

## Post-Implementation Review of IFRS 16

### EFRAG online survey on the effects of IFRS 16 to preparers, auditors, regulators and NSS

#### EFRAG online survey on the effects of IFRS 16

##### *Background of IFRS 16 and the IASB's PIR project*

- 1 IFRS 16 *Leases* was issued by the IASB on 13 January 2016 and had a mandatory effective date of 1 January 2019. IFRS 16 replaced IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases.
- 2 Over the following years, the IASB issued some amendments to IFRS 16, including those related to Covid 19 related rent concession (in May 2020) and to the accounting for lease liability in a sale and leaseback transaction when the payments include variable payments (in September 2023).
- 3 In [December 2023](#) the IASB decided to start the post-implementation review (PIR) of IFRS 16 in Q2 2024. The IASB's decision was based on guidance from the *Due Process Handbook* and the discussion on the [clarifications](#) of the objective, process and outcome of a PIR.
- 4 During the PIR, the IASB will assess the effects of IFRS 16 on users, preparers, auditors and other stakeholders. The PIR has two phases:
  - (a) Phase 1: where the IASB identifies matters to be examined (request for information), and
  - (b) Phase 2: where the IASB considers the information gathered from the public consultation and publishes a report and feedback statement, including a summary of the findings and next steps (e.g., a standard-setting project, an agenda decision, educational materials or no further action).
- 5 The objective of a PIR is to assess whether the effects of applying the new requirements on users of financial statements, preparers, auditors and regulators are as intended when the IASB developed those new requirements. A PIR is not a standard-setting project and does not automatically lead to standard-setting. It is not intended to address every application question, either.

##### *EFRAG's preparatory work to respond to the IASB*

- 6 EFRAG is undertaking its preparatory work in anticipation of the IASB IFRS 16 PIR request for information (RFI). To that extent, and in order to develop a preliminary list of application issues arising from applying IFRS 16, EFRAG is planning to:
  - (a) have meetings with different constituents (preparers, users, auditors, national standard-setters and academics);

- (b) review the existing literature and other publications, including previous discussions at the IFRS IC and ESMA’s enforcement decisions; and
- (c) launch online questionnaires addressed to preparers, auditors, national standard-setters and users.

*Purpose and content of this survey*

Objective of this survey

- 7 The objective of this survey is to help the EFRAG Secretariat to better understand whether IFRS 16 works overall as intended. In particular, the purpose of this survey is to collect your input about issues you may have encountered arising from the application of IFRS 16 including its interaction with other IFRS Accounting Standards, whether they are common and widespread, and how the IASB should address them in the context of a PIR.
- 8 This survey is aimed at **preparers** of financial statements, **auditors**, **national standard-setters** and **regulators**. EFRAG will publish a **users’ survey** separately.

Structure

- 9 The survey consists of 20 questions sorted into the following sections:
  - (a) [Section 0 – General Information](#) – (Question 1)
  - (b) [Section 1 – Overall assessment of and experience with IFRS 16](#) – (Questions 2-7)
  - (c) [Section 2 – Application issues arising from the application of IFRS 16](#) – (Question 8)
  - (d) [Section 3 – Application issues arising from the interaction between IFRS 16 and other IFRS Accounting Standards and Interpretations](#) – (Question 9)
  - (e) [Section 4 – IFRS presentation and disclosure requirements, including cost-benefit analysis](#) – (Questions 10-14)
  - (f) [Section 5 – Lessor accounting](#) – (Question 15)
  - (g) [Section 6 – Transition requirements](#) – (Questions 16-18)
  - (h) [Section 7 – Other information](#) – (Questions 19-20)

Deadline and relevant information

- 10 Please submit your answers **by 15 April 2024** by clicking on the **“Submit”** button at the end of the survey.
- 11 Please note that you can save the draft questionnaire and go back to it at a later time by clicking on the button **“Save and continue later”** in the right top corner of the page. EFRAG will only consider completed surveys.
- 12 The collected information will remain confidential and, when used in any reports, it will be presented in such a way that no individual company or person can be identified.

