



EFRAG  
Roger Marshall  
Square de Meeûs 35,  
1000 - Bruxelles

9 May 2016

Dear Mr. Marshall,

**Re: IFRS 16 Leases**

A number of our members have commenced their preparations for the implementation of IFRS 16 Leases (the standard). In the interest of good financial communication, it is desirable to provide both the management of the entity and the users of the financial statements with information that will enable them to understand the effects of the adoption of the standard. Our members will generally try to achieve this by producing two or more years' worth of comparable data.

The standard allows two approaches to transition: (a) full retrospective application in accordance with IAS 8 or (b) a modified approach requiring the cumulative effect of transition to be recognised at the date of initial application (1 January 2019 in the absence of early application) and allowing the use of specified expedients. In the case of the modified approach, the entity is prohibited from restating comparative information.

The full retrospective approach can be very onerous, particularly when there is a high volume of contracts with a wide range of inception dates requiring historical data, and the easing of the burden offered by the modified approach in the standard is very welcome. However, many entities feel that it is essential to provide comparative information in the primary financial statements for all periods presented, but are prevented from doing this by paragraph C7 if they wish to take advantage of the expedients offered by the standard. They are then faced with a choice of either applying the full retrospective approach or providing comparative figures for the earlier periods outside the financial statements as "pro-forma" reports. The former is onerous and the latter unhelpful and inconvenient for users. The alternative of the early adoption of IFRS 16 is unlikely to be used as it would coincide with the adoption of IFRS 15, which is a significant project in itself.

We think that the IASB could further simplify the implementation of the standard for entities and facilitate the provision of comparative information to explain the impact of the new standard to users by allowing entities that apply the modified approach to have the option of recognising the cumulative effect of the adoption of the standard at the beginning of the earliest period presented. We think that this option would encourage entities to provide this information for the benefit of users.

We think that this is a comparatively minor amendment to the standard but one which presents significant advantages to entities and users alike. We therefore request that EFRAG encourages the Board to consider amending IFRS 16 in this way.



We would be delighted to provide further information on this topic if required.

Yours sincerely

Jérôme P. Chauvin  
Deputy Director General