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Post-Implementation Review of IFRS 16

EFRAG online survey to users on the effects of IFRS 16

Objective

- 1 To receive input on the structure and content of the EFRAG online survey to be addressed to users for collecting preliminary feedback on the effects of IFRS 16.

Structure of the paper

- 2 The following paragraphs include the EFRAG Secretariat proposal about the EFRAG online survey to be addressed to users to collect preliminary feedback on the effects of IFRS 16, consisting of the following sections:
 - (a) Background information about IFRS 16 and the IASB's project, including clarification about the objectives of a PIR (paragraphs 3-99)
 - (b) Information about the EFRAG preparatory work to respond to the IASB (paragraph 1010)
 - (c) Information about the purpose and the structure of the survey (paragraphs 1111-17)
 - (d) Questionnaire (paragraphs 18-41)

EFRAG on-line survey to users on the effects of IFRS 16

Background of IFRS 16 and the IASB's PIR project

- 3 The previous accounting model for leases failed to meet the needs of users of financial statements. In particular:
 - (a) information reported about operating leases lacked transparency and did not meet the needs of users of financial statements;
 - (b) the existence of two different accounting models for leases, in which assets and liabilities associated with leases were not recognised for operating leases but were recognised for finance leases, meant that transactions that were economically similar could be accounted for very differently. The differences reduced comparability for users of financial statements and provided opportunities to structure transactions to achieve a particular accounting outcome;

- (c) the previous requirements for lessors did not provide adequate information about a lessor's exposure to credit risk (arising from a lease) and exposure to asset risk (arising from the lessor's retained interest in the underlying asset), particularly for leases of equipment and vehicles that were classified as operating leases.
- 4 The IASB decided to address the first two criticisms by developing a new approach to lessee accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. To address the third criticism, IFRS 16 requires enhanced disclosure by lessors of information about their risk exposure.
- 5 IFRS 16 *Leases* was issued by the IASB on 13 January 2016 and had a mandatory effective date of 1 January 2019. Over the following years, the IASB issued some amendments to IFRS 16, including those related to Covid 19 related rent concession (in May 2020) and to the accounting for lease liability in a sale and leaseback transaction when the payments include variable payments (in September 2023).
- 6 IFRS 16 sets out the principles for the **recognition, measurement, presentation and disclosure of leases**. The objective is to ensure that lessees and lessors **provide relevant information** in a manner that **faithfully represents those transactions**. This information **gives a basis for users** of financial statements **to assess the effect that leases** have on the financial position, financial performance and cash flows of an entity.
- 7 In [December 2023](#) the IASB decided to start the post-implementation review (PIR) of IFRS 16 in Q2 2024. The IASB's decision was based on guidance from the *Due Process Handbook* and the discussion on the [clarifications](#) of the objective, process and outcomes of a PIR.
- 8 During the PIR, the IASB will assess the effects of IFRS 16 on users, preparers, auditors and other stakeholders. The PIR has two phases:
- (a) Phase 1: where the IASB identifies matters to be examined (request for information); and
- (b) Phase 2: where the IASB considers the information gathered from the public consultation and publishes a report and feedback statement, including a summary of the findings and next steps (e.g., a standard-setting project, an agenda decision, educational materials or no further action).
- 9 The objective of a PIR is to assess whether the effects of applying the new requirements on users of financial statements, preparers, auditors and regulators are as intended when the IASB developed those new requirements. A PIR is not a standard-setting project and does not automatically lead to standard-setting. It is not intended to lead to address every application question, either.

EFRAG's preparatory work to respond to the IASB

- 10 EFRAG is undertaking its preparatory work in anticipation of the IASB IFRS 16 PIR request for information (RFI). To that extent, and in order to develop a preliminary list of application issues arising from applying IFRS 16, EFRAG is planning to:
- (a) have meetings with different constituents (preparers, users, auditors, national standard setters and academics);

- (b) review the existing literature and other publications, including previous discussions at the IFRS IC and ESMA’s enforcement decisions; and
- (c) launch on-line questionnaires addressed to preparers, auditors, national standard setters and users.

