

## IFRS practical matters for financial services



The *World Leasing Yearbook 2010* estimates that leasing activity in 2008 amounted to US\$640 billion,<sup>1</sup> with the vast majority of lease obligations not recognised on any balance sheet. On 17 August 2010, the IASB and FASB released a joint exposure draft that would dramatically change lease accounting for both lessees and lessors by requiring balance sheet recognition of all leases. Although the effective date of a final standard is likely several years away, financial institutions should begin to prepare for the resulting impacts on their financial metrics, debt structuring, business processes and information management.

# What do the proposed lease accounting changes mean for financial institutions?

We believe that the business impact of the proposals on financial institutions will be significant. On one hand, off-balance sheet financing for lessees will no longer be possible. This is likely to result in a reduction in leasing business for financial institutions, as well as changes to lease structures and contracts. Where a financial institution is itself a lessee in an operating lease, the size of its balance sheet will increase. The accounting treatment for lessors will change, but the impact is unlikely to be as significant as it will be for lessees. All lease contracts that are likely to exist on transition to the new model will need to be reviewed and evaluated to ascertain the impact of the proposals.

Here's a snapshot of how most financial institutions would be affected by the proposals:

### For lessees

- ▶ All leases would appear on the balance sheet, eliminating the distinction between operating and finance leases
- ▶ Assets and liabilities would be grossed up, particularly for leases currently classified as operating leases
- ▶ Lease liabilities would be re-evaluated at each reporting date when indications of significant changes exist, likely requiring substantial changes to internal controls and information systems
- ▶ Leverage ratios and capital ratios would deteriorate, particularly for leases currently classified as operating leases
- ▶ For leases currently classified as operating leases, timing of expense recognition would accelerate and expense would be recharacterised as interest expense and amortisation instead of rent expense
- ▶ Adequacy of regulatory capital may be affected and tax treatment of leases may be subject to change

### For lessors

- ▶ The way leases are structured could change substantially, potentially resulting in a decrease in leasing business and revenue
- ▶ All leases would appear on the balance sheet, eliminating the distinction between operating and finance leases
- ▶ For both finance and operating leases, the balance sheet presentation would change
- ▶ Lease receivables would be re-evaluated at each reporting date when indications of significant changes exist, likely requiring substantial changes to internal controls and information systems
- ▶ For leases currently classified as operating leases, the timing of income recognition would accelerate and income would be recharacterised as interest and lease income instead of only rent income
- ▶ Adequacy of regulatory capital may be affected and tax treatment of leases may be subject to change

<sup>1</sup> International Accounting Standards Board, *Snapshot: Leases*, August 2010



## Why leases?

The IASB and FASB (the Boards) are actively working together on a number of high-profile projects with the overall objectives of both improving existing accounting standards and bringing greater convergence between IFRS and US GAAP. The number of projects on the Boards' agendas is unprecedented, signalling that major changes in financial reporting are likely within the next few years. Leasing is one of the more prominent projects and one that may affect a broad range of entities – those that lease large individual assets like real estate and aircraft, as well as those that enter into numerous smaller leases for items like office equipment.

Improving lease accounting has been a long-standing goal of both the IASB and the FASB. The major criticism of the existing leasing standards is that lessees do not recognise all lease obligations on their balance sheets, based on what some consider to be arbitrary distinctions between operating and finance leases. The Boards are addressing this criticism in their leasing project.

## When?

The Boards issued a Discussion Paper, *Leases: Preliminary Views* in March 2009, and issued an Exposure Draft (ED) on 17 August 2010. A final standard is expected in 2011. The Boards are still deliberating the effective date of the lease standard, which is expected to be 2013 or later.

In view of the multiple projects underway that are all scheduled to be completed in mid to late 2011, the IASB is considering

different effective date options. One possibility is a collective 'big bang' effective date for all the new standards on the same date, or possibly staggered effective dates over a period of several years.

Regardless of the effective date that is ultimately chosen, the Boards have tentatively decided that existing lease arrangements would not be grandfathered. This means that all existing leases as of the date of initial application would need to be assessed under the new standard, not just those entered into prospectively. The proposed date of initial application is the beginning of the first comparative period presented in the first financial statements in which the new standard is applied.

The Boards are aware of the large burden on companies and the volume of change presented by so many concurrent new standards; to this end, the Boards are seeking comments on the proposed effective dates. The leasing standard alone presents more than accounting issues – it presents many systems and business concerns as well.