**Thank you for completing this survey!**

## **Section 0 – General information**

### *Guidance for respondents*

Comments are most helpful if they:

- answer the questions as stated;
- state the paragraph(s) of IFRS 16 to which they relate;
- identify the cause of the described issue;
- describe fact patterns relevant to the questions and explain
  - how the IFRS 16 requirements are applied;
  - the effects of applying the requirements (for example, the quantitative effect on an entity's financial statements or an operational effect); and
  - how pervasive the fact pattern is; and
- are supported by evidence.

Preparers of financial statements: please respond to the questions considering your entity's accounting treatment.

Auditors, regulators and users of financial statements: please respond to the questions considering the financial statements you audit, enforce or use.

EFRAG is also interested in organising follow-up meetings/calls to further discuss any relevant issues identified through the survey. Therefore, we would appreciate it if you provided us with your availability at the end of the survey.

### **Question 1 – Respondent's profile**

- (a) Name
- (b) Email address
- (c) Respondent's organisation – Name
- (d) Respondent's organisation – Type
  - (i) Preparer
  - (ii) Auditor
  - (iii) National standard-setter
  - (iv) Regulator
  - (v) Other (Please specify)
- (e) Respondent's organisation – Perspective
  - (i) Lessee
  - (ii) Lessor
  - (iii) Both
- (f) Respondent's organisation – Primary industry **[FOR PREPARERS ONLY]**

- (g) Country (location of headquarters)
- (h) Average number of lease contracts your organisation is managing **[FOR PREPARERS ONLY]**:
  - (i) Less than 300
  - (ii) Between 301-5,000
  - (iii) More than 5,000

**End of Section 0**

**Section 1 – Overall assessment of and experience with IFRS 16**

**Question 2** – What is your overall assessment of IFRS 16?

- (a) IFRS 16 is working as intended.
- (b) IFRS 16 is generally working well but there is room for improvement.
- (c) There are significant application issues with IFRS 16 that need to be addressed.
- (d) IFRS 16 is not working as intended.
- (e) Unsure.

**Question 3** – Initial implementation – To what degree (from **low (1)** to **high (5)**) did the following industries find it challenging to implement IFRS 16? **[FOR NON-PREPARERS ONLY]**

	Unsure	1 - Low	2	3	4	5 - High
Airlines	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Automotive	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chemicals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Construction	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Extractive companies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Health care and pharmaceuticals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Industrial goods & services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personal and household goods	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Real estate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Retail	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Software	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Telecommunications	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Transport and infrastructure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Travel and leisure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Utilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please specify)						
[...]	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Question 4** – Ongoing application – To what degree (from **low (1)** to **high (5)**) do the following industries still find it challenging to apply IFRS 16? **[FOR NON-PREPARERS ONLY]**

	Unsure	1 - Low	2	3	4	5 - High
Airlines	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Automotive	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chemicals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Construction	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Extractive companies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Health care and pharmaceuticals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Industrial goods and services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personal and household goods	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Real Estate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Retail	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Software	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Telecommunications	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Transport and infrastructure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Travel and leisure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Utilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please specify)						
[...]	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Question 5** – Do current requirements in IFRS 16 achieve the right balance between costs and benefits?

- (a) Yes, they do. Overall, benefits outweigh costs.
- (b) No, they do not. Overall, costs outweigh benefits.

Please explain in the following boxes the most relevant costs and benefits you have experienced.

	Costs:	Benefits:
<i>Decision-making process</i>	<input type="text"/>	<input type="text"/>
	Costs:	Benefits:
<i>Accounting and financial reporting process</i>	<input type="text"/>	<input type="text"/>
	Costs:	Benefits:
<i>Other</i>	<input type="text"/>	<input type="text"/>

**Question 6** – Did the implementation of IFRS 16 impact your reporting to stakeholders related to performance in the statements of financial position, profit or loss and cash flows (e.g., introduction of new Alternative Performance Measures)?

- (a) Yes, new or adjusted Alternative Performance Measures/KPI are necessary to faithfully communicate to stakeholders the entity’s performance (please explain).

- (b) No, new Alternative Performance Measures/KPI were not necessary.
- (c) Other impacts (please specify).

**Question 7** – Did the implementation of IFRS 16 impact your decision-making process for entering into lease contracts or purchases of assets? If so, why?