Purpose and content of this survey

Objective of the survey

- 11 The objective of this survey is to help the EFRAG Secretariat to better understand whether IFRS 16 works overall as intended. In particular, the purpose of this survey is to collect your feedback on whether recognition, measurement, presentation and disclosure requirements in IFRS 16 result in entities providing useful information which helps users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. This feedback will be useful also to balance preparers’ view when commenting on costs arising from the implementation of IFRS 16.
- 12 This survey is aimed at **users** of financial statements. To access the survey aimed at **preparers, auditors, national standard setters** and **regulators** please click on this [link].

Structure

- 13 The survey consists of 19 questions sorted into the following sections:
 - (a) Section 0 – General Information – (Question 1)
 - (b) Section 1 – Overall assessment of and experience with IFRS 16 - (Questions 2-7)
 - (c) Section 2 - Cost-benefit assessment relating the disclosure requirements in IFRS 16 - (Questions 8-10)
 - (d) Section 3 - Overall assessment relating the IFRS 16 recognition, measurement and presentation requirements - (Questions 11-14)
 - (e) Section 4 - Impacts from interaction between IFRS 16 and other IFRS Accounting Standards and Interpretations - (Question 15)
 - (f) Section 5 - Other information - (Questions 16-19)

Please find an overview of this survey in PDF format [here].

Deadline and relevant information

- 14 Please submit your answers **by 15 April 2024** by clicking on the “**Submit**” button at the end of the survey. Thank you for completing this survey.
- 15 Please note that you can save the draft questionnaire and go back to it at a later time by clicking on the button “**Save and continue later**” in the right top corner of the page. EFRAG will only consider completed surveys.
- 16 The collected information will remain confidential and, when used in any reports, it will be presented in such a way that no individual company or person can be identified.
- 17 **Thank you for completing this survey!**

Questionnaire to users

Section 0 – General Information

Guidance for respondents

- 18 Please respond to questions considering the financial statements you usually use in making your analyses.
- 19 Where not specifically indicated, the following questions refer to both lessees and lessors' accounting. However, if these different perspectives would lead to different conclusions, please provide any relevant information in the open-text boxes section.
- 20 Comments are most helpful if they:
- (a) answer the questions as stated;
 - (b) state the paragraph(s) of IFRS 16 to which they relate;
 - (c) identify the cause of the described issue;
 - (d) describe practical example(s) relevant to the questions and explain
 - (i) how the IFRS 16 requirements are applied;
 - (ii) the effects of applying the requirements, focusing on the usefulness of information provided by the entity to users; and
 - (iii) how pervasive it is for your analyses; and
 - (iv) how widespread it is.
- 21 Please note that you can save the draft questionnaire and go back to it at a later time. EFRAG will only consider completed surveys.
- 22 **Question 1** – Respondent's profile
- (a) Name
 - (b) Nationality
 - (c) Email address
 - (d) Respondent's type
 - (i) Credit analyst
 - (ii) Equity analyst
 - (iii) Retail investor
 - (iv) Credit rating agency
 - (v) Other. (Please specify)
 - (e) Respondent's organisation – Name (if applicable)
 - (f) Respondent's organisation – Country (location of headquarter)

Section 1 - Overall assessment of and experience with IFRS 16

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information

gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

23 **Question 2** - What is your overall assessment of IFRS 16?

- (a) IFRS 16 is working as intended
- (b) IFRS 16 is generally working well but there is room for improvement. (Please explain)
- (c) IFRS 16 is not working as intended. (Please explain)
- (d) Unsure. (Please explain)

24 **Question 3** – Based on your experience, to what extent has the implementation of IFRS 16 **decreased (1)** or **increased (5)** the relevance of the information provided about lease transactions in the following industries?

	Unsure	1 - Decreased	2	3	4	5 - Increased
Airlines	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Automotive	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chemicals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Construction	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Extractive companies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Health care and pharmaceuticals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Industrial goods & services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personal and household goods	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Real estate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Retail	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Software	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Telecommunications	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Transport and infrastructure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Travel and leisure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Utilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please specify)						
[...]	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please feel free to provide any relevant information

- 25 **Question 4** – Thinking of the IFRS 16 effects on the financial statements and how you use accounting information, to what extent has the implementation of IFRS 16 **decreased (1)** or **increased (5)** the following aspects:

	1 - Decreased	2	3	4	5 - Increased
Users' ability to estimate future cash flows	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information transparency	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Better information about the entity's liquidity risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Better information on the entity's profitability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Better information on the entity's leverage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cost of obtaining the required information for users' analysis	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please explain)					
[...]	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please provide any useful information supporting your assessment above

- 26 **Question 5** – IFRS 16 aimed to improve information comparability between transactions that were economically similar. In your view, to what extent has the implementation of IFRS 16 **decreased (1)** or **increased (5)** the following aspects:

	1 - Decreased	2	3	4	5 - Increased
Information comparability between entities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information comparability between leases and debt financed purchase of asset	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information comparability between similar contracts entered by different entities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please provide any useful information supporting your assessment above

- 27 **Question 6** – Has the adoption of IFRS 16 impacted how you use entity's financial statements to obtain useful information for your analysis (e.g., increased need to restate the information on leases reported by an entity)?

- (a) Yes, it has decreased users's costs for obtaining useful information. (Please explain why)

- (b) Yes, it has increased users' costs for obtaining useful information. (Please explain why)

- (c) No, it has not. Please explain why

28 **Question 7** – We have been informed that some preparers increased the use of alternative performance measures to neutralise IFRS 16 impact in their financial statements. Have you experienced this situation?

- (a) Yes, I have experienced an increased use of adjusted alternative performance measures.

- (i) Do these adjusted measures provide users with more useful information? And if so, which are the most useful in your view?

- (b) No, I have not experienced an increased use of adjusted alternative performance measures.

Section 2 – Cost-benefit assessment relating the disclosure requirements in IFRS 16

29 **Question 8** – In your view, do the disclosure requirements in IFRS 16 result in entities providing useful information to users of financial statements and achieve the balance between the costs and benefits?

Lessee accounting

- (a) Yes, they do.
(b) Yes, they do but there are some disclosure requirements in IFRS 16 that could be reconsidered by the IASB.
(c) No, they do not.

Please explain why and how the IASB should address your concerns.

Lessor accounting

- (d) Yes, they do.
(e) Yes, they do but there are some disclosure requirements in IFRS 16 that could be reconsidered by the IASB.
(f) No, they do not.

Please explain why and how the IASB should address your concerns.

30 **Question 9** – If you have selected (b) in question 8, for all that apply please explain why and how the IASB should enhance/improve or reduce/limit the following disclosure requirements in IFRS 16.

	No changes needed	To be enhanced/improved	To be reduced/limited	Please explain why and how
Disclosure about the right-of-use assets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	[...]
interest expense on lease liabilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	[...]
expenses related to short-term leases accounted for applying IFRS 16.6.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	[...]
expenses related to leases of low-value assets accounted for applying IFRS 16.6.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	[...]
expenses related to variable lease payments not included in the measurement of lease liabilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	[...]
income from subleasing right-of-use assets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	[...]
total cash outflow for leases	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	[...]
gains or losses arising from sale and leaseback transactions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	[...]
maturity analysis of lease liabilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	[...]
additional qualitative and quantitative information about lessee's leasing activities as required by IFRS 16.59 (e.g., future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	[...]
Lessors' disclosure for finance leases	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	[...]
Lessors' disclosure for operating leases	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	[...]
Lessors' additional qualitative and quantitative information about the lessors' leasing activity as required by IFRS 16.92 (i.e., the nature of the lessor's leasing activities and, how the lessor manages the risk associated with any rights it retains in underlying assets)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	[...]
Other ² (please specify)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	[...]

31 **Question 10** – Please indicate to what degree the following disclosure requirements result in entities providing useful information to users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity (1-low / 5-high) and explain why.

	1	2	3	4	5
disclosure about the right-of-use assets (additions, the carrying amount at the end and depreciation charge by class of underlying asset)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
interest expense on lease liabilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
expenses related to short-term leases accounted for applying IFRS 16.6.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
expenses related to leases of low-value assets accounted for applying IFRS 16.6.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
expenses related to variable lease payments not included in the measurement of lease liabilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
income from subleasing right-of-use assets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
total cash outflow for leases	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
gains or losses arising from sale and leaseback transactions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
maturity analysis of lease liabilities applying paragraphs 39 and B11 of IFRS 7 <i>Financial Instruments: Disclosures</i> separately from the maturity analyses of other financial liabilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
additional qualitative and quantitative information about lessee’s leasing activities as required by IFRS 16.59 (e.g., future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lessors’ disclosure for finance leases	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lessors’ disclosure for operating leases	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lessors’ additional qualitative and quantitative information about the lessors’ leasing activity as required by IFRS 16.92 (i.e., the nature of the lessor’s leasing activities and, how the lessor manages the risk associated with any rights it retains in underlying assets)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other ² (please specify)					
[...]	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please provide further details supporting your assessment in the table above