## What is the scope?

The proposed model retains much of the existing requirements relative to assessing whether an arrangement is or contains a lease. As a result, arrangements that are considered leases under existing accounting standards would generally be considered leases under the proposed standard. Among other arrangements, the ED excludes from its scope leases of investment property measured at fair value in accordance with IAS 40 *Investment Property*.



## What is the proposed new lease accounting model for lessees?

The basic elements of the IASB's proposed lessee model are:

- ▶ Lessees would record an intangible asset for the right to use the leased item and a liability for the obligation to make lease payments (lease liability) – under the 'right-of-use' model. The 'risks and rewards' model developed decades ago would be eliminated.
- ▶ The initial lease liability would be measured based on estimates of the lease term, contingent rentals, term option penalties and residual value guarantees, using the lessee's incremental borrowing rate<sup>2</sup> to discount future payments to present value.
- ▶ The lease term under the proposed model will consider options to renew or terminate the lease and will be the longest possible lease term that is more likely than not to occur. Consequently, for leases with renewal options, the expected lease payments over this lease term could be larger than those currently disclosed in financial statements as future lease commitments.
- ▶ Lessees would reassess the estimates of the lease term, contingent rentals, term option penalties and residual value guarantees at each reporting date. Changes to the estimated lease term would adjust the related right-of-use asset and lease liability. Changes due to contingent rentals and expected payments under term option penalties and residual value guarantees would be reflected in profit or loss, if they relate to past or current periods, and in the right-of-use asset if they relate to future periods, with a corresponding adjustment to the lease liability.
- ▶ The right-of-use asset would be amortised<sup>3</sup> over the shorter of its useful life or the lease term. A lessee may revalue a right-of-use-asset in accordance with IAS 16 *Property, Plant and Equipment*. In addition, the right-of-use asset would be assessed for indicators of impairment at the end of each reporting period.
- ▶ Lease payments would be allocated between interest expense and a reduction of the lease liability using the effective interest method. Currently, payments for leases classified as operating leases are recognised as rental expense using the straight-line method. Therefore, expense recognition on leases currently accounted for as operating leases would be accelerated under the proposals.

<sup>2</sup> Or, if it can be readily determined, the rate that the lessor charges the lessee.

<sup>3</sup> In accordance with any method permitted by IAS 38 *Intangible Assets*.



### Example 1: Lessee

To illustrate the proposed lessee model, consider the following example:

#### Assumptions

Currently, the lessee would classify the lease as an operating lease in accordance with IAS 17 *Leases* (IAS 17).

Annual lease payment (assumes no contingent rentals, residual value guarantee or term option penalties): CU6,000

Term of lease: 3 years

Present value (PV) of lease payments based on incremental borrowing rate:

CU15,000

#### Commencement

A 'right-of-use asset' of CU15,000 and a corresponding 'lease liability' would be recognised on lease commencement.

#### Profit-or-loss analysis

	Year 1 CU	Year 2 CU	Year 3 CU	Total CU
Amortisation of right-of-use asset (PV/3)	5,000	5,000	5,000	15,000
Interest expense	1,500	1,000	500	3,000
Proposed expense	6,500	6,000	5,500	18,000
<b>Current IFRS expense (IAS 17)</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>	<b>18,000</b>

#### Balance sheet analysis

	Inception	Year 1 CU	End of Year 2 CU	Year 3 CU
<b>Asset</b>				
Right-of-use asset	15,000	10,000	5,000	–
<b>Liability</b>				
Lease liability	15,000	10,500	5,500	–

#### Current IFRS

No amounts are recognised on the balance sheet under IAS 17 as it is an operating lease.



## What is the impact on financial institutions as lessors?

The ED proposes two models, each to be used in different circumstances depending on the terms of the lease and their effect on the lessor.

**Performance obligation approach** – this approach would be used when the lessor retains exposure to significant risks or benefits associated with the leased asset (the ED provides criteria to consider in making that assessment). This approach results in essentially symmetrical accounting treatment to that of the lessee. Using the same facts as in the previous example, the lessor would recognise a right to receive lease payments (lease receivable) of CU15,000 and a corresponding lease liability of the same amount on the balance sheet. This lease liability is the lessor's obligation to permit the lessee to use the underlying asset over the lease term. [Note: this is a simplified example for illustration only. Similar to lessees, lessors would be required to make estimates and apply judgment upon adoption of the proposed standard, and at each reporting period. The lessor's estimates may not be the same as the lessee's in arriving at the amount to recognise].

