

SIGN UP FOR OUR **FREE NEWSLETTER**
NEWS CENTER
 Thursday, April 29, 02:10 am IST

Search News Here

Search

Hot Searches: [greek crisis](#), [bharti](#), [AT&T](#)
moneycontrol.com
INDIA'S NO.1 FINANCIAL PORTAL

18

Sign in | Register | [Feedback](#)
NEWS **MARKETS** **MUTUAL FUNDS** **IPO** **COMMODITIES** **WEALTH** **PORTFOLIO** **MESSAGES** **VIDEOS** **MAIL** **CNBC TV18**
Business **General News** **Markets** **Stocks** **Mutual Funds** **Personal Finance** **Corporate Strategy** **Lifestyle**

Moneycontrol » News Center » Business » Business News

Airlines, retailers seen with lease accounting woes

Published on Fri, Jul 21, 2006 at 10:28 | Updated at Fri, Jul 21, 2006 at 19:44 | Source : Moneycontrol.com

Email

Print



Share

0

share

Ads by Google

Best Penny Stock Picks

Up To 3000% Returns. Free Sign Up. Simply The Best Penny Stock Alerts.

www.OxOfWallstreet.com

Retailers and airlines may be among those most at risk from accounting rule makers' plans to overhaul lease accounting standards, a report from research firm New Constructs LLC showed on Thursday, reports Reuters.

The report, which capitalized companies' operating leases in a way many analysts expect the Financial Accounting Standards Board may require, judged Continental Airlines, airline operator SkyWest Inc., American Airlines parent AMR Corp., bookstore chain Borders Group Inc. and drugstore chain Rite Aid Corp. to be most at risk from changes to the accounting rules. Retailers lease many of their stores and airlines lease many of their planes.

The FASB, which sets US accounting rules, voted unanimously on Wednesday to begin a project to reconsider accounting for leases. The vote was one of the first major steps in a project that could potentially require companies to recognize leases on corporate balance sheets instead of in financial statement footnotes.

New Constructs' report said the companies it cited would suffer huge increases in their debt-to-equity ratios, which is often seen as an indication of a company's financial leverage.

Investors tend to regard companies with high debt-to-equity ratios as riskier investments with more volatile earnings, particularly if interest rates are rising and could increase a company's obligation to pay off more of its debt.

Continental Airlines could see its debt-to-equity ratio increase by 461% if it were required to capitalize all its leases, while Borders could see an increase of 217%, New Constructs said.

Rite Aid, SkyWest and AMR could see their debt-to-equity ratios more than double, the report showed. Investors now may not be as aware of companies' lease obligations, said David Trainer, President of New Constructs. "It's pretty complicated finance for most investors, and it is way too time consuming for most people's decision-making time horizon," Trainer said.

The report also found nearly 650 companies have off balance sheet debt equal to 5% or more of their market capitalization, according to the report.

Hundreds of companies, particularly restaurants and retailers, were forced to restate financial results last year due to improper lease accounting. FASB expects to have a discussion paper on a new lease accounting standard by 2008 and a final standard some time in 2009.

< Previous story

Next story >

Lease A Tanning Bed Find out how ETS tanning beds make tanning salons more profitable. [etsTan.com](#)
Earn Your Business Degree Night, Distance & Part-Time Classes at Univ of Phoenix®. [Learn More. Phoenix.edu](#)

Ads by Google

Want more about
Business to land
 in your mailbox?
[Set an alert here](#)

More on Business

Have
 divested
 holdings in
 Tech...



All-India
 3G prices
 grow 3%
 to...



Glaxo sees
 fiscal
 crisis
 squee...

Moneycontrol Alerts
 Breaking News, Market Cues, Stocks in News,
 Expert Advice & Strategies etc >> Click here

CEO Wall

See All



RP Gupta



RS Toshniwal



Kunal Bajaj



N Sivaraman

WHAT OTHERS LIKE

Most Read

Most Viewed

24 Hours

7 Days

1 Month

SP Tulsian's view on RIL-RNRL case, Jaypee Infra
 IPO

Sampriti Capital picks sectors to buy on dips

See no scope of capital loss at 17K levels:
 Raamdeo Agrawal

See Nifty plunging to 5100-5200 on global
 concerns: JM Fin

SC verdict on RIL-RNRL gas case in next few
 days: Sources

60-70% chance of mkts going down from here:
 Andrew Holland

Sudarshan Sukhani's top picks for today's trade

US Senate panel says Goldman inflated housing
 bubble

Stocks in news: RIL, Bharti, Balmampur, Patni, GVK
 Power

Sensex caves in on Eurozone jitters, ends 300 pts
 down

NEWS FROM OUR PARTNERS

Punjab & Sind Bank plans IPO to raise Rs
 400-500 cr
 Source: Business Line

Singapore opens second casino resort
 Source: ft.com

Goldman ready for gloves-off offensive
 Source: ft.com

Lloyds tops FTSE 100 after returning to profit
 Source: ft.com

FT.com Business Line

DISCOVER
 BANK

Discover a better way to save!

Learn more

1.35%
 APY
 Online Savings Account

Network18 Digital Media

moneycontrol.com

CNBC TV18

CNBC 360

Forbes

newswire18

Entrepreneur

MAGAZINE

CHIP

OVERDRIVE

tech24x7

buzz18

india18

©Network 18, 2010. All Rights Reserved