

Sub: Exposure Draft of IFRS Standard issued by the IASB for comments

Indian Accounting Standards (Ind AS) are based on the IFRS issued by the International Accounting Standards Board (IASB) of IFR Foundation. The IASB, before issuing the new/amendments to IFRS Standards, issues the Exposure Draft (ED) for public comment across the globe. The Accounting Standards Board