The lessor would continue to recognise the leased asset and related depreciation expense. In addition, it would amortise its lease liability and recognise revenue over the lease term. Lease payments received would be allocated between interest income and a reduction of the lease receivable using the effective interest method.

To illustrate the proposed performance obligation model, consider Example 2 on page 6.

**Derecognition approach** – this approach would be used when the lessor is not exposed to significant risks or benefits associated with the leased asset. Under this approach, the lessor essentially 'sells' a portion of the leased asset and recognises a net profit (or loss) at lease commencement equal to the difference between the present value of the lease payments and the carrying amount of the portion of the leased asset that is derecognised. Over the lease term, the lessor also recognises interest income using the effective interest method. In Example 3 on page 7, the proposed lease income for Year 1 of CU5,600 comprises lease income of CU4,100 recognised upon derecognition of part of the underlying asset at the commencement of the lease, and interest income of CU1,500.

A lessor would record two assets – a financial asset for the lease receivable and a non-financial asset for the residual asset. Under the current approach for accounting for a finance lease, the lessor records one financial asset – the net investment in the lease (lease receivable), which consists of the present value of the lease payments and the unguaranteed residual value of the leased asset.

To illustrate the proposed lessor derecognition model, consider Example 3 on page 7, in which the lessor has determined that it does not retain exposure to significant risks or benefits associated with the leased asset and should apply the derecognition approach.



### Example 2: Lessor – performance obligation model

To illustrate the proposed lessor performance obligation model, consider the following example in which the lessor has determined that it retains exposure to significant risks or benefits associated with the leased asset:

#### Assumptions

Currently, the lessor would classify the lease as an operating lease under IAS 17.

Underlying asset carrying amount: CU40,000  
(expected useful life of 10 years with no residual value)

Annual lease payment: CU6,000  
(assumes no contingent rentals, residual value guarantee or term option penalties)

Term of lease: 3 years

PV of lease payments based on rate lessor is charging the lessee: CU15,000

#### Commencement

At lease commencement, the lessor would recognise a 'lease receivable' asset of CU15,000 and a corresponding lease liability, which represents the obligation of the lessor to make the asset available to the lessee ('performance obligation').

#### Profit-or-loss analysis

	Year 1 CU	Year 2 CU	Year 3 CU	Total CU
Lease income	5,000	5,000	5,000	15,000
Interest income	1,500	1,000	500	3,000
Proposed income*	6,500	6,000	5,500	18,000
<b>Current IFRS income (IAS 17)*</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>	<b>18,000</b>

#### Balance sheet analysis

	Inception	Year 1 CU	End of Year 2 CU	Year 3 CU
<b>Assets</b>				
Underlying asset	40,000	36,000	32,000	28,000
Lease receivable	15,000	10,500	5,500	–
Performance obligation	(15,000)	(10,000)	(5,000)	–
Net lease asset	40,000	36,500	32,500	28,000

#### Current IFRS

Under IAS 17, only the underlying asset is recorded on the lessor's balance sheet.

\*Before depreciation or amortisation of the underlying asset (CU 4,000 per annum).



### Example 3: Lessor – derecognition model

To illustrate the proposed lessor derecognition model, consider the following example in which the lessor has determined that it does not retain exposure to significant risks or benefits associated with the leased asset:

#### Assumptions

Currently, the lessor would classify the lease as a finance lease in accordance with IAS 17.

Underlying asset carrying amount:	CU12,000
Annual lease payment: (assumes no contingent rentals or term option penalties; assumes residual value guarantee of CU1,500 from an unrelated third party)	CU6,000
Term of lease:	3 years
PV of lease payments based on rate lessor is charging the lessee:	CU15,000
Underlying asset fair value:	CU16,500

The lessor would determine the amount of the leased asset to be derecognised and the initial carrying amount of the residual asset as follows:

Carrying amount of the underlying asset (CU12,000)	X	Fair value of the right to receive lease payments (CU15,000)
		-----
		Fair value of the underlying asset (CU16,500)

#### Commencement

At lease commencement, the lessor would recognise a 'lease receivable' asset of CU15,000 and corresponding 'revenue'. In addition, the lessor would remove the underlying asset from its books and recognise 'cost of sales' of CU10,900 and a 'residual asset' of CU1,100. Revenue recognised (CU15,000) in excess of the carrying amount of the portion of the asset derecognised (CU10,900) would be profit (CU4,100) that would be recognised at commencement of the lease.

