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Volume 11, 2014 - [Issue 1](#)

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Issues in European Accounting

Lease Accounting: A Review of Recent Literature

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Pages 35-54 | Published online: 24 Apr 2014

 Cite this article  <https://doi.org/10.1080/17449480.2014.903630>

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Abstract

Current lease accounting standards classify leases as either operating or finance leases. Operating leases do not require recognition of lease assets or lease liabilities on the balance sheet. Proposed changes to lease accounting would require a lessee to recognise assets and liabilities for most leases over 12 months and may improve the quality and comparability of financial reporting of the entity. In this paper we summarise the literature that can be related, directly or indirectly to the proposed changes by the IASB and the FASB on lease accounting. In summary, the literature highlights that the proposed changes would potentially have economic implications for both preparers and users of accounting reports; including changes to financial ratios, assessment of risk and providing an audit of the accounting reports.

Acknowledgement

We would like to thank Prof. Paul Andre', Jill Atkins and Peter Watson for their help and suggestions.

Notes

1. See Koller et al. ([2010](#)) for detailed explanations on the assumptions considered for the 8 times multiplier.

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