



Baden-Württembergischer  
Industrie- und Handelskammertag

**Federführung  
Recht, Sachverständigenwesen**

IASB  
Working Group on Leases  
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## IASB Project: Leases

Dear Working Group Members,

As the umbrella organisation of the 12 Chambers of Industry and Commerce in Baden-Württemberg, Germany, we represent the interests of our approximately 534,000 member companies in one of the strongest economic regions of the world. Many of our member companies use leasing as a flexible instrument of holding items and of renting commercial or industrial property. The projected reform of IAS 17 will have significant effects on the companies' balance sheets. Owing to the benefits of the existing standard, we use the opportunity to participate in the discussion and to state our view on the plans to revise IAS 17 for lessees.

We agree to the criticisms that the existing IAS 17 is a rather complicated standard due to the accounting requirement to classify the contract as finance lease or operating lease. Harmonizing the standard to a single scope for all lease classes certainly simplifies its application.

We appreciate and acknowledge the fascination, which a single scope does have in theory. Nevertheless, we see some problems arising with the drafted new standard. The positive effect of simplification has negative consequences for our member companies, as well.

The companies are virtually deprived of a form of financing by the planned reform. Apart from the effect of delayed payment, one of the big advantages of operating lease under the present IAS 17, is to keep the items and their sourcing off-balance for the lessee. Because of this the equity ratio is not affected by operating lease. For any company using operate lease, the changes will have immense effects. Recognition of operating leases on the lessee's balance sheet would have a significant impact on performance measures, especially gearing. The equity ratio will be affected negatively, deteriorating a company's rating. Thus it would be more difficult for companies to finance investments. Loosing an approved instrument of holding items, the willingness to invest might decline. In the current situation of a financial crisis, this could be a disaster for the overall economy.

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We fear that the identification of rights and obligations will cause immense problems with the practical application and implementation. This is certainly no improvement compared to the existing standard. It is neither more simple nor better than classifying leases as finance leases or operating leases on the basis of a proven system.

An additional problem is the isolated reform of lessee accounting with the deferred reform of a new accounting model for lessors. During a transition period the old IAS 17 will be applicable for lessors along with the new standard for lessees. Complications are to be expected for the applicant. Thus the target of simplification will not be achieved.

These are the main reasons why we approve the current standard with its distinction between finance lease and operating lease. It has well proved to meet the practical necessities of the economy.

We will be pleased to discuss any further issues that may arise.

Yours faithfully



Andreas Richter  
General Executive Manager