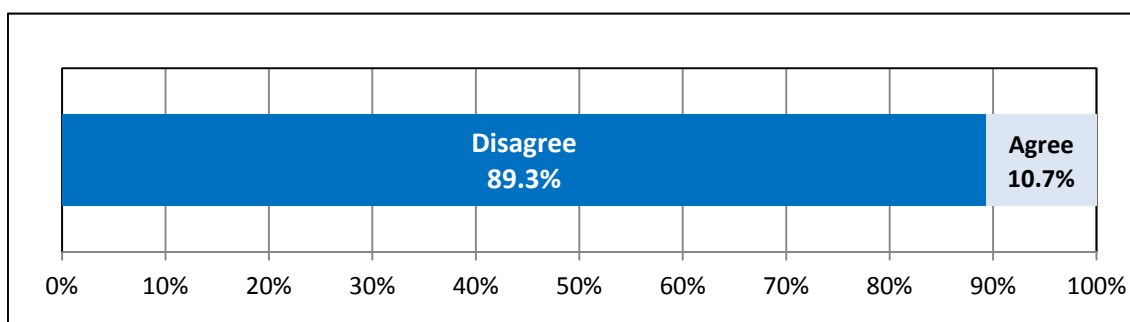


3. Measurement of a lease term

<Do you agree to the proposed measurement of a lease term in the re-ED?>

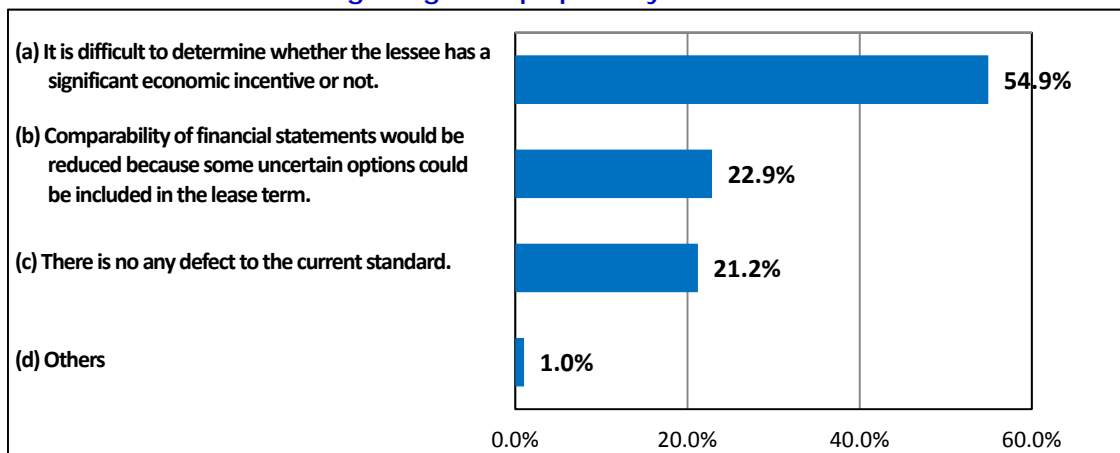
According to the survey, the majority of companies disagree to the proposal for measuring a lease term.

Table 3-1 Measurement of lease term



One of the reasons is the difficulty of determining whether the lessee has a significant economic incentive or not.

Table 3-2 The reasons for disagreeing to the proposal by the boards

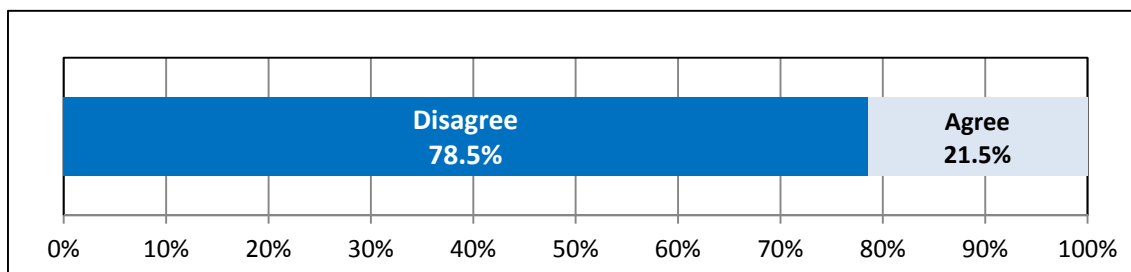


4. Accounting for a short term lease

[<Do you agree to the proposed accounting for a short term lease?>](#)

According to the survey, the majority of companies disagree to the proposal for the definition of a short term lease in the re-ED.

