

## STAFF PAPER

May 2017

## IASB Meeting

<b>Project</b>	<b>Leases</b>
Paper topic	Implementation update
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (the Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB® *Update*.

**Objective**

1. The Board issued IFRS 16 *Leases* in January 2016, with a mandatory effective date of 1 January 2019. After consultation with the IFRS Advisory Council, it was decided that a Transition Resource Group was not necessary for IFRS 16, but nonetheless it was still important to provide implementation support to stakeholders. Consequently, the Board decided to undertake a number of activities to support those implementing IFRS 16.
2. The objective of this paper is to provide the Board with an update on those activities, including information about the following:
  - (a) implementation support activities undertaken by Board members and staff;
  - (b) approximate reach of those activities (ie how many stakeholders are making use of them);
  - (c) queries received from stakeholders; and
  - (d) planned future activities.
3. This paper does not contain any questions for the Board. However, we welcome any thoughts or advice from the Board about the IFRS 16 implementation support activities.

## Overview

4. The Board's objective in providing implementation support for new Standards is to help stakeholders have a consistent understanding of the new requirements. We think we can be helpful in setting implementation off to a good start when practice is developing by explaining the requirements in an accessible way.
5. In providing implementation support, we are also aware that there is a delicate balance to maintain as the standard-setter: on the one hand, being helpful and responsive and, on the other, not disrupting the implementation activities undertaken by preparers, firms and others. We do not want to undermine the application of judgement.
6. The Board and staff have undertaken the following activities in the 16 months since IFRS 16 was issued:

	<b>Activity</b>	<b>Approximate reach to date</b>
(a)	Leases implementation webpage <ul style="list-style-type: none"> <li>➤ Provides information about all of the Board's implementation support activities and links to our materials</li> </ul>	63,400 website views
(b)	Two introductory live webinars <ul style="list-style-type: none"> <li>➤ Staff webinars including Q&amp;A with questions submitted by the audience</li> </ul>	4,371 views
(c)	Educational webinar series (see further information in paragraphs 8-9 of this paper)	6,331 total views (see paragraph 9 of this paper for views by topic)
(d)	Articles <ul style="list-style-type: none"> <li>➤ Four Board Member articles published on our website</li> <li>➤ A number of other articles by Board Members and staff in external publications</li> </ul>	4,228 pdf downloads of the most recent leases article (published on the IFRS Foundation website in January 2017)

	<b>Activity</b>	<b>Approximate reach to date</b>
(e)	<p>Three IFRS Foundation Leases conferences (May 2016; October 2016 (joint); May 2017)</p> <ul style="list-style-type: none"> <li>➤ One-day conferences aimed at preparers early in the IFRS 16 implementation process</li> </ul>	~100 attendees at each event
(f)	Board member and staff attendance at other events and meetings, including IFRS 16 implementation sessions at IFRS Foundation conferences.	>20 events attended

7. In addition to the above activities, the Board has also received a number of technical enquiries from stakeholders. Paragraphs 10-17 of this paper provide information about these enquiries.

### **Educational webinars**

8. In the period since the Board issued IFRS 16, we have produced five educational webinars in which staff and, in some cases, board members discuss different areas of the Standard. The objective of these webinars is:
- (a) to present the more complex or judgemental areas of IFRS 16 in an accessible and understandable way (for example, by walking through the requirements in the way that a company might when implementing the Standard);
  - (b) to address queries that we have received that could be relevant to a wide range of stakeholders.

9. A summary of the webinars produced to date, along with the number of listeners, is presented below:

<b>Webinar</b>	<b>Date</b>	<b>Number of different registrants</b>	<b>Number of views</b>
Lessee transition	March 2016	875	1,738
Definition of a lease	April 2016	1,099	1,912
Recognition exemptions	April 2016	558	1,038
Lessee measurement	June 2016	1,167	1,104
Lease modifications - lessee	March 2017	367	539
<b>Total</b>		<b>4,066</b>	<b>6,331</b>

## Technical enquiries

### *Background*

10. The Board does not provide a formal technical enquiry service. Nonetheless, the Board is interested in hearing about any questions that stakeholders have. This is particularly true during the implementation period of a new IFRS Standard. Receiving information about developing practice during this time enables the Board to identify areas where further educational material might be useful to stakeholders.
11. Consequently, in addition to the other implementation support activities described above, the Board has also set up a dedicated email address for stakeholders to inform us about technical queries that arise during the implementation period.