#### Profit-or-loss analysis

	Year 1 CU	Year 2 CU	Year 3 CU	Total CU
<b>Under the ED</b>				
Net lease income <sup>4</sup>	4,100	–	–	4,100
Interest income	1,500	1,000	500	3,000
Proposed income	5,600	1,000	500	7,100
<b>Current IFRS</b>				
Selling profit	4,500	–	–	4,500
Interest income	1,400	1,000	600	3,000
<b>Current IFRS income (IAS 17)</b>	<b>5,900</b>	<b>1,000</b>	<b>600</b>	<b>7,500</b>

#### Balance sheet analysis

	Inception	Year 1 CU	End of Year 2 CU	Year 3 CU
<b>Assets (under the ED)</b>				
Lease receivable	15,000	10,500	5,500	–
Residual asset	1,100	1,100	1,100	1,100
	16,100	11,600	6,600	1,100
<b>Current IFRS (IAS 17)</b>				
Lease receivable	<b>16,500</b>	<b>11,900</b>	<b>6,900</b>	<b>1,500</b>

<sup>4</sup> The ED allows the 'revenue' of CU15,000 and the 'cost of sales' of CU10,900 to be presented net in a single line item if the lessor's business model uses leases for purposes of providing finance.



## How would the financial institution's business be affected?

Based on even the short accounting summary outlined above, financial institutions (both lessors and lessees) can begin to see the pervasive impact the proposed lease accounting model would have on their business and operations – effects that go well beyond just accounting. Some of these are discussed below:

### Leasing business

Financial institutions often use operating leases as a form of financing for their customers. In these cases, the financial institutions act as the lessor and the leased assets function as collateral. Structured finance transactions such as sale and lease-backs can allow the financial institutions' customers to derecognise the underlying assets from their balance sheets, sometimes with related tax benefits. The proposals may take away most of the benefits of such transactions and could result in a substantial change in the way in which they are structured. They may even result in the decrease of such transactions, with a corresponding decline in financial institutions' business and revenue.

For the customers of financial institutions that have entered into operating leases as lessees, the proposals would affect their leverage ratios and profit or loss, which may have a knock-on effect on loan covenants in other finance arrangements. As a result, affected borrowers may need to renegotiate loans with financial institutions to ensure that they do not breach their loan covenants.

### Financial statement metrics

For a financial institution that is a lessee, the most obvious change to its financial statements is the growth in the balance sheet that would result from recognising both an asset and a liability for all lease transactions previously accounted for as

operating leases. As a result, several key leverage and capital ratios may deteriorate even though cash flow and business activity would not have changed.

In addition, today's straight-line recognition of rental expense would be replaced by the accelerated recognition of interest expense under the effective interest method, together with amortisation of the right-of-use asset.

For a financial institution that is a lessor, the removal of the distinction between a finance lease and an operating lease would result in the application of the derecognition or performance obligation approach, depending on whether the financial institution has transferred significant risks or benefits of the asset to the lessee. Lessors applying the derecognition approach (e.g., for many leases currently classified as finance leases) would, under the proposals, recognise a lease receivable and any residual interest in the asset. Lessors applying the performance obligation approach (e.g., for many leases currently classified as operating leases), would recognise a right to receive lease payments and a liability representing the performance obligation to the lessee, in addition to the underlying asset (these amounts would be presented net on the balance sheet).

Operating lease income would be recharacterised as interest and lease income. In addition, lessors' income on leases previously accounted for as operating leases would be accelerated when compared to existing accounting requirements. As a result, lessors' financial ratios and metrics would also change.

For leases accounted for as finance leases under existing accounting requirements, the effect of the proposal on the income statement for both lessees and lessors, compared to existing accounting requirements, would vary depending on the specific attributes of the lease.



The change to financial metrics could affect regulatory requirements, loan covenants and financing agreements. For example, financial institutions have often entered into operating leases (as lessees) as the related lease obligations do not have to be recognised on their balance sheets under existing accounting requirements. In light of impending regulatory changes, which may lead to more stringent capital requirements, the grossing up of the balance sheet may not be favourable to financial institutions. In addition, financial institutions that base bonuses, share-based payment vesting provisions and other compensation plans on financial statement metrics may need to reassess the arrangements and whether they would continue to provide an appropriate performance measure on which to base such calculations.

