Staff paper

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Project	**Post-implementation Review of IFRS 16 *Leases***
Topic	**Feedback analysis—Lessor accounting, sale and leaseback transactions and transition**
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Purpose and structure of this paper

1. This paper analyses feedback on the requirements in IFRS 16 *Leases* for lessors, sale and leaseback transactions and transition, and provides staff recommendations on which matters to include in a request for information (RFI) on the Post-implementation Review (PIR) of IFRS 16.

2. This paper includes:
   - (a) analysis of feedback on:
     - (i) the requirements for sale and leaseback transactions (paragraphs 3–13);
     - (ii) the lessor accounting model (paragraphs 14–25); and
     - (iii) transition requirements (paragraphs 26–40);
   - (b) summary of staff recommendations (paragraphs 41–42);
   - (c) questions for the International Accounting Standards Board (IASB); and
   - (d) Appendix A—Other matters.

Sale and leaseback transactions

Background

3. If an entity (the seller-lessee) transfers an asset to another entity (the buyer-lessor) and leases that asset back from the buyer-lessor, both the seller-lessee and the buyer-lessor shall account for the transfer contract and the lease applying paragraphs 99–103 of IFRS 16.[1]

4. IFRS 16 requires an entity to apply the requirements for determining when a performance obligation is satisfied in IFRS 15 *Revenue from Contracts with Customers* to determine whether the transfer of an asset is accounted for as a sale of that asset.

5. If the transfer of the asset by the seller-lessee satisfies the requirements of IFRS 15 to be accounted for as a sale of the asset:

    (a) the seller-lessee is required to measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the seller-lessee is required to recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor ('partial' gain recognition).

    (b) the buyer-lessor is required to account for the purchase of the asset applying applicable Standards, and to account for the lease applying the lessor accounting requirements in IFRS 16.

6. Paragraph 102A of IFRS 16 states that after the commencement date, the seller-lessee applies paragraphs 29–35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36–46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36–46 of IFRS 16, the seller-lessee is required to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee

[1] Paragraph 98 of IFRS 16.

would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying the requirements in this paragraph does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease as required by paragraph 46(a) of IFRS 16.

7. If the transfer of an asset by the seller-lessee does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset:

   (a) the seller-lessee is required to continue to recognise the transferred asset and to recognise a financial liability equal to the transfer proceeds. It is required to account for the financial liability applying IFRS 9 *Financial Instruments*.

   (b) the buyer-lessor is not permitted to recognise the transferred asset and recognises a financial asset equal to the transfer proceeds. It accounts for the financial asset applying IFRS 9.

Feedback summary

8. Most comments about sale and leaseback transactions relate to interaction between the requirements in IFRS 16 and the requirements in IFRS 15. Analysis of this feedback and our recommendations are included in Agenda Paper 7E. Hence paragraphs 9–13 of this agenda paper should be read in conjunction with paragraphs 38–56 of Agenda Paper 7E.

9. A few stakeholders (preparers and standard-setters) commented specifically on sale and leaseback transactions with variable lease payments and, in their view, the inconsistent accounting for these variable lease payments compared to the accounting for variable lease payments in outright leases. Stakeholders referred to the explanatory material included in Agenda Decision *Sale and Leaseback with Variable Payments*

(IFRS 16) published in June 2020 and narrow-scope amendments *Lease Liability in a Sale and Leaseback* issued in September 2022.[2]

10. In these stakeholders' view, recognising a lease liability at the date of the sale and leaseback transaction, if all the payments for lease are variable and do not depend on an index or a rate, is inconsistent with the requirements for the initial measurement of the lease liability in paragraph 27 of IFRS 16.[3] In other words, stakeholders raised concerns about the application of paragraph 100(a) of IFRS 16, which requires the initial measurement of lease liability to be a consequence of how the right-of-use asset is measured (and how the gain or loss on the sale and leaseback transaction is determined). They said the resulting information does not faithfully represent a seller-lessee's obligations arising from a leaseback transaction.

