

## Exposure Draft – COVID-19-Related Rent Concessions

### Amendment to Ind AS 116 – Leases

#### Comments

#### Para C20A of Proposed amendment to Ind AS 116 Leases states that-

A lessee shall apply Covid-19-Related Rent Concessions (see paragraph C1A) retrospectively, recognising the cumulative effect of initially applying that 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.

Majority of the companies are expected to avail the benefit of this COVID-19-Related Rent Concessions amendment in the accounting periods beginning on or after 1 April 2020. Further, in several scenarios, rent concessions are provided by lessor to lessee from April 2020 onwards.

Modification accounting also states that changes made in the lease contract will be prospective in nature. Accordingly, there is no impact on “Retained earnings” even if practical expedient is not availed.

Para C20A states that, if the concession (practical expedient) is availed by the lessee, it will have to recognise the change retrospectively recognising the cumulative effect of initially applying that 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.

If the proposed amendment intends to simplify the lessee accounting by providing optional practical expedient, an entity lessee would like to seek the reasons for applying this amendment retrospectively. Further, an entity lessee would like to understand the following points:

1. Whether an entity lessee is genuinely required to apply this change / amendment on a retrospective basis with cumulative impact on “Retained earnings”?

If answer is positive, the user requests Accounting Standards Board to issue an Example / Application guidance to understand the calculation of the retrospective impact, related journal entries and disclosures.

If answer is negative, an entity lessee would like to understand whether rent concessions received will be recorded as negative variable payments (Credit/Income) in the statement of profit and loss in the respective months in which concession is received.

2. Whether mere postponement of rent instalments / payments (without full / partial waiver of rent) can be considered as “Rent Concessions” as per this proposed amendment and entity lessee can avail the benefit?

If answer is positive, the user requests Accounting Standards Board to issue an Example / Application guidance to understand the calculation of the retrospective impact, related journal entries and disclosures.

If answer is negative, whether postponement of rent will be treated as modification as per Ind AS 116 Leases?