**IFRS 16 *Leases* – Public consultation *(Users)***

Issued 7 November 2016

Comments should be submitted by 8 December 2016 by using the ‘Express your views’ page on EFRAG website by clicking [here](http://www.efrag.org/News/InvitationsToComment)

## Objective of this public consultation

EFRAG is the technical advisor to the European Commission on the endorsement of IFRS Standards for use in the European Union. The European Commission has asked EFRAG to provide advice on whether (the new) IFRS 16 *Leases* meets the criteria for endorsement. EFRAG has issued a Preliminary Consultation Document which seeks the views of all constituents and all constituents are encouraged to respond to any issue raised. The Preliminary Consultation Document can be found [here](http://www.efrag.org/News/Project-253/EFRAG-requests-comments-on-its-Preliminary-Consultation-Document-regarding-the-endorsement-of-IFRS-16-Leases).

This questionnaire has been developed to assist users of financial statements (“users”) in contributing their views. Unless EFRAG is advised otherwise, responses will be treated as confidential and only aggregated results will be used publicly.

## Part 1: General information about respondent

1. *Please tell us about yourself as an individual user or as the representative of an organisation:*

|  |  |
| --- | --- |
| Respondent name |  |
| If you are responding for an organisation: | |
| * Type of organisation |  |
| * Job title / role |  |
| Contact details, including email address |  |
| Are you, as an analyst: |  |
| * Equity / fixed income / both |  |
| * Buy-side / sell-side |  |
| * Covering specific sector(s) |  |
| * Other – please explain |  |

## Part 2: What is the issue?

In January 2016, the IASB published IFRS 16 *Leases*. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

The core new principle in IFRS 16 is that lessees will be required to recognise assets and liabilities for all leases (other than short-term leases and leases of low-value assets). This is a major change from the current standard (IAS 17 *Leases*) which required leases to be classified as ether:

(a) finance leases, requiring recognition of assets and liabilities on the balance sheet; or

(b) operating leases, for which no assets and liabilities are recognised and the rent is charged directly to profit or loss as it is paid.

The IASB issued IFRS 16 in order to provide better information for users, i.e. to inform them better about the real asset and debt position of the entity.

**Part 3: Impact of IFRS 16 on user activity**

1. *(a) Do you currently make adjustments to figures about leases reported in the financial statements?*

🞏 Yes 🞏 No

*Please explain why you do or do not make adjustments.*

|  |
| --- |
|  |

*(b) If you currently make adjustment to figures about leases reported in the financial statements, do you expect that you will continue to do so under IFRS 16?*

🞏 Yes 🞏 No

*(c) If you will continue to make adjustments, why will you do this and how (if at all) will the adjustments differ from the adjustments you make at present?*

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1. *Under IFRS 16, lessees are not required to recognise leases of low-value items (such as personal computers and office furniture) and short-term leases (leases of 12 months or less). Do you expect to adjust the reported figures for these exceptions?*

|  |  |
| --- | --- |
| 1. Leases of low-value assets? | Y / N |
| 1. Short-term leases? | Y / N |
| 1. Will depend on the amounts in categories (a) and (b) above? | Y / N |
| 1. Too early to decide. |  |

1. *Do you have any other comments on the impact of IFRS 16 on how you conduct your business? For example, do you have any views on the impact of IFRS 16 on your investment decisions or recommendations to clients, or do you have any views as to whether IFRS 16 will increase investor protection or market confidence?*

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## Part 4: Benefits and costs of IFRS 16

1. *Do you expect that the recognition of assets and liabilities on the balance sheet for most leases will provide a better and more transparent basis for your analysis when compared to the present situation (under which only finance leases lead to assets and liabilities on the balance sheet with commitments for operating leases disclosed in the notes)? Please identify which of the following is your view and explain your reasoning.*

|  |  |  |
| --- | --- | --- |
| Much more useful, i.e. will provide a significantly better basis for analysis than existing requirements. | Y / N / don’t know |  |
| More useful, i.e. will provide a better basis for analysis than existing requirements | Y / N / don’t know |  |
| Equally as useful, i.e. makes no difference because it will provide a similarly useful basis for analysis and evaluations than existing requirements. | Y / N / don’t know |  |
| Less useful | Y / N / don’t know |  |

1. *(a) We are seeking your views as to the cost impact IFRS 16 will have on your analyses – you can answer this in terms of time required or costs incurred.*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Compared to today, costs (or time spent) will be** | | | | | |
|  | **A lot more** | **A little more** | **Neutral** | **A little less** | **A lot less** | **Don’t know** |
| First time IFRS 16 is applied |  |  |  |  |  |  |
| After IFRS 16 is first applied |  |  |  |  |  |  |

*(b) If you are able to, please identify which activities are creating the costs (or consumption of time) identified above.*

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