Staff analysis and recommendations

11. As the IASB explained in paragraph BC266 of the Basis for Conclusions on IFRS 16, when developing the Standard, it was of the view that recognising only the amount of the gain or loss that relates to the rights transferred to the buyer-lessor appropriately reflects the economics of a sale and leaseback transaction because, from an economic standpoint, the seller-lessee has sold only its interest in the value of the underlying asset at the end of the leaseback.

12. We note that with this objective in mind, in September 2022 the IASB amended IFRS 16 to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. As the IASB explained in paragraph BC267ZA of IFRS 16, without these new requirements, a seller-lessee could have recognised a gain on the right of use it retains solely because of a remeasurement (for example, following a lease modification or

[2] The agenda decision explains that the seller-lessee recognises a liability at the date of the transaction, even if all the payments for the lease are variable and do not depend on an index or a rate. It also explains that the initial measurement of the liability is a consequence of how the right-of-use asset is measured—and the gain or loss on the sale and leaseback transaction determined—applying paragraph 100(a) of IFRS 16 *Leases*.

[3] Paragraph 27 of IFRS 16 states that only variable lease payments that depend on an index or a rate are included in the measurement of the lease liability.

change in the lease term) if it had applied the subsequent measurement requirements for lease liabilities unrelated to a sale and leaseback transaction. This could have been the case, in particular, in a leaseback that includes variable lease payments that do not depend on an index or rate—because these payments are excluded from 'lease payments' as defined in Appendix A to IFRS 16. The seller-lessee might therefore have recognised a gain, even though no transaction or event would have occurred to give rise to that gain.

13. In our view, to address stakeholders' concerns (and to make initial measurement of the right-of-use asset and lease liability arising from a leaseback similar to right-of-use assets and lease liabilities unrelated to a leaseback transaction) would require either the reconsideration of the sale and leaseback requirements or the requirements for variable lease payments that do not depend on an index or a rate. Agenda Paper 7C analyses feedback on the requirements for variable lease payments and includes our recommendations based on that feedback. Agenda Paper 7E discusses sale and leaseback requirements and includes our recommendations in a broader context of the interaction between the full gain or loss recognition in IFRS 15 and the requirements in IFRS 16.

Lessor accounting model

Background

14. IFRS 16 does not substantially change how a lessor accounts for leases as compared to IAS 17 *Leases*. A lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.[4]

15. Compared to IAS 17, IFRS 16 requires a lessor to provide some additional disclosures to enable users of financial statements (users) to better evaluate the uncertainty of

[4] Paragraphs 61–97 of IFRS 16.

cash flows associated with the lessor's leasing activities. Applying these enhanced disclosure requirements, a lessor discloses:

(a) the components of lease income recognised in the reporting period;

(b) information about how it manages its exposure to residual asset risk (the risk associated with any rights that it retains in leased assets).

(c) information required by IAS 16 *Property, Plant and Equipment* separately for assets subject to operating leases—further distinguished by significant classes of underlying assets (for example, leased cars, leased buildings or leased IT equipment)—from owned assets that are held and used by the lessor for other purposes.

Feedback summary

16. A few stakeholders (regulators and preparers from the telecommunications industry) said the lessor accounting model works in practice; they said entities have developed accounting policies for areas that are not covered by specific requirements in IFRS 16. A few users said IFRS 16 has improved the quality of information that lessors provide, and they did not share any specific concerns about the lessor accounting model.

17. A user and a preparer said that asymmetric requirements for lessors and lessees (that is, lessees accounting for leases as financing transactions and lessors recognising revenue from operating leases) add complexity to financial reporting and complicates accounting for sale and leaseback transactions and subleases. Some members of the Islamic Finance Consultative Group also raised concerns about the asymmetric accounting for leases (members raised concerns about the recognition of a lease-related asset on both the balance sheet of the lessee and the lessor in an operating lease) and suggested the IASB reconsider this matter. A standard-setter said they would be seeking further feedback on the matter of asymmetric accounting for lessors and lessees in their jurisdiction. However, another user said that, in spite of it not being logical from an accounting point of view, they prefer asymmetrical accounting

because, in their models, they present lessor income as revenue from operating activities (even for finance leases).