- (a) Yes, it had an impact on the entity’s decision-making process, but a similar amount of assets is purchased.
- (b) Yes, it had an impact on the entity’s decision-making process, and more assets are overall purchased.
- (c) Yes, it had an impact on the entity’s decision-making process, and less assets are overall purchased.
- (d) No, it did not impact the decision-making process.

Please explain why:

**End of Section 1**

## **Section 2 – Application issues arising from the application of IFRS 16**

**Question 8** – In your experience, are there any application issues arising from the application of IFRS 16?

- (a) No, there are not. **Go to question 9**
- (b) Yes, there are. **Go to question 8.1**

**Question 8.1** - In your experience, what are the most prevalent application issues arising from the application of IFRS 16?

**Only for the applicable topics**, please provide a description of the issue(s) (including practical examples in which the requirements are unclear or are applied inconsistently), the suggested solution(s) (if any) and the relevance<sup>1</sup> of the issue(s) (e.g., low, medium or high).

List of topics:

- Topic 1 – Identification of a lease
- Topic 2 – Applying recognition exemptions (e.g., low value assets)
- Topic 3 – Separating lease and non-lease components and allocating the consideration
- Topic 4 – Determining the lease term
- Topic 5 – Determining the discount rate
- Topic 6 – Accounting for contract modifications
- Topic 7 – Determining the lease payments
- Topic 8 – Identifying the additional components of the right-of-use asset
- Topic 9 – Accounting for sub-lease transactions
- Topic 10 – Accounting for sale and leaseback transactions
- Topic 11 – Providing required disclosures (Please also refer to section 4)
- Topic 12 – Applying presentation requirements (Please also refer to section 4)
- Topic 13 – Other (please specify)

Please fill in the following boxes for each issue that you have experienced. Click on the “**Add another**” button for any additional issue.

Topic :

Title of the issue :

Description of the issue :

Proposed solution :

Rating :

## **End of Section 2**

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<sup>1</sup> To assess the level of relevance of each fact pattern described please consider whether it: (a) has substantial consequences, (b) is pervasive, (c) arises from a financial reporting issue that can be addressed by the IASB or the IFRS Interpretations Committee (Committee), and (d) the benefits of any action would be expected to outweigh the costs (e.g., the extent of the potential disruption and operational costs from change and the importance of the matter to users of financial statements).



**Section 3 – Application issues arising from the interaction with other IFRS Accounting Standards and Interpretations.**

**Question 9** – In your experience, are there any application issues arising from the interaction between IFRS 16 and other IFRS Accounting Standards and Interpretations that cause prevalent application matters (e.g., diversity in practice, widespread and common fact patterns, etc.)?

- (a) No, there are not.
- (b) Yes, there are.

Please fill in the following boxes for each issue that you have experienced. Click on the “**Add another**” button for any additional issue.

Please specify the other IFRS Standard(s) :

Description :

Proposed solution :

Rating :

Add Another

**End of Section 3**

**Section 4 – IFRS 16 presentation and disclosure requirements: cost-benefit analysis**

**Question 10** – In your view, do the presentation requirements in IFRS 16 result in a more faithful representation of lease transactions in the statement of financial position, profit or loss and cash flows?

- (a) Yes, they do.
- (b) Yes, they do, but there is room for improvement. (Please explain why and how the IASB should improve them for the specific aspects you would like to address.)

- (c) No, they do not. (Please explain why and how the IASB should reconsider current requirements.)

**Question 11** – In your view, is there any new evidence/element the IASB should take into account to assess whether current accounting requirements for variable lease payments provide a faithful representation in the financial statements that is useful for the users of financial information?

- (a) Yes, the IASB might reconsider current requirements in IFRS 16 taking into account the new evidence. (Please explain.)

- (b) No, although current requirements might need to be improved, there is no new evidence the IASB should reconsider.
- (c) No, there is not, and current requirements in IFRS 16 do not need to be improved/reconsidered.

**Question 12** – In your view, do the presentation and disclosure requirements in IFRS 16 result in entities providing useful information to users of financial statements and achieve the balance between the costs and benefits?

- (a) Yes, they do. (Please indicated which are, in your view, the most costly disclosure requirements)

- (b) Yes, they do, but there are some disclosure requirements in IFRS 16 that could be reconsidered by the IASB. **Go to questions 13 and 14**

- (c) No, they do not. (Please explain why and how the IASB should address your concerns.)

