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## **ROSS ROUNDTABLE**

on

### **The Biggest Change in Accounting Rules Ever: Proposed Global Standard on Accounting for Leases**

**Date/Time:** **Monday, March 2, 2015**  
5:00pm - 7:00pm  
Presentations and Roundtable discussion will be followed by a networking reception.

**Location:** NYU Stern School of Business | Kaufman Management Center  
44 West Fourth Street  
Gardner Commons, Room KMC 1-100

**Register at:** [Click Here](#) (Please register by **Wednesday, February 18.**)

#### **Roundtable Format:**

The Roundtable consists of brief presentations by members of a panel of experts, followed by audience participation in a Q&A and freestyle discussion. Experts from the finance sector, industry, regulatory agencies, government, legal and accounting professions, and academia will debate the key issues related to the controversy of the proposed accounting standard on leases. A networking reception with hors d'oeuvres, wine and beer will follow.

#### **Confirmed Roundtable Presenters:**

- John Bober, **Managing Director, Global Technical Controller**, GE Capital (Representing Financial Executives International)
- Neri Bukspan, **Partner, Financial Accounting Advisory Services**, Ernst & Young LLP
- Aswath Damodaran, **Professor of Finance, Kershner Family Chair in Finance Education**, NYU Stern
- Martin Fridson, CFA, **Chief Investment Officer**, Lehmann Livian Fridson Advisors LLC
- Michael Gullette, **Vice President, Financial and Accounting Management**, American Banker's Association
- Tom Linsmeier, **Board Member**, Financial Accounting Standards Board
- Danielle Zeyher, **Project Manager, Leases**, Financial Accounting Standards Board

## Objective and Brief Summary of the Joint Project of the FASB and the IASB on Leases:

The existing accounting models for leases require lessees and lessors to classify their leases as either capital leases or operating leases and to account for those leases differently. Those models have been criticized for failing to meet the needs of users of financial statements because they do not always provide a faithful representation of leasing transactions.

The U.S. Securities and Exchange Commission (SEC) issued a report on off-balance sheet activities in 2005 and recommended that changes be made to the existing lease accounting requirements to ensure greater transparency in financial reporting. A number of academic studies have made similar recommendations.

The objective of the Joint Project is to increase transparency and comparability among organizations by recognizing leased assets and liabilities on the balance sheet and disclosing key information. This represents an improvement over existing lease standards.

### Key Issues the Roundtable will Address:

- The capitalization of all leases (exceeding 12 months) will cause key financial ratios to change: Long-term debt-to-equity will deteriorate causing loan covenants to be in default.
- Higher debt may cause increases in FDIC assessment rates for lending institutions—what will the economic impact be for both lender and borrower?
- EBITDA may be higher, since part of leasing costs will now be reported in interest and amortization, instead of just being an operating cost. How will this affect the use of existing analytic models?
- Certain interest costs may no longer be reimbursable under government contracts.
- Huge costs will be incurred by virtually all companies that comply with GAAP to prepare their financial statements. Do the benefits of the new standard outweigh the costs?
- There have been many valid arguments that all long-term leases are not the same, and therefore the financial statements will not recognize the substance of the transaction.
- Will the new standard change the way business is done? Will short-term leases replace long-term leases and how will this affect, in particular, real estate property values and the risk profile of investments?
- Lease expense will be presented in 3 different sections on income statement and 2 different sections on cash flow statement. The new presentation will invariably create confusion for users.
- The standard would require continuous reassessment of each lease when there is no change other than a change in an index. Not only would this be prohibitively costly but it distorts the underlying economics of the transaction. Thousands of contracts would have to be changed, given that the unit of accounting is at each individual contract level.

Please direct your questions to Jill Sepowitz at [jill.sepowitz@stern.nyu.edu](mailto:jill.sepowitz@stern.nyu.edu) or (212) 998-4143.

### This Ross Roundtable is coordinated by:

Claire Eckstein, NYU Stern  
Paul Zarowin, NYU Stern

## CREDITS FOR CONTINUING PROFESSIONAL EDUCATION (CPE)

<b>Learning Objectives:</b>	The Ross Roundtable provides a forum for "public opinion shapers" -- business writers, financial analysts, educators, corporate financial executives, regulators, etc. -- to discuss with policymakers important developments in capital markets and the financial world. To provide ample opportunity for participants to voice their opinions, the size of the Roundtable is limited.
<b>Delivery Method:</b>	Group-live
<b>Program Level:</b>	Update
<b>Prerequisites:</b>	Applicable involvement in the business and/or academic experience in the subject matter.
<b>No fee involved.</b>	
<b>No advance preparation needed.</b>	
To register for this course, contact Jill Sepowitz, Vincent C. Ross Institute of Accounting Research at 212.998.4143 or visit our website, <a href="http://w4.stern.nyu.edu/ross">http://w4.stern.nyu.edu/ross</a>	
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<b>There are 2 hours of general CLE credit available, pending approval.</b>	



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