18. A few stakeholders (mostly accounting firms) said the IASB should consider providing additional requirements and guidance for the accounting for finance leases by lessors. Stakeholders said it is unclear whether they should (or could) analogise to the requirements for lessees and remeasure the carrying amount of the net investment in the lease after the commencement date to reflect a reassessment of, for example:

    (a) variable lease payments that depend on an index or a rate; or

    (b) the lease term and whether to use the original discount rate by analogy to IFRS 9 or use a revised discount rate by analogy to lessee accounting.[5]

19. A few stakeholders (accounting firms and standard-setters) raised concerns about some of the requirements for subleases. Their comments included:

    (a) the application of the requirements in paragraph B58(b) of IFRS 16 (sublease classification) and paragraph 63 of IFRS 16 (examples of situations that would normally lead to a lease being classified as a finance lease) might result in classifying a sublease as either:

        (i) an operating lease, if the right-of-use asset is subleased in the earlier part of the head lease's lease term; or

        (ii) a finance lease, if the right-of-use asset is subleased in the later part of the head lease's lease term.

    (b) it is unclear whether an entity (intermediate lessor) should apply the principal versus agent considerations in IFRS 15 to account for subleases. A standard-setter said they observe diversity in practice.

    (c) it is challenging to determine who controls the use of the property in a sublease contract with a revenue-sharing feature. Consequently, it is difficult

[5] Paragraph 40 of IFRS 16.

to assess whether the sublease contract is, or contains, a lease (see paragraph 9 of Agenda Paper 7C).

Staff analysis and recommendations

20. The IASB considered concerns about the asymmetrical accounting for lessees and lessors, and suggestions for additional specific requirements for lessors when developing IFRS 16. As explained in paragraph BC61 of the Basis for Conclusions on IFRS 16, when the IASB was developing IFRS 16, stakeholders observed that:

    (a) the lessor accounting model in IAS 17 was well understood.

    (b) the lessor accounting model in IAS 17 already provided users with the information that they needed. In addition, investors generally analyse the financial statements of individual entities (and not a lessee and lessor of the same underlying asset). Accordingly, it is not essential for the lessee and lessor accounting models to be symmetrical.

    (c) in contrast to lessee accounting, lessor accounting in IAS 17 was not fundamentally flawed and should not be changed solely because of the changes to the lessee accounting.

21. Accordingly, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, with the exception of requirements for the definition of a lease, initial direct costs and lessor disclosures.

22. In response to the feedback summarised in paragraph 19(b) we note that the IASB considered whether to create an exception that would permit or require an intermediate lessor to offset assets and liabilities arising from a head lease and a sublease of the same underlying asset. However, the IASB noted that the exposures arising from those assets and liabilities are different from the exposures arising from a single net lease receivable or lease liability, and concluded that presenting these on a

net basis could provide misleading information about an intermediate lessor's financial position, because it could obscure the existence of some transactions.[6]

23. In response to the feedback summarised in paragraph 19(a), we note that any difference in classification of a sublease as a finance or an operating lease reflects real economic differences and might not necessarily indicate inappropriate application of the requirements or any problems with the requirements. We also note that when developing IFRS 16, the IASB observed that a lessor may classify similar leases (for example, those with a similar lease term for a similar underlying asset) differently depending on whether the lessor owns or leases the underlying asset.[7] For the same reason, we think an intermediate lessor might classify a sublease differently, depending on the head lease's remaining lease term.

24. In general, users that we have met with either do not follow lessors or did not raise any concerns about the lessor accounting. However, feedback summarised in paragraph 18 indicates that other stakeholders continue to have questions about whether lessors could apply the lessee requirements on subsequent measurement of leases to finance leases.

25. We note that stakeholders' questions relate mainly to the aspects of the lessor accounting model for which there are no specific requirements in IFRS 16. In developing IFRS 16 the IASB considered whether to change the lessor accounting model (see paragraphs 20–21), however, the feedback received at that time highlighted that the majority of stakeholders did not support changing the lessor accounting model in IAS 17. The initial feedback in this PIR suggests that some stakeholders are still concerned about the lack of detailed requirements in IFRS 16 for lessor accounting in light of the specific requirements for lessees. In the view of those stakeholders, the insufficient guidance might lead to differences in practice—with some entities applying lessee requirements to lessor's finance leases by analogy and others not doing so. However, the feedback we received to date does not allow us to

[6] Paragraph BC235 of the Basis for Conclusions on IFRS 16.