Section 3 – Overall assessment relating the recognition, measurement and presentation requirements in IFRS 16

32 **Question 11** - In your view, do the recognition, measurement and presentation requirements in IFRS 16 result in a more faithful representation of lease transactions in the **statement of financial position**?

- (a) Yes, they do.
- (b) Yes, they do but there is room for improvement. Please explain why and how the IASB should improve it.

- (c) No, they do not. Please explain why and how the IASB should reconsider current requirements.

33 **Question 12** - In your view, do the recognition, measurement and presentation requirements in IFRS 16 result in a more faithful representation of lease transactions in the **statement of profit or loss**?

- (a) Yes, they do.
- (b) Yes, they do but there is room for improvement. Please explain why and how the IASB should improve it.

- (c) No, they do not. Please explain why and how the IASB should reconsider current requirements.

34 **Question 13** - In your view, do the recognition, measurement and presentation requirements in IFRS 16 result in a more faithful representation of lease transactions in the **statement of cash flows**?

- (a) Yes, they do.
- (b) Yes, they do but there is room for improvement. Please explain why and how the IASB should improve it.

- (c) No, they do not. Please explain why and how the IASB should reconsider current requirements.

35 **Question 14** – In some industries, e.g. retail industry, variable lease payments excluded from the lease liability and right of use calculation may represent a relevant portion of the total lease payments made throughout the lease term. In your view, is there any new evidence/element (e.g., new market conditions/trends) the IASB should take into account to assess whether current accounting requirements for variable lease payments provide a faithful representation in the financial statements that is useful for the users of financial information?

(a) Yes, the IASB might reconsider current requirements in IFRS 16 taking into account the new evidence. (Please explain.)

(b) No, although current requirements might need to be improved, there is no new evidence the IASB should reconsider.

(c) No, there is not, and current requirements in IFRS 16 do not need to be improved/reconsidered.

Section 4 – Impacts from interaction between IFRS 16 and other IFRS Accounting Standards and Interpretations

36 **Question 15** – In your experience, are there any interactions between IFRS 16 and other IFRS Accounting Standards and Interpretations that reduce the usefulness and comparability of resulting information (e.g., diversity in practice)?

(a) Yes, there are.

(i) Please describe the issue(s) and provide practical example(s) where it is unclear how to apply IFRS 16 with the requirements of other IFRS Accounting Standards (and Interpretations) and explain why.

(ii) For any prevalent application issue that you have detailed above, please indicate, where relevant, how the IASB should address it.

(b) No, there are not.

Section 5 – Other information

37 **Question 16** – The IASB introduced, beside the full retrospective method, the practical expedients and the option to use the modified retrospective method – which does not require the restatement of comparative period at transition - to reduce the cost and burden of transition for preparers of financial statements. At the same time, by requiring additional disclosures, the IASB sought to ensure users of financial statements received useful information for their trend analyses.

Did you experience any relevant issue in terms of usefulness of the information provided by the entities when initially applying IFRS 16? If so, why?

(a) Yes, I did. (Please explain why)

(b) No, I did not.

38 **Question 17** - Do you have any additional input about the impact of IFRS 16 and/or any new evidence not yet considered by the IASB when drafting IFRS 16 (e.g., new market conditions or new business models) that EFRAG should raise to the IASB during the PIR?

(a) No, I have not.

(b) Yes, I have. (Please explain)

39 **Question 18** – Do you have any suggestion for any relevant studies/papers that should be analysed by EFRAG as part of this PIR?

(a) No, I have not.

(b) Yes, I have. (Please explain)

40 **Question 19** - Would you be available for a follow-up discussion with the EFRAG project team? If yes, please provide your contact details.

(a) Yes.

(b) No.