**Question 13** – If you have selected (b) in question 12, please explain why and which of the following disclosure requirements in IFRS 16 the IASB should **enhance and/or improve**.

*[Please drag and drop, in order of relevance, no more than four disclosure requirements to be reconsidered by the IASB and explain why.]*

Disclosure about the right-of-use assets (additions, the carrying amount at the end of the reporting period and depreciation charge by class of underlying assets).	
Interest expense on lease liabilities.	
Expenses related to short-term leases accounted for applying IFRS 16.6.	
Expenses related to leases of low-value assets accounted for applying IFRS 16.6.	
Expenses related to variable lease payments not included in the measurement of lease liabilities.	
Income from subleasing the right-of-use assets.	
Total cash outflow for leases.	
Gains or losses arising from sale and leaseback transactions.	
Maturity analysis of lease liabilities applying paragraphs 39 and B11 of IFRS 7 <i>Financial Instruments: Disclosures</i> separately from the maturity analyses of other financial liabilities.	
Additional qualitative and quantitative information about lessee’s leasing activities as required by IFRS 16.59 (e.g., future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities).	
Other (Please specify)	

Please explain why.

**Question 14** – If you have selected (b) in question 12, please explain why and which of the following disclosure requirements in IFRS 16 the IASB should **reduce and/or limit**.

[Please drag and drop, in order of relevance, no more than four disclosure requirements to be reconsidered by the IASB and explain why.]

Disclosure about the right-of-use assets (additions, the carrying amount at the end of the reporting period and depreciation charge by class of underlying assets).	
Interest expense on lease liabilities.	
Expenses related to short-term leases accounted for applying IFRS 16.6.	
Expenses related to leases of low-value assets accounted for applying IFRS 16.6.	
Expenses related to variable lease payments not included in the measurement of lease liabilities.	
Income from subleasing the right-of-use assets.	
Total cash outflow for leases.	
Gains or losses arising from sale and leaseback transactions.	
Maturity analysis of lease liabilities applying paragraphs 39 and B11 of IFRS 7 <i>Financial Instruments: Disclosures</i> separately from the maturity analyses of other financial liabilities.	
Additional qualitative and quantitative information about lessee’s leasing activities as required by IFRS 16.59 (e.g., future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities).	
Other (Please specify)	

Please explain why.

**End of Section 4**

**Section 5 – Lessor accounting**

**Question 15** – Have you experienced any application issues arising from the application of IFRS 16 requirements related to the lessor accounting compared to IAS 17?

- (a) Yes, I have. (Please explain the most relevant application issues and how the IASB should address them.)

- (b) No, current requirements in IFRS 16 related to the lessor accounting are overall working as intended.

**End of Section 5**

**Section 6 – Transition requirements [OPTIONAL SECTION]**

**Question 16** – Did the transition requirements in IFRS 16 achieve an appropriate balance between reducing costs for preparers of financial statements and providing useful information to users of financial statements?

- (a) Yes, they did. (Please explain why.)

- (b) No, they did not. (Please explain why.)

**Question 17** – Which of the following transition methods had been applied by your organisation and why? ***[FOR PREPARERS ONLY]***

- (a) The modified retrospective method, including practical expedients. (Please explain the main underlying reasons and any practical expedient when used.)

- (b) The full retrospective method. (Please explain the main underlying reasons.)

**Question 18** – Which of the following transition methods had been mostly applied in your jurisdiction (or based on your experience) and why? ***[FOR NON-PREPARERS ONLY]***

- (a) The modified retrospective method, including practical expedients. (Please explain the main underlying reasons and any practical expedient when used.)

- (b) The full retrospective method. (Please explain the main underlying reasons.)

**End of Section 6**

**Section 7 – Other information**

**Question 19** – Do you have any additional input about the impact of IFRS 16 and/or any new evidence not yet considered by the IASB when drafting IFRS 16 (e.g., new market conditions or new business models) that EFRAG should raise to the IASB during the PIR?

- (a) No, I have not.
- (b) Yes, I have. (Please explain.)

**Question 20** – Would you be available for a follow-up discussion with the EFRAG project team (if needed)?

- (a) Yes.
- (b) No.

**End of Section 7. End of Survey**

**[SUBMIT SURVEY]**