[7] Paragraph BC234 of IFRS 16.

conclude how significant a matter this is, whether the lack of specific requirements has led to widespread diversity and what solutions stakeholders are seeking given the previous feedback that stakeholders did not support changing the lessor accounting model. Therefore we think the IASB should seek further evidence in a public consultation on this particular matter.

Transition

Background

26. IFRS 16 became effective for annual reporting periods beginning on or after 1 January 2019.

27. IFRS 16 included some simplifications and practical expedients to provide cost relief for entities when implementing IFRS 16.

28. IFRS 16 permits a lessee to apply the Standard either:

    (a) retrospectively to each prior reporting period presented applying IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*; or

    (b) retrospectively (without restating comparative financial information) with the cumulative effect of initially applying the Standard recognised at the date of initial application in accordance with paragraphs C7–C13 of IFRS 16.

29. If a lessee elects to apply IFRS 16 retrospectively without restating comparative information (see paragraph 28(b)), IFRS 16 permits a lessee to choose how to measure lease assets relating to off balance sheet leases when first implementing IFRS 16. A lessee can either measure lease assets as if IFRS 16 had always been applied or at an amount based on the lease liability.

30. IFRS 16 includes other practical expedients[8], for example:

[8] Paragraphs C3–C4 and C10 of IFRS 16.

(a) an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application; and

(b) when applying IFRS 16 without restating comparative information (see paragraph 28(b)), a lessee may apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

31. A post-implementation review can identify improvements that can be made to future standard-setting. Therefore, in our outreach, we asked stakeholders how challenging the transition to IFRS 16 was, what transition requirements were helpful and whether they would recommend the IASB do anything differently in future standard-setting projects. We adjusted this question for users and asked whether:

(a) entities provided sufficient information to allow users to understand the changes to entities' financial performance, financial position and cash flows resulting from the implementation of IFRS 16; and

(b) they would recommend the IASB do anything differently in future standard-setting projects when developing transition requirements.

Feedback summary

32. Paragraphs 30–34 of Agenda Paper 7B summarise feedback on costs of applying IFRS 16. Feedback indicates that many entities found transition challenging and costly and many users commented on initial costs to update their methodologies and models to analyse and compare entities.

33. Stakeholders said both transition methods were used by entities. Feedback indicates that the modified retrospective approach (without restating comparative information) was more commonly used for cost-benefit reasons. Entities with large portfolios of leases, such as entities in the telecommunications industry, said the modified retrospective approach was a 'lifesaver' for them.

34. Most users said entities provided sufficient information to allow them to understand the changes to the entities' financial performance, financial position and cash flows

resulting from the implementation of IFRS 16. Users particularly found useful the requirement for lessees to reconcile lease liabilities recognised in accordance with IFRS 16 with operating lease commitments disclosed in prior year financial statements in accordance with IAS 17.

35. A few users provided suggestions for the IASB to consider in future standard-setting. They said it would be helpful if the IASB:

(a) reinforced the requirement for an entity to disclose known or reasonably estimable information relevant to assessing the possible effect of a new IFRS Accounting Standard on the entity's financial statements when initially applied; and

(b) required a single transition method and did not permit an option to early adopt to enhance comparability.

36. A few other stakeholders said that transition options and practical expedients were welcomed but they effected comparability. For example, for leases previously classified as operating leases, the Standard permitted a lessee to measure the right-of-use asset at either:

(a) the carrying amount as if the Standard had been applied since the lease commencement date (but discounted using the lessee's incremental borrowing rate at the date of initial application); or

(b) an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments recognised on the balance sheet before the date of initial application.

37. A few preparers suggested that the IASB should, in future, consider the availability of IT solutions, or provide education to software suppliers, before it issues an IFRS Accounting Standard that could have as significant an effect on the preparation of financial statements as IFRS 16 did.

