
Accounting Standards Advisory Forum meeting

Date	March 2025
Project	Post-implementation Review (PIR) of IFRS 16 <i>Leases</i>
Topic	Project Update
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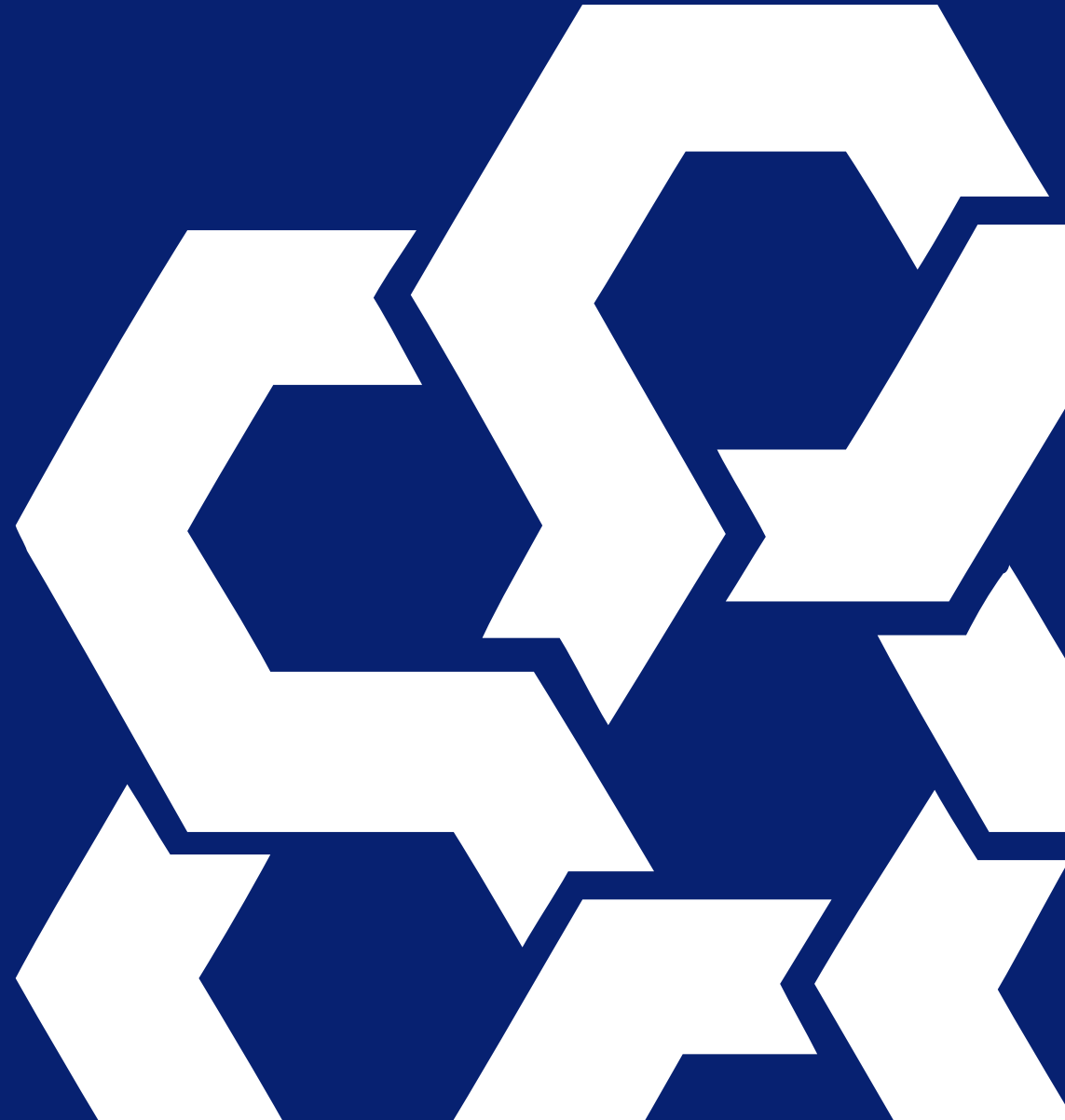
Purpose of this session

To provide an update on the Post-implementation Review (PIR) of IFRS 16 project.

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Post-implementation review process



PIR—what is the objective?



To **assess** whether the **effects** of applying new requirements on users of financial statements, preparers, auditors and regulators are **as intended** when the IASB developed those new requirements

Overall, are the requirements working as intended?

Fundamental questions (ie ‘fatal flaws’) about the core objectives or principles—their clarity and suitability—would indicate that the new requirements are not working as intended

Are there specific application questions?

