



## Potential Change to Financial Treatment of Leases

In 2010 the noise in the fleet industry was that the financial treatment of leases would be changing. This commentary was based on publications by both the International and US Financial Accounting Standards Boards.

The key comment was that the lessees would be required to recognise both the assets and liabilities arising from lease contracts. To date and as it exists today any company that takes up an operating lease simply reports this as an expense. However the suggestion was that lessees would need to report such leases on their statement of financial position.

This is a material change and with it brings about questions of liability and additional compliance cost.

The International Financial Accounting Standards' (IFRS) proposal was that the lessee would recognise a 'right of use' asset representing its right to use the underlying asset, and liability representing its obligation to pay the lease.

Whilst an effective date for the new standard has yet to be proposed, the deadline for comments/feedback was 15th December 2010.

As any such changes will again bring into question the lease versus own argument- we will keep you apprised of the developments.

## A word from one of our Suppliers The benefits of fleet checks and on-site chip repair

Not many people think about it, but a chip in a windscreen could be the reason for failing a Warrant of Fitness. Even worse most chips will eventually turn into a crack - which could mean the windscreen needs to be replaced. Fortunately, most stone chips can be repaired by a well trained technician using a specialist repair system.

At Smith & Smith® we have a repair first strategy because it is the ideal solution for our partners, policy holders and the environment. By identifying glass damage early through regular fleet inspections we can save you a lot of time and money.

The benefits of this for your fleet are:

- Repairing a chip before it cracks will generally avoid a more expensive replacement. Professional repairs do not crack. This creates a positive influence on total claims costs and pricing is predictive and easier to manage.
- Repair is quick and convenient – 75% faster than a replacement. The vehicle can be back on the road within half an hour.



- Stock availability is never an issue.
  - Repair is environmentally friendly. The waste from 40 repairs fits into the palm of your hand while the waste from 40 replacements will fill up a dump truck.
  - A repaired windscreen is a safe windscreen. A chip can make a windscreen up to 70% weaker and the modern windscreen can form up to 40% of the structural strength of the cabin.
- A Smith & Smith® technician can carry out regular on site fleet inspections at your convenience such as during a tool box meeting or at a time when most of the fleet is on site.

**“Believe you can and your halfway there”**

Theodore Roosevelt



## Vehicle Policy – When should we have one?

The position the team hold at FleetSmart is that any company that has employees who operate company owned vehicles or plant should have a Vehicle Policy that is clear and concise; outlining responsibilities for all parties.

Our experience suggests that this document should be reviewed annually or when legislation changes. We often find that what fitted last year does not quite fit today.

So in our view it does not matter if the employee operates the vehicle/plant every day or every other day, whether it is leased, owned or on loan to the company, a policy document should clarify use.

The Policy should at least cover:

Private Use	Cell Phone Use
Business Use	Smoking
Vehicle Type	Insurance
Maintenance	Accidents
Food Consumption	Expenses
Drugs or Alcohol	Infringements

It goes without saying that the policy will meet the first line obligations of the company's Health and Safety responsibilities in relation to motor vehicles and may extend wider than our list.

The Senior Fleet Management Team at FleetSmart are experienced with reviewing and writing vehicle and plant policies and would be happy at no cost to offer comment on your current or proposed vehicle related policy.

For more information

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