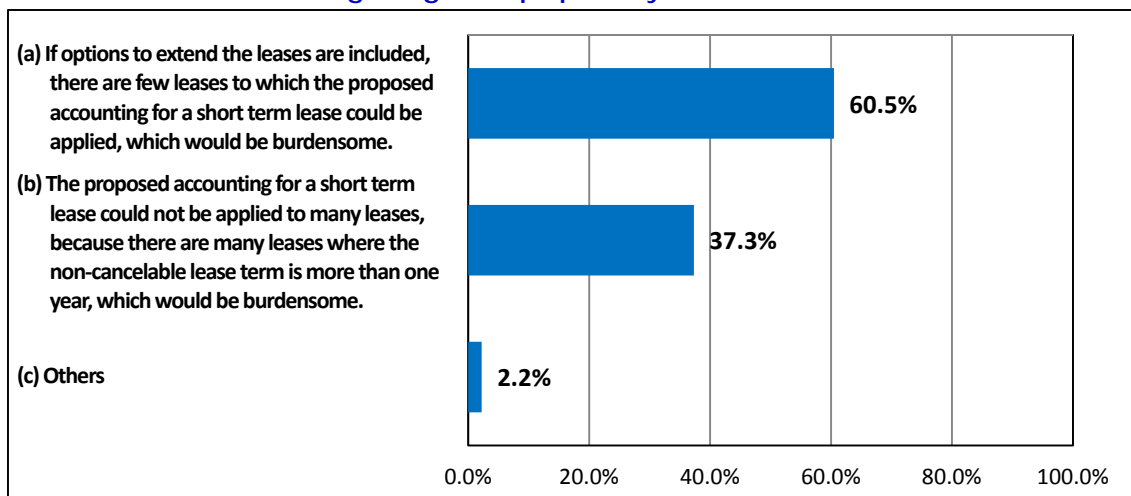
Table4-1 Accounting for a short term lease



One of the main reasons is as follows.

If options to extend the lease are included in determining the lease term, the proposed accounting for a short term lease could not be applied. This is one of the main reasons why the costs associated with applying the proposal by the boards would increase.

Table4-2 The reasons for disagreeing to the proposal by the boards

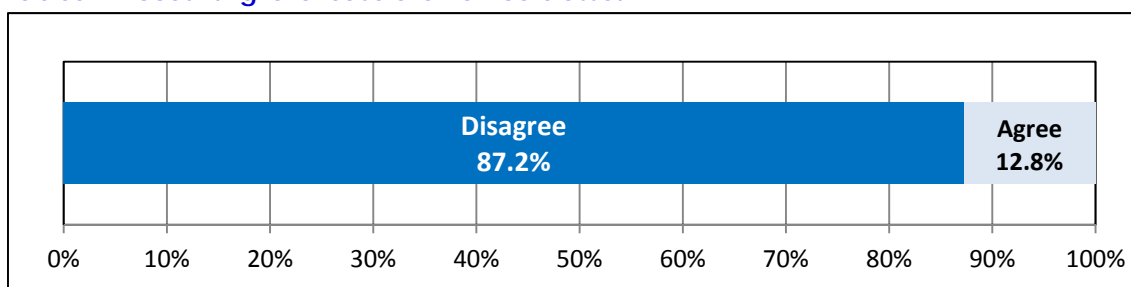


5. Accounting for a lease of a non-core asset

[<Do you agree to the proposal that there is no any distinction in accounting on the basis of whether the underlying asset is core to an entity's operations?>](#)

According to the survey, the majority of companies disagree to the proposal that there is no any practical relief for a lease of a non-core asset.

Table5-1 Accounting for a lease of a non-core asset



The reasons are as follows.

The current operating lease accounting would be appropriate to a lease of non-core asset.

It would be difficult to practically cope with the requirements without any practical relief for a lease of a non-core asset in the lease accounting standard itself.

Table5-2 The reasons for disagreeing to the proposal by the boards

