



Guwahati Branch
Eastern India Regional Council
The Institute of Chartered Accountants of India
(Setup by an Act of Parliament)
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PROPOSED AMMENDMENT TO IFRS 16

COVID Related Rent Concessions – June 21 to June 22

Review Comments

Question 1—Extended scope of the practical expedient (paragraph 46B(b) of the [Draft] amendment to IFRS 16)

The Board proposes to amend paragraph 46B(b) of IFRS 16 to extend the availability of the practical expedient in paragraph 46A so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions in paragraph 46B are met. Do you agree with this proposal? Why or why not?

Comment:

The proposal to extend the availability of the practical expedient appears as a prudent move to provide relief to lessees who are preparers of financial statements, who have received rent concessions resulting in reduction of lease payments.

The economic consequence of Covid is continuing in several economies and many entities are still adversely affected. Hence the relief may be extended till June 30, 2022 as this will assist several entities in sectors like aviation, retail, real estate and other sectors who have been adversely impacted by COVID and are still reeling under acute financial crisis. This extension will provide a relief in ensuring compliance with IFRS. The original practical expedient issued by IASB has been followed and incorporated in the accounting standards as used by entities in several economies.



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Question 2—Effective date and transition (paragraphs C1C, C20BA and C20BB of the [Draft] amendment to IFRS 16)

Paragraphs C1C, C20BA and C20BB of the draft amendment to IFRS 16 propose that a lessee applying the practical expedient in paragraph 46A would:

- (a) apply the amendment for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted, including in financial statements not yet authorised for issue at the date the amendment is issued;
- (b) apply the amendment retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
- (c) not be required to disclose the information required by paragraph 28(f) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in the reporting period in which the lessee first applies the amendment.

Do you agree with this proposal? Why or why not?

Comment:-

The above proposal seems logical and relevant for entities for reporting purposes. This is aligned to the accounting procedure suggested in the original amendment to IFRS 16 initiated by IASB in May 2020.

The IASB has proposed this as an optional accounting treatment. However it has to be ensured that entities affected follow this practical expedient uniformly for the extended period on and upto June 2022 so that it will lead to comparability of financial statements published by such entities. In case any entity elects to use this expedient,

- a) such fact is to be clearly disclosed
- b) the financial impact on the statement of profit & loss , i.e the amount recognized in the statement of profit & loss to reflect changes in lease payments that arise from rent concession to



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which the practical expedient is applied is unambiguously disclosed

The practical expedient is easier to apply and will aid the entities at a time when they need such relief badly, so far as financial reporting is concerned. Many lessors are granting lease concessions / deferment etc even after January 2021, hence the proposal from IASB is a welcome step.

Para 46 B Revised:

No Comments

Dated at Guwahati,
17th day of February, 2021

For, Guwahati Branch of EIRC of ICAI

(Sd/-)

CA. Kamal Mour
(Vice Chairman)