### *Queries received and responses*

12. We have received queries from stakeholders about IFRS 16 from many sources, including talking to stakeholders at conferences and other events and emails received by staff or by the leases email address described above. We have received queries across a wide range of topics. This includes both the more complex or judgmental areas of the Standard (such as those listed in the webinar

series above), as well as on areas of the Standard that are less complex or that are largely unchanged from the previous requirements in IAS 17 *Leases* (such as the lessor accounting model).

13. The types of technical enquiry that we receive, and our approach to responding to those enquiries, can be summarised as follows:
  - (a) Many queries that we receive are about the words in the Standard—ie questions about **what IFRS 16 says**. We answer these questions by highlighting relevant words in IFRS 16 and/or associated documents and existing educational material.
  - (b) Similarly, many of the questions that we receive are from stakeholders looking to understand **why the Board decided upon a particular requirement**—this information is often helpful to those trying to better understand the requirements. The staff also provide answers to questions of this nature, often pointing to the explanations in the Basis for Conclusions.
  - (c) Some queries that we receive are more **interpretive or transaction specific**. For example, a stakeholder might describe a particular transaction and ask how it accounts for that transaction applying IFRS 16. In these cases, we do not provide specific answers. Indeed, we are often not in a position to provide an answer because to do so would require an understanding of the full facts and circumstances surrounding the transaction and may involve making judgements that only the company undertaking the transaction should perform. In these cases, we highlight similar information to that described in (a) and (b) above (if such information is relevant). We also encourage companies to discuss these kinds of questions with their auditor and/or peers.
14. Some of the queries we receive relate to requirements in IFRS 16 that are the same as the requirements in US GAAP Topic 842 *Leases* (for example, the definition of a lease requirements). In addition to responding as described above, we also discuss these queries with the Financial Accounting Standards Board (FASB) staff.

15. We have not received any queries that indicate that any standard-setting activity is required. Instead, we think that the nature of queries received to date is indicative of the normal process of developing practice during the implementation period of any new IFRS Standard.
16. Receiving implementation queries provides valuable information in developing our implementation support activities. This is because understanding the questions that arise for those currently implementing IFRS 16 indicates whether, and what, further educational material might be useful to stakeholders.
17. For example:
  - (a) we received several questions from stakeholders about how to apply the lease modification requirements for lessees in IFRS 16. Consequently, we concluded that educational material relating to lease modifications for lessees might be useful to many stakeholders, and thus we prepared the lease modifications webinar listed in paragraph 9 of this paper.
  - (b) talking to stakeholders at conferences and other events, we noted that many companies are interested in questions that others are asking. For example, those companies at a relatively early stage of their implementation projects are interested in the challenges identified by those with more experience. Consequently, we published an article in January 2017 responding to this need. This article provided information and advice from four Board members based on the experiences we have heard from those already implementing IFRS 16.

### **Planned future activities**

18. We are currently planning to prepare one further webinar discussing lessee disclosure requirements. Staff and board members are also attending a number of future conferences and events to talk about IFRS 16 implementation. These include IFRS Foundation events, such as the IFRS Foundation conference in June 2017.
19. We are not currently planning to hold another dedicated IFRS Foundation leases conference. This is because we think that the type of implementation support that

is helpful to companies changes as the implementation period progresses. For example, as time progresses, the type of questions we receive from stakeholders is moving away from questions about what the Standard says and why (as described in paragraphs 13(a) and 13(b)), and more towards interpretive or transaction specific questions (as described in paragraph 13(c)). Consequently, we think that an IFRS Foundation leases conference becomes relatively less useful to stakeholders as the implementation period progresses. Once a company understands the requirements in the Standard, it is likely that other activities, such as discussions with industry peer groups, will be more useful than discussions with the Board or staff.

20. Nonetheless, we will continue to monitor information that we receive about developing practice. If we become aware that any further educational materials or other activities would be useful to those implementing IFRS 16, then we will consider undertaking those further activities.