

# **Lease Liability in a Sale and Leaseback Proposed amendment to IFRS 16**

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## Lease Liability in a Sale and Leaseback Proposed amendment to IFRS 16

### Responses to the question

1. Agreed with the proposed amendment since the proposed amendment gives a logical accounting treatment.
2. Not agreed with the proposed agreement only with respect to the retrospective application. The reasons for the disagreement are as follows.

(i) In real life scenario, quantifying the difference retrospectively would change earnings ratios and various other ratios which would materially disturb the operations of the reporting entity, particularly when the reporting entity has borrowed the funds from banks and financial institutions. Also due to the Covid-19 pandemic impact, many parties to the lease contract has enabled payment holidays and varied long term lease contracts terms. This would add complexity to the calculation when the application of the amendment goes retrospective.

(ii) The retrospective application would delay the implementation date due to the time-consuming calculations involved and the related audit cost involved in making the accurate calculations.

### Comments on the amended paragraphs

1. Para 100 – No comments since it is logical.
2. Para 100A – No comments since it is logical.
3. Para 102 – Agreed with the proposed addition of text and deletion of text
4. Para 102A – No comments since it is logical.
5. Para 102B (a), (b) and (d) - No comments since it is logical.
6. Para 102B (c) – Not in agreement with the proposed inclusion of the text **“Except for a change in the lease term or a lease modification (see paragraphs 40(a) and 45), the seller-lessee shall not remeasure the lease liability to reflect a change in future variable lease payments.”** If the remeasurement of the lease liability is essential though it is not changing the lease term or lease modification, still the standard should allow the reporting entity to remeasure if it is required for fair and meaningful presentation of financial statements. There is every possibility that the asset leased may become obsolete even during the lease period.