The extent of the impact on an individual financial institution would, of course, vary depending on the extent of a financial institution's lease transactions, how the leases were previously accounted for (operating versus finance) and factors such as length of lease term and other specific lease provisions. Performing an impact assessment early on, even at a high level, would enable a financial institution to analyse the potential effects of the proposal so that meaningful communication with stakeholders can take place as needed.

#### **Lease structuring and modification**

In order to mitigate the effect on their balance sheets, the proposed lease model could affect the way financial institutions that are lessees negotiate and structure their lease arrangements. For instance, shorter lease terms or leases without renewal options would generally result in less grossing up of the balance sheet. However, financial institutions would need to weigh the desire for a smaller balance sheet against the higher costs of lease renewals that may result. Still others may reassess their entire lease-versus-buy strategies.

For lessors, shorter lease terms would result in greater risk of non-renewal and possibly higher financing costs if the asset cannot be leased out. In an effort to lessen the impact of adoption of the proposed rules, financial institutions may seek to modify existing leases.

#### **Data gathering**

As previously mentioned, the present proposal would require the new standard to be applied to all existing leases as of the date of initial application. This means that if a financial institution was required to first apply the proposed standard in its fiscal year ended 31 December 2013, and comparative financial statements were presented, leases outstanding as at the beginning of the earliest comparative period would be assessed and presented in accordance with the new standard.

To ensure that adoption of the proposal would be complete, a financial institution would need to gather data on all of its leases, and review key provisions such as lease term (including possible extensions), contingent rentals, guarantees and term option penalties. Under the lessor derecognition model, the fair value of the leased asset would also be required. The resources involved could be substantial, especially considering that many of the leases may have been entered into years ago and at numerous decentralised locations. Beginning to accumulate the necessary data early would help avoid the costly need to retrieve and recreate the necessary data at a time when adoption of numerous new standards may be occurring simultaneously. Financial institutions would also be well advised to begin to accumulate, on a real-time basis, the data required by the proposed standard for all newly entered leases.

In addition, although the criteria for determining what is or is not a lease would not change, that determination would take on increased importance for many arrangements. As the current accounting for operating leases and service contracts

is often similar, determining whether a service arrangement contains an operating lease generally does not result in significantly different accounting for the arrangement today. However, that would change under the ED, which would require on-balance sheet accounting for all leases.

#### **Processes and internal controls**

For many financial institutions, accounting for certain leases may have been relatively straightforward, particularly leases classified as operating leases that result in the recognition of monthly rental expense for lessees and rental income for lessors. Under the proposal, not only would management estimates be required to initially record the lease, but an ongoing assessment of key measurement assumptions would also be necessary at each reporting date. In contrast, under present standards, a financial institution generally need not revisit its original assumptions and estimates after its initial accounting has been determined.

Because the assumptions call for estimates of the expected lease term and future contingent rentals, an in-depth knowledge of the business and the intended use of the leased asset is essential. Accordingly, a financial institution would need to establish accounting policies and design processes and internal controls to make certain that input from operational and financial management is sought, analysed, documented and processed.

#### **Information technology (IT) and systems**

Due to the relatively basic accounting requirements that presently exist for operating leases, many financial institutions today are able to use less sophisticated methods such as spreadsheets or simple computer programs to keep track of their leases and associated rental expense or rental income. However, the proposal would add assets and liabilities to the balance sheet, require periodic revaluation and result in a different income statement treatment. As a result, many financial institutions would



need a more refined system because current systems may not have the capability to capture and manage all of the critical data needed to account for lease transactions under the proposed approach. While some financial institutions may want to design their own IT systems to address the proposed requirements, others may decide to purchase or integrate lease systems that outside vendors will most likely develop as the lease proposal progresses to a final standard.

In any event, financial institutions that are presently designing or upgrading IT financial reporting systems would be well advised to consider the likely future data requirements associated with the proposed standard as part of their current IT development efforts. Timely assessment of the proposal's impact on IT systems could reduce the risk of costly re-work and redesign later down the road.

#### **Tax issues**

Lessors and lessees would need to analyse book/tax differences that would result from application of the proposed standard. In addition, as financial institutions potentially modify existing lease arrangements in response to the proposed new standard, the impact on existing tax treatments would need to be assessed and tax risks going forward would need to be appropriately managed. This would take on greater importance for a financial institution with significant overseas operations involved in leasing activities.

Assessing tax treatments early would help companies reduce tax exposures and develop the most advantageous tax strategies possible.

