

## CBRE ENTERPRISE NOTES

November 2012

### Another Delay for the Lease Accounting Project

#### Highlights

- Publication of the revised Exposure Draft has been delayed until Q1 2013.
- The new standard will not be issued until late-2013, at the earliest.
- The effective date may not be until 2016 or 2017.

The Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB), respectively the “Boards,” have once again pushed back the timeframe for the revised Exposure Draft on Lease Accounting. The Boards are now seeking further input from the Private Company Financial Reporting Committee and Private Company Council. As a result, the projected timeframe for publishing the revised Exposure Draft has been pushed back from Q4 2012 to Q1 2013.

The Boards continue to indicate a 120-day comment period will be provided once the revised Exposure Draft is finally published. Given this latest delay, the Boards will be hard-pressed to issue the final standard prior to year-end 2013. This could push back the effective date of the new standard to at least 2016, or possibly 2017.

Following is a brief summary of the key components of the proposed changes:

- All leases will be required to be capitalized (except those with a maximum term of 12 months or less)
- As currently proposed, leases will be accounted for using one of two methodologies:
  - **Single-Lease Expense Approach (SLE) (previously the Straight-Line Approach)**  
This approach results in a straight-line lease expense similar to current accounting for operating leases.
  - **Interest & Amortization Approach (I&A) (previously the Front-Loaded Expense Approach)**  
This approach results in the acceleration of expenses into the early years of a lease. This is the result of a greater interest expense during the front-end of the lease term (similar to a standard mortgage payment).
- Property leases (defined as leases of “land or a building; or part of a building; or both”) will generally be accounted for using the SLE Approach unless:
  - The lease term is for the major part of the economic life of the underlying asset,

or

- The present value of fixed lease payments accounts for substantially all of the fair value of the underlying asset.
- If either of these two conditions exists, the I&A Approach must be used.

CBRE's Global Task Force on Lease Accounting will continue to keep you apprised as further developments in the lease accounting saga arise.

For more information, please contact:

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