

## EFRAG STAFF PAPER FOR PUBLIC MEETING

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# Preparation of March ASAF Meeting

## Leases

### Objective

- 1 The objectives of this session is to decide what recommendations EFRAG wants to be made to the IASB at the March ASAF meeting on the content and communication of the likely effect of the new Leases Standard.

### ASAF paper

- 2 The paper prepared by the IASB staff
  - (a) Provides an update on the recent decisions taken by the IASB; and
  - (b) Explains the proposed content of the Effects Analysis of the new Leases Standard that the IASB will issue.

### *Recent decisions taken by the IASB*

- 3 At its February meeting, the IASB substantially completed its re-deliberations on the project. Since December, when the last ASAF meeting took place, the IASB:
  - (a) Confirmed its previous decisions on the definition of a lease, which remains converged with the FASB;
  - (b) Finalised its re-deliberations in relation to disclosures for lessees and transition requirements. In relation to the transition for leases currently treated as operating, the IASB allowed a number of simplifications in its modified approach, while maintaining the option for a full retrospective approach; and
  - (c) Confirmed an exemption for leases of small assets.

### *Effects Analysis*

- 4 In relation to the effects of the new Leases Standard, the IASB initially considers that it will cover the following aspects:
  - (a) An overview of the lease accounting requirements in the new Leases Standard;
  - (b) The likely effects of the new requirements on reported information;
  - (c) Information about the entities that are likely to be most affected (eg particular industry sectors or particular regions);

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- (d) The likely benefits of the new requirements;
- (e) The likely costs of applying the new requirements, to include costs on initial application as well as ongoing costs;
- (f) The likely effects on key financial ratios; and
- (g) Other possible effects of the new Leases Standard, such as the possible effect on:
  - (i) the cost of borrowing and debt covenants; and
  - (ii) regulatory capital requirements.

**Question to EFRAG Board members**

- 5 What are the EFRAG Board recommendations in relation to the content of the Effects Analysis?
- 6 Are there other topics that you would like to raise for the discussion at the ASAF meeting?