38. In October 2022 the Malaysian Accounting Standards Board (MASB) jointly with the Australian Accounting Standards Board (AASB) published a research report on

Transition Relief and Ongoing Practical Expedients in IFRS 16 *Leases*. Findings of the research are similar to the feedback we have received in that:

(a) most entities applied IFRS 16 retrospectively without restating comparative information;

(b) auditors did not raise concerns about the verification of the various transition reliefs or practical expedients;

(c) preparers found the transition reliefs and practical expedients helpful; and

(d) users found the information about transition that lessees provided useful.

39. The MASB-AASB report provided recommendations for the IASB to consider when including transition reliefs or practical expedients in future standard-setting. For example, in these standard-setters' view:

(a) an early adoption option should always be available for entities to have greater flexibility in managing the implementation process based on the availability of the resources;

(b) providing reasonable 'bright lines' (such as the 12-month term for short-term leases expedient and $5,000 for the low-value assets expedient) adds much needed clarity to a guidance; and

(c) permitting an entity to apply a practical expedient on an asset-by-asset basis rather than on a whole entity basis is important for minimising costs to preparers.

Staff analysis and recommendations

40. In our view, the feedback provides useful information on what went well and what did not go so well when entities transitioned to IFRS 16. We note that the IASB considered the availability of IT solutions in standard-setting projects, such as IFRS 16 or IFRS 17 *Insurance Contracts*, and provided education support to software suppliers when it developed IFRS 16. However, we think gathering further feedback in the public consultation might help the IASB identify further improvements to

future transition requirements or the standard-setting process. It also might help the IASB understand better the effects of transition options on comparability and how some of these effects can be mitigated. Therefore, we recommend including a specific question in the RFI to help the IASB determine lessons learnt and identify considerations for the future.

Summary of staff recommendations

41. The staff recommend the IASB include questions in the RFI about:

    (a) whether 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); and

    (b) stakeholders' experience relating to transition to assess:

        (i) which transition requirements were helpful;

        (ii) whether entities provided sufficient information to allow users to understand how implementing IFRS 16 changed the entities' financial performance, financial position and cash flows; and

        (iii) whether entities have any feedback on transition to IFRS 16 that could inform the IASB's future standard-setting projects.

42. We recommend the IASB include *no* questions in the RFI about the requirements for sale and leaseback transactions with variable lease payments (that do not depend on an index or a rate).

Questions for the IASB

Questions for the IASB
1. Do IASB members agree with the staff recommendations in paragraphs 41–42 of this paper? 2. Are there any additional matters discussed in this paper that the IASB would like to seek feedback on in the request for information?

Appendix A—Other matters

A1. This appendix summarises feedback on other application matters that only one or a few stakeholders suggested including in the RFI.

A2. We do not recommend seeking further feedback on matters included in this appendix, because evidence that we have gathered does not indicate that the matters have widespread effect (the evidence gathered does not indicate that the matters are prevalent and that there is diversity in the application of IFRS Accounting Standards that has, or is expected to have, a material effect on those affected).

A3. This appendix also includes a few matters for which, in our view, a standard-setting solution may be unnecessary or unworkable. For example, it includes matters that might indicate non-compliance with requirements or inappropriate exercise of judgement, or matters for which the solution might undermine the principle-based nature of IFRS Accounting Standards.

Matter raised	Summary of comments
1. Lessee accounting—recognition exemptions	Lack of clarity on whether the low-value asset lease exemption applies to contracts that give an energy entity the right to use a rooftop space of its customer to install solar panels.
2. Lessee accounting—practical expedients	Lack of clarity on whether the practical expedient in paragraph 15 of IFRS 16 to account for lease and non-lease components as a single lease component refers only to service components or can include inventories within the scope of IAS 2 *Inventories*.
3. Lessee accounting—separating components of a contract	The IASB should consider providing additional guidance for: • determining the stand-alone price of the lease component; and • separating lease components (for example, land and buildings).