Specific application questions would not necessarily prevent the IASB from concluding that the new requirements are working as intended, but may nonetheless need to be addressed if they meet the criteria for whether the IASB would take further action

PIR—how does the IASB respond to identified matters?

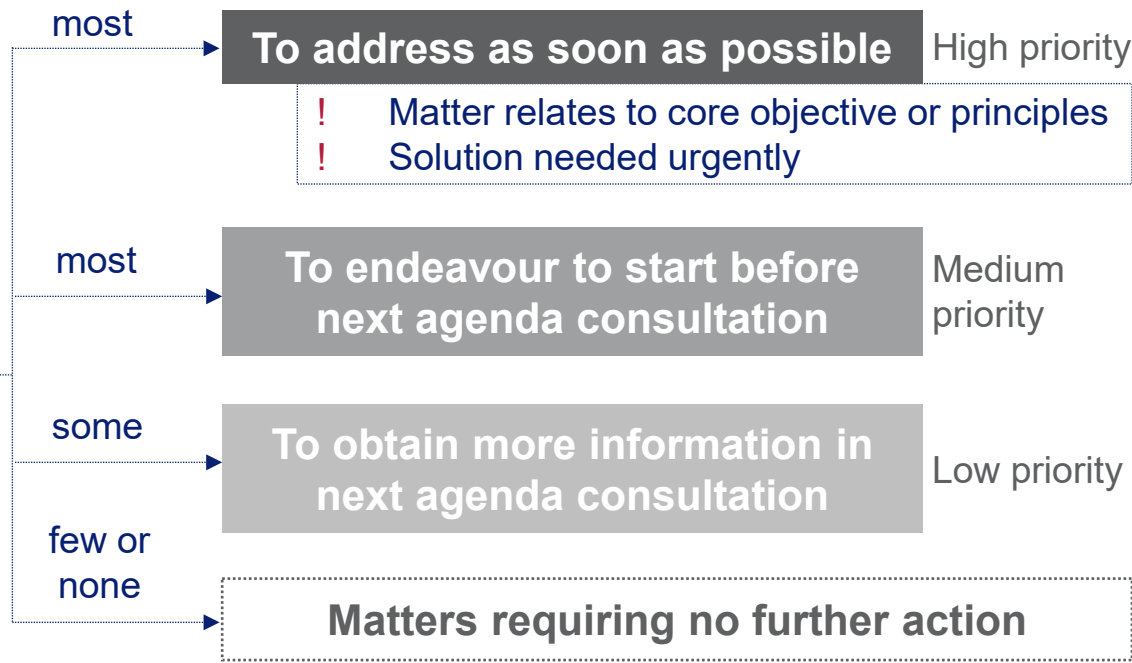
1 Consider whether to take action, based on the extent to which:

- the **objective** of the new requirements is not being met
- **benefits** to users are significantly lower than expected
- **costs** of application are significantly higher than expected

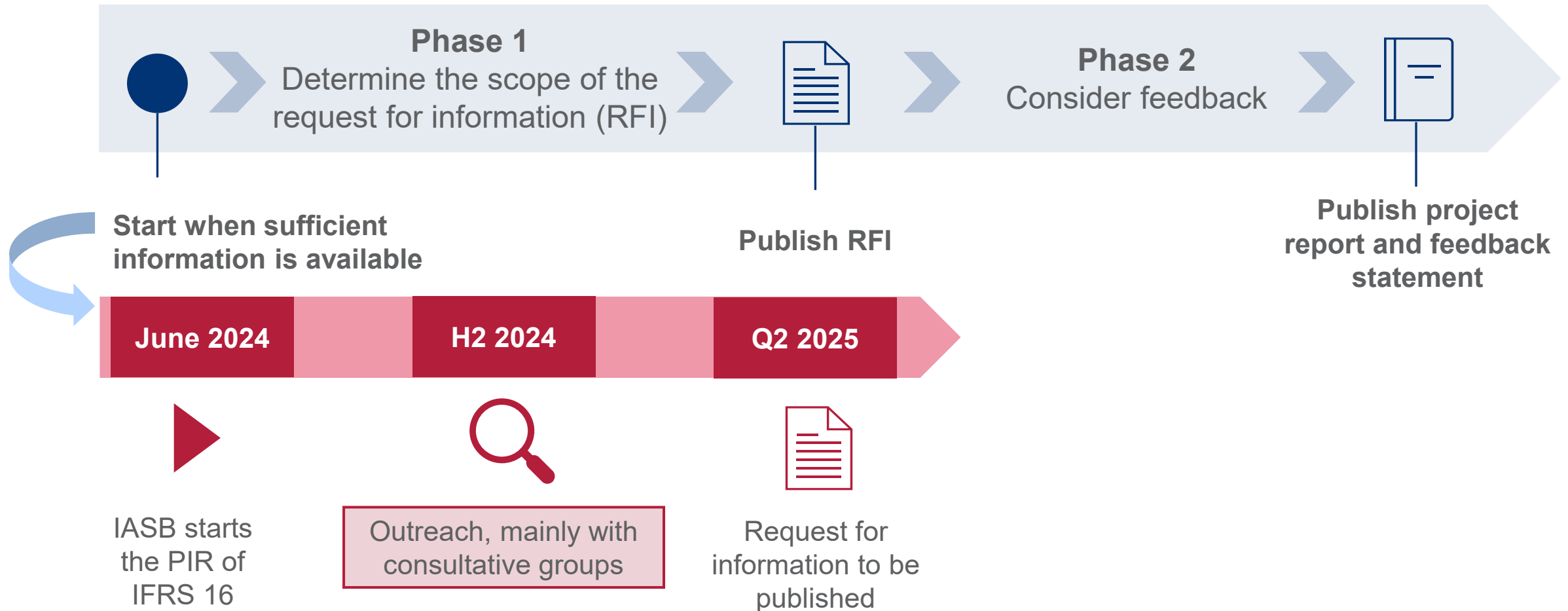
2 Determine the prioritisation of the matters based on the extent to which:

