

Comments on Exposure Draft on Covid-19-Related Rent Concessions (Proposed amendment to IFRS 16, Leases) issued by the International Accounting Standards Board (IASB).

appropriate. The change being proposed seems to be a result of the enthusiasm of IASB to demonstrate to the world that IFRS were changed due to COVID-19 and thus IASB did not remain silent for COVID-19 related impact. COVID-19 related concessions are not limited to rent only. If IASB is willing to demonstrate its action in response to COVID-19 it should have amended IFRS 9 requirements too.

d) A lease liability is, in substance, a financial liability. For a lessor, the modification of lease liability is accounted as modification of financial liability. However, for a lessee, the same has different accounting principles. The changes in lease liability of a lessee are adjusted to the cost of right-of-use asset. The reason could be that the measurement of lease liability is the cost of right-of-use asset on initial measurement. This is the case for acquisition of inventory, property, plant and equipment, intangible asset or investment property. The fair value of the amount payable becomes their cost. However, if there is a modification of financial liability, IFRS 9 requires recognition of any change as gain or loss in profit or loss. It does not state that if the initial measurement of financial liability was also the initial measurement of the cost of an asset, any modification of such financial liability shall be recognised as an adjustment to the cost of such asset. Thus, the measurement of right-of-use assets and other non-financial assets are inconsistent. The IASB could take this opportunity and amend IFRS 16 or IFRS 9 to remove such inconsistencies as response to COVID-19 event.

Thanking You

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