Matter raised	Summary of comments
4. Lessee accounting—initial measurement	• The IASB should consider providing guidance on how to account for lease incentives received after the commencement date because it is unclear whether the lessee should reduce the carrying amount of the right-of-use asset or recognise the incentives in profit or loss when the lessee receives them. • It is unclear how to determine, for example, lease term and depreciation period of the right-of-use asset in a lease that gives a lessee the right to use an identified asset for several non-consecutive periods or if the lease contract contains fixed and variable lease payments (which are not included in the lease liability and therefore the right-of use asset). • The IASB should consider providing guidance on how to determine the lease term for a portfolio of replaceable underlying assets.
5. Lessee accounting—subsequent measurement	Lack of clarity about: • whether to account for the exercise of a purchase option as a lease modification or termination. The IASB should consider providing additional guidance, similar to that in US GAAP.[9] • how to determine useful life of aircraft interior replacement costs for a leased aircraft, including when leases have purchase options. • whether the amount of the remeasurement of the lease liability (reflecting the change in the type of lease payments from fixed to variable lease payments) that exceeds the carrying amount of the right-of-use asset is recognised in income statement at the remeasurement date or over the remaining lease term.

[9] Paragraph FASB ASC 842-20-40-2 states: 'The termination of a lease that results from the purchase of an underlying asset by the lessee is not the type of termination of a lease contemplated by paragraph 842-20-40-1 but, rather, is an integral part of the purchase of the underlying asset. If the lessee purchases the underlying asset, any difference between the purchase price and the carrying amount of the lease liability immediately before the purchase shall be recorded by the lessee as an adjustment of the carrying amount of the asset. However, this paragraph does not apply to underlying assets acquired in a business combination, which are initially measured at fair value in accordance with paragraph 805-20-30-1.' Paragraph 842-20-40-1 states: 'A termination of a lease before the expiration of the lease term shall be accounted for by the lessee by removing the right-of-use asset and the lease liability, with profit or loss recognized for the difference.'

Matter raised	Summary of comments
6. Lessor accounting—structuring	Paragraph 65 of IFRS 16[10] seems to provide structuring opportunities and lessors might include variable lease payments in contracts to classify leases as operating leases.
7. Lessor accounting—disclosures	For some assets (such as a fibre-optic cable that could be partially used by a telecommunications operator for own purposes and partially used by other operators), it might be difficult to apply disclosure requirements in IAS 16 separately for assets subject to operating leases and owned assets held and used by the lessor for other purposes (as required by paragraph 95 of IFRS 16).
8. Lessor accounting—measurement	The IASB should reconsider the requirements in paragraph 81 of IFRS 16 for some leases.[11] In the preparer's view, straight-line recognition of income from operating lease payments increasing annually by a fixed percentage (to compensate for inflation increases) does not provide a faithful representation of the pattern in which economic benefits from the consumption of the underlying asset flow to the lessor. The preparer said the required accounting distorts profitability (especially for long-term leases in high-inflationary markets) because income is 'smoothed' (inflated in the first half of the lease term, reducing over time), whereas expenses are recognised at current prices. In addition, the accounting has substantial tax consequences, because in some jurisdictions income from operating lease payments is taxable regardless of actual cash lease payments from the lessee to the lessor.
9. Lessor accounting—	The IASB should add a practical expedient (subject to specific criteria being met) that would permit lessors with operating leases

[10] Paragraph 65 of IFRS 16 states that the examples and indicators in paragraphs 63–64 (whether a lease is a finance lease or an operating lease) are not always conclusive. If it is clear from other features that the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset, the lease is classified as an operating lease. For example, this may be the case […] if there are variable lease payments, as a result of which the lessor does not transfer substantially all such risks and rewards.

[11] The preparer described a fact pattern in which operating lease payments increase annually by a fixed percentage to compensate for inflation increases. Applying the requirements in paragraph 81 of IFRS 16 (the preparer also referred to the IFRIC Agenda Decision *IAS 17 Leases - Time pattern of user's benefit from an operating lease* published in the November 2005 IFRIC Update), the lessor would recognise lease payments over the lease term on a straight-line basis.

Matter raised	Summary of comments
combining components of a contract	not to separate a lease from non-lease components and instead account for the combined component as a single performance obligation entirely in accordance with IFRS 15 or as an operating lease entirely in accordance with IFRS 16 (similar to US GAAP requirements).[12]
10. Sale and leaseback transactions	There is diversity in how sales proceeds in sale and leaseback transactions are presented in statement of cash flows—some entities present them in investing activities, some in financing activities and some others split the proceeds between investing and financing activities.

[12] See paragraphs FASB ASC 842-10-15-42A–42C.