- matter has **substantial consequences**
- matter is **pervasive**
- matter relates to an issue that **can be addressed** by the IASB or the Committee
- the benefits of any action would be expected to **outweigh** the costs

3 Determining the timing of taking action



PIR—what is the process and where are we?



Staff recommendations on the matters to include in the RFI



Basis for staff recommendations



28 outreach meetings



Analysis of actual quantitative effects of IFRS 16



Analysis of lease-related APMs by FTSE 100 entities



Review of lessees' disclosure practices



Review of enforcement decisions



Review of analyst reports and investor presentations



Review of the FASB's PIR of ASC Topic 842, Leases

Staff recommendations—matters to include in the RFI



Following initial research, the staff identified matters to be examined, drawing on discussions with stakeholders—including feedback from ASAF. The IASB will discuss staff recommendations at its meeting in March 2025.

Staff recommendations are summarised on slides 10–15. For more details click on links to the staff papers for the IASB March 2025 meeting:

[AP 7 Cover paper](#)

[AP 7A Background](#)

[AP 7B Feedback analysis—Overall assessment of IFRS 16](#)

[AP 7C Feedback analysis—Identifying a lease, lease term and lessee accounting model](#)

[AP 7D Feedback analysis—Lessor accounting, sale and leaseback transactions and transition](#)

[AP 7E Feedback analysis—Applying IFRS 16 with other IFRS Accounting Standards](#)

[AP 7F Review of academic literature](#)

The IASB meeting is scheduled for 17–21 March 2025. Should the IASB’s tentative decisions differ from the staff recommendations, we will provide a verbal update at the ASAF meeting.

Overall assessment of IFRS 16

The staff recommended the IASB include questions in the RFI to assess whether...

Objective

... IFRS 16 is meeting its objective and whether its core principles are clear.

Benefits and costs

... the benefits to users of the information reported in accordance with IFRS 16 and the costs of applying the requirements and auditing and enforcing their application are *not* significantly different than was expected, in particular the ongoing costs.

Topic 842

... the IASB could make any improvements to the disclosure requirements in IFRS 16 that would help users of financial statements analyse and compare entities that apply IFRS 16 and entities that apply FASB ASC Topic 842, Leases.

Lease term and lessee accounting model (1/2)

The staff recommended the IASB include questions in the RFI to assess whether...

Lease term

- ... the requirements for lease term provide a clear and sufficient basis for entities to determine lease term and are capable of being applied consistently; and
- ... the benefits to users of the information reported in accordance with the requirements for lease term are *not* significantly lower than was expected.

Variable lease payments

... the requirements for variable lease payments provide a clear and sufficient basis for lessees to determine which variable lease payments are (or are not) included in the measurement of the lease liability.

Lessee accounting model (2/2)

The staff recommended the IASB include questions in the RFI to assess whether...

Discount rates

- ... the requirements for discount rates provide a clear and sufficient basis for lessees to determine discount rate (incremental borrowing rate) and are capable of being applied consistently; and
- ... the effects of applying the requirements for discount rates are *not* significantly different than was expected.