#### **What should financial institutions do now?**

As previously stated, a final standard is not expected to be effective for several years, and additional changes are likely to arise between now and then as part of the

Boards' normal deliberation process. While no one can predict with certainty the ultimate outcome of an accounting standard, most agree that the basic proposed change – recognising all leases on the balance sheet – is a likely result.

So while it may be too soon to do a 'deep dive' into the proposal, financial institutions with substantial leasing activity – both lessees and lessors – would benefit from an initial assessment of the proposal's effect on their financial statements and operations. Financial institutions may also find it beneficial to engage in discussions and negotiations with tax authorities and regulators about the tax and capital treatment of leases under the new proposals. At the very least, financial institutions should familiarise themselves with the proposal's requirements and consider them as they enter into any significant new lease transactions. Gaining a better understanding of the proposal will help financial institutions plan for an orderly and efficient transition to the new standard in a way that reduces financial reporting, tax, operational and business risks.

At a minimum, financial institutions structuring or entering into new leases today should at least be aware of the potential future impact of the proposal. While financial institutions should not necessarily make economic decisions based on accounting requirements, they should be aware of the accounting consequences of their decisions.

For additional information on the proposal, see Ernst & Young's *Supplement to IFRS outlook Issue 79: Proposed accounting changes for leases*. We will be providing a more in-depth publication in September 2010 to assist entities in better understanding the proposed model.



Ernst & Young can bring its multi-disciplinary team of accounting, tax, systems and IT professionals to your financial institution to advise you in assessing what the new lease proposal means to you. In the table below, we outline issues and steps a financial institution should consider related to the lease proposal, and indicate how Ernst & Young may be able to help you from initial assessment through to adoption.

Issues and steps	How Ernst & Young can help
Gain a general understanding of the proposal	<ul style="list-style-type: none"> <li>▶ Design and deliver a tailored training session for business and accounting policy</li> <li>▶ Share insights of IASB and FASB views</li> <li>▶ Advise you in your response to the ED</li> </ul>
Perform a preliminary assessment of the impact of the proposal on the financial institution's leasing business	<ul style="list-style-type: none"> <li>▶ Advise you in evaluating contract terms to determine the potential impact on your leasing business</li> <li>▶ Advise you on the effects of revised lease terms when you are considering renegotiation of existing leases with customers</li> <li>▶ Advise you in analysing tax positions of leasing customers</li> </ul>
Perform a preliminary assessment of the impact of the proposal on your financial statements	<p>Advise you and provide input into:</p> <ul style="list-style-type: none"> <li>▶ Determining which accounting model applies to your leases</li> <li>▶ Gathering necessary lease information to adopt the proposed standard</li> <li>▶ Summarising lease terms</li> <li>▶ Performing a high-level measurement of the right-of-use asset and related liability to make lease payments (for lessees)/lease receivable, performance obligation, or residual asset (for lessors, depending on the approach followed)</li> <li>▶ Calculating the income statement impact of adopting the proposed standard</li> <li>▶ Assessing the impact on key financial ratios and performance measures</li> <li>▶ Identifying shortfalls in available information to adopt the proposed standard</li> </ul>
Assess processes for data collection, internal controls and IT systems	<ul style="list-style-type: none"> <li>▶ Provide observations and insights based on leading practices on ways to design business processes, IT systems and internal controls to implement the proposals</li> <li>▶ Provide criteria to consider in selecting IT packages and advise you on the selection process</li> </ul>
Plan for ultimate adoption of the proposed standard	<ul style="list-style-type: none"> <li>▶ Advise you on project maintenance and planning, including timeline, tasks and resource allocation</li> </ul>
Assess tax positions relating to lease proposal	<ul style="list-style-type: none"> <li>▶ Advise you in analysing tax positions arising from adopting the new proposal, reducing tax exposure and determining tax effects of lease modifications</li> </ul>
Engage in discussions with tax authorities and regulators	<ul style="list-style-type: none"> <li>▶ Share insights of tax authority and regulator views</li> </ul>
Communicate effect of adoption to stakeholders—analysts, regulators and shareholders	<ul style="list-style-type: none"> <li>▶ Advise you on developing a communication plan</li> <li>▶ Advise you on drafting communications</li> </ul>
Benchmark against peers and others in the industry	<ul style="list-style-type: none"> <li>▶ Provide observations of how others are approaching the proposal, problems they encountered and solutions developed</li> <li>▶ Advise you in the evaluation of peers, competitors and industry disclosures and expected impact on the financial statements</li> </ul>

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