



**LETTER No. 020/2010**

São Paulo, December 15<sup>th</sup>, 2010.

Chief Technical Officer

Financial Accounting Standards Board

Ref.: Exposure Draft . ED/2010/9

ABEL . Associação Brasileira das Empresas de Leasing (Brazilian Association of Leasing Companies) as a representative entity of both the Lessor and the Multiple Banks with Leasing Portfolio in the Brazilian market, in accomplishment to the abovementioned concerning a Exposure Draft ED/2010/09, respectfully provides hereby the enclose comments.

We understand that this is the appropriate time for establishing a strong and accurate guideline to a new accounting model for leasing agreements without, of course, disregarding the tax characteristics and legally standards, maintain, be compliance and adherence of each country, but allowing the comparison and transparency required for that business, and thus avoiding any arising of unexpected risks.

Looking forward to hearing from you.

Regards,

**ABEL É ASSOCIAÇÃO BRASILEIRA DAS EMPRESAS DE LEASING**

**OSMAR RONCOLATO PINHO**  
Chairman

| QUESTIONS                                                                                                                                                                                                                               | ANSWERS                                                                                                                                                                                                          |
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| <p><b>Question 1: Lessees</b><br/>           (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?</p> | <p>We partially agree. We propose only to recognize the right of use asset without any assets. We believe that the asset must be booked only by the lessor and the lessee recognizes it as the right of use.</p> |
| <p>(b) Do you agree that a lessee should recognise amortisation 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?</p>           | <p>No. We only agree with the right of use and liability for payments.</p>                                                                                                                                       |

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| <p><b>Question 2: Lessors</b><br/>           (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?</p> | <p>No. We suggest the example of regulation in Brazil, that the asset is shown on the lessor's balance sheet. The concept of significant risks and benefits associated with them is extremely subjective, thus preventing clarity in the financial statements of the parties.</p> |
| <p>(b) Do you agree with the board's 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?</p>                                                                                                                                 | <p>No. Because we understand that the leased asset will be better reflected in the balance sheet of the owner (the lessor).</p>                                                                                                                                                   |

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| <p><b>Question 3: Short-term leases</b><br/>           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:<br/>           Not applicable to financial leases, because the minimum term is 24 months.</p>                                                                                                           |  |
| <p>(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 recognise lease payments in profit or loss over the lease term (paragraph 64). EXPOSURE DRAFT AUGUST 2010© IFRS Foundation 10</p> |  |

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| <p>(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 recognise assets and liabilities arising from a short-term lease in the statement of financial position, nor derecognise any portion of the underlying asset. Such lessors would continue to recognise the underlying asset in accordance with other IFRSs and would recognise lease payments in profit or loss over the lease term (paragraph 65). (See also paragraphs BC41. BC46.)</p> |  |
| <p>Do you agree that a lessee or a lessor should account for short-term leases in this way?<br/>Why or why not? If not, what alternative approach would you propose and why?</p>                                                                                                                                                                                                                                                                                                                                      |  |

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| <p><b>Definition of a lease</b><br/>The 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). The 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).</p> |                    |
| <p><b>Question 4</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                    |
| <p>(a) Do you agree that a lease is defined appropriately? Why or why not? If not, what alternative definition would you propose and why?</p>                                                                                                                                                                                                                                                                                                                                                                                             | <p>Yes, we do.</p> |
| <p>(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?</p>                                                                                                                                                                                                                                                                                                            | <p>Yes, we do.</p> |
| <p>(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?</p>                                                                                                                                                                                                                                                                                                                        | <p>Yes, we do.</p> |

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| <p><b>Question 5: Scope exclusions</b></p> <p>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).</p> <p>Do you agree with the proposed scope of the proposed IFRS? Why or why not?</p> <p>If not, what alternative scope would you propose and why?</p> <p>LEASES11 © IFRS Foundation</p> | <p>We partially agree. No exception for intangible assets.</p> |
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| <p><b>Question 6: Contracts that contain service components and lease components</b></p> <p>The exposure draft proposes that lessees and lessors should apply the proposals in <i>Revenue from Contracts with Customers</i> 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:</p>                                                   |                                                                                                                                |
| <p>(a) the FASB proposes the lessee and lessor should apply the lease accounting requirements to the combined contract.</p>                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                |
| <p>(b) the IASB proposes that:</p> <p>(i) a lessee should apply the lease accounting requirements to the combined contract.</p> <p>(ii) a lessor that applies the performance obligation approach should apply the lease accounting requirements to the combined contract.</p> <p>(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 <i>Revenue from Contracts with Customers</i>.</p> |                                                                                                                                |
| <p>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?</p>                                                                                                                                                                                                                                                                                                           | <p>Not to just approach. We endorse a single approach, including equipment, service, maintenance and technical assistance.</p> |

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| <p><b>Question 7: Purchase options</b></p> <p>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).</p> |                                                                                                                                                      |
| <p>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?</p>                                                                                                                                            | <p>We agree that the accounting is done at the time of the purchase option, that is when the asset is transferred from the lessor to the lessee.</p> |

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| <p><b>Measurement</b></p> <p>The exposure draft proposes that a lessee or a lessor should measure assets and liabilities arising from a lease on a basis that:</p> <p>(a) 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).<br/>EXPOSURE DRAFT AUGUST 2010© IFRS Foundation 12</p> <p>(b) 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 measured reliably.</p> <p>(c) 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).</p> |                                                                                         |
| <p><b>Question 8: Lease term</b></p> <p>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?</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <p>We understand that the lease term should be clearly established on the contract.</p> |

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| <p><b>Question 9: Lease payments</b><br/>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?</p> | <p>Yes. All the values established by contract.<br/>Note: the establishment of market value will not be included.</p> |
| <p>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?</p>                                                                                                                                                                                                                                                             | <p>Yes, we do.</p>                                                                                                    |

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| <p><b>Question 10: Reassessment</b><br/>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?<br/>If not, what other basis would you propose for reassessment and why?<br/>LEASES 13 © IFRS Foundation</p> | <p>Yes, by adding that to the original contract.</p> |
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| <p><b>Sale and leaseback</b><br/>The 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 the sale of the underlying asset, the leaseback would also meet the definition of a lease, rather than a repurchase of the underlying asset by the lessee (paragraphs 66, 67, B31 and BC160, BC167).</p> |                                                                                                             |
| <p><b>Question 11</b><br/>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?</p>                                                                                                                                                                                                                                                                                                                                                                           | <p>We understand that is a sale for the lessor and it returns to the lessee according a lease contract.</p> |

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| <p><b>Presentation</b></p> <p>The 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).</p>                                                                                                                                                                                                                                                                              |                                                                                                                   |
| <p><b>Question 12: Statement of financial position</b></p> <p>(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?</p> | <p>We partially agree. Except if they were tangible assets on balance sheet separately.</p>                       |
| <p>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?</p> <p>EXPOSURE DRAFT AUGUST 2010 © IFRS Foundation 14</p>                                                                           | <p>No, we propose a clear identification on the lessor's asset and the lessee's payables are the same amount.</p> |
| <p>(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?</p>                                                                                                                                                                 | <p>Yes.</p>                                                                                                       |
| <p>(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?</p>                                                                                                                                                                                                                                                                                               | <p>Yes.</p>                                                                                                       |

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| <p><b>Question 13: Statement of comprehensive income</b><br/>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?<br/>Why or why not?</p> | Yes. |
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| <p><b>Question 14: Statement of cash flows</b><br/>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?</p> | Yes. |
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| <p><b>Disclosure</b></p>                                                                                                                                                                                                                                  |      |
| <p><b>Question 15</b><br/>Do you agree that lessees and lessors should disclose quantitative and qualitative information that:</p>                                                                                                                        |      |
| <p>(a) identifies and explains the amounts recognised in the financial statements arising from leases; and</p>                                                                                                                                            | Yes. |
| <p>(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?<br/>LEASES 15 © IFRS Foundation</p> | Yes. |



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| <p><b>Transition</b></p> <p><b>Question 16</b><br/> (a) The 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?</p> | <p>Yes.</p>                                                                               |
| <p>(b) Do you think full retrospective application of lease accounting requirements should be permitted? Why or why not?</p>                                                                                                                                                                                                                                                                               | <p>Yes.</p>                                                                               |
| <p>(c) Are there any additional transitional issues the boards need to consider? If yes, which ones and why?</p>                                                                                                                                                                                                                                                                                           | <p>Yes. However, attention should be paid to proper comparability of previous events.</p> |

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| <p><b>Benefits and costs</b></p> <p><b>Question 17</b><br/> 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?</p> | <p>Yes, when we seek the necessary harmonization of standards, adoption grounds to defend the right of use as a simple procedure and reduce costs implementation.</p> |
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| <p><b>Other comments</b></p> <p><b>Question 18</b><br/> Do you have any other comments on the proposals?</p> | <p>Yes. We suggest following the tax laws of each country to avoid conflicts with the rule of the harmonization of each country.</p> |
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