Remeasuring lease liabilities

... the ongoing costs of remeasuring lease liabilities (to reflect reassessment of the lease liability or lease modifications) are *not* significantly higher than was expected.

Presentation and disclosure requirements for lessees

... the benefits to users of the information about lease-related cash flows that *lessees* present in the statement of the cash flows (or disclose in the notes to financial statements) are *not* significantly lower than was expected.

Lessor accounting model and transition

The staff recommended the IASB include questions in the RFI to assess whether...

Lessor accounting

... stakeholders have identified potential unintended consequences (such as widespread diversity) that amendments to the lessee accounting model might have caused to the lessor accounting model (which has less detailed requirements or lacks specific requirements compared to the lessee accounting model).

Transition requirements

- ... transition requirements were helpful;
- ... entities provided sufficient information to allow users of financial statements to understand how implementing IFRS 16 changed the entities' financial performance, financial position and cash flows; and
- ... entities have any feedback on transition to IFRS 16 that could inform the IASB's future standard-setting projects.

Applying IFRS 16 with other IFRS Accounting Standards (1/2)

The staff recommended the IASB include questions in the RFI to assess whether...

IFRS 3

... any action is needed in relation to the requirements for acquired lease contracts in IFRS 3 *Business Combinations*, with the objective of improving the balance between the benefits of providing the required information and costs of providing that information.

IFRS 9

... any action is needed in relation to how a lessee distinguishes between a lease modification as defined in IFRS 16 and an extinguishment (or a partial extinguishment) of a lease liability (to which IFRS 9 *Financial Instruments* applies) when it accounts for a rent concession in which the only change to the lease contract is the lessor's forgiveness of lease payments due from the lessee under that contract.

Applying IFRS 16 with other IFRS Accounting Standards (2/2)

The staff recommended the IASB include questions in the RFI to assess whether...

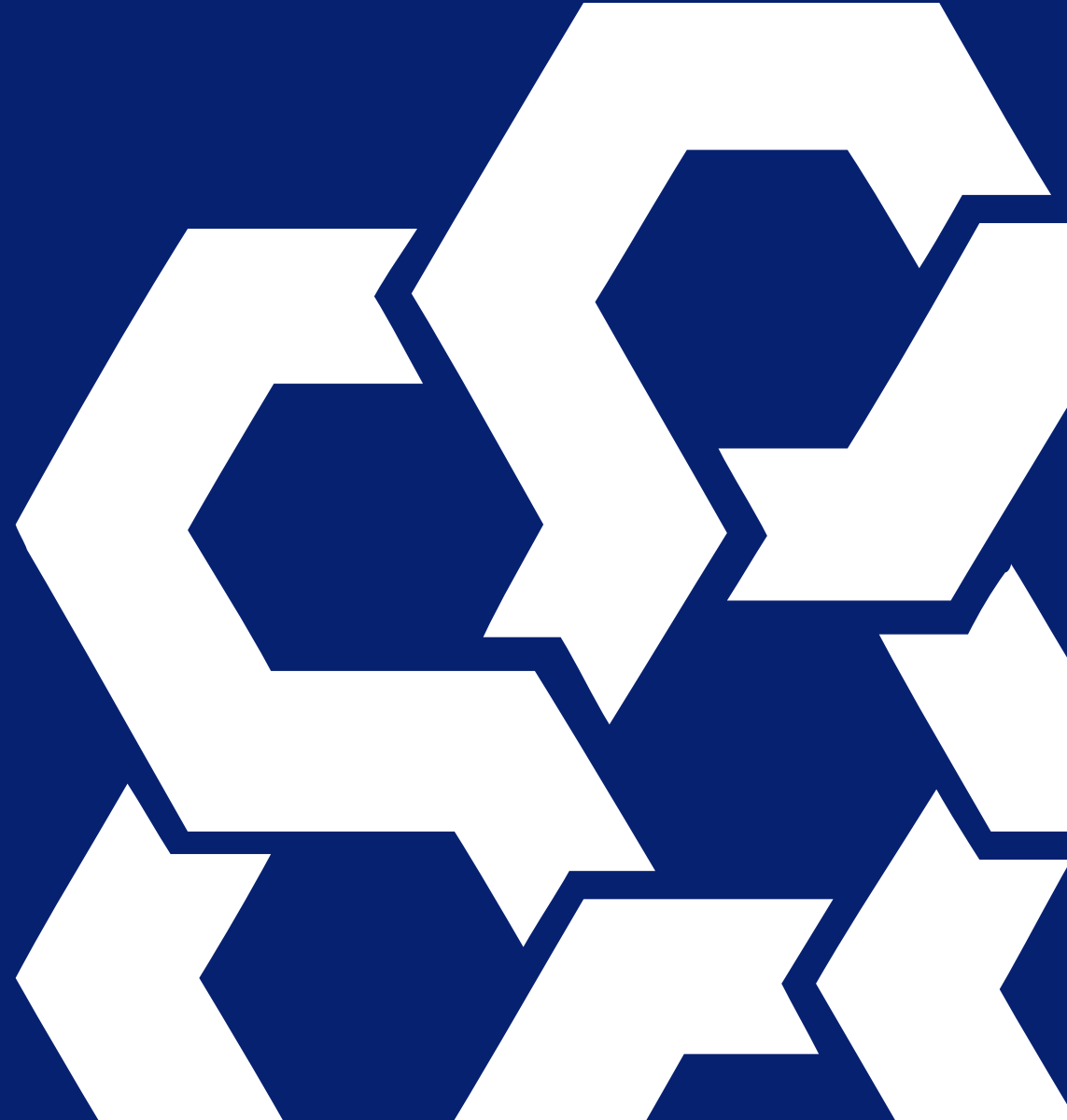
IFRS 10

... there are any relevant market developments since the February 2021 IFRS Interpretations Committee's deliberation of feedback on its tentative agenda decision relating to the application of IFRS 10 *Consolidated Financial Statements* alongside IFRS 16 to sale and leaseback of an asset in a single-asset entity.

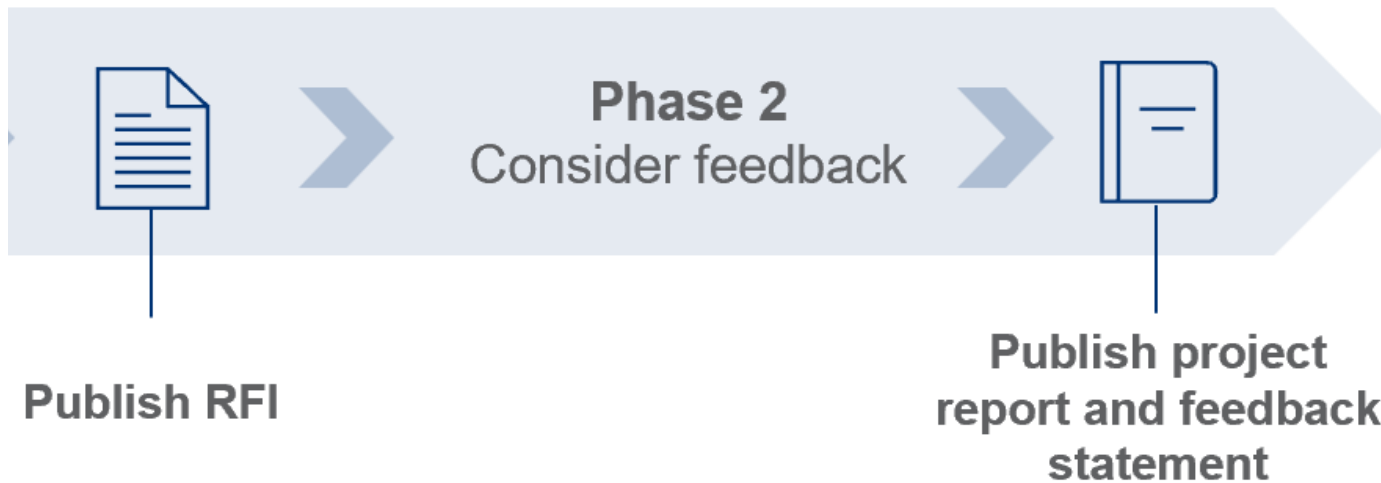
IFRS 15

- ... any action is needed in relation to the requirements in IFRS 15 *Revenue from Contracts with Customers* which the seller-lessee applies when assessing whether the transfer of an asset in a sale and leaseback transaction is accounted for as a sale of that asset.
- ... any action is needed in relation to the requirements in IFRS 16 about partial gain or loss recognition for sale and leaseback transactions, considering differences with the revenue recognition model in IFRS 15.

Next steps



Next steps



When responding to the RFI, please explain...

... whether the matter has substantial consequences.

... whether the matter is pervasive.

... what you recommend the IASB or the IFRS Interpretations Committee do to solve the matter (for example, to reduce the ongoing costs of applying the requirements)

... how any potential actions might affect the benefits to users of the information.

... whether the benefits of any action are expected to outweigh the costs.

... *significant* differences between the actual and expected effects.

... how entity-specific IT solutions might contribute to high ongoing costs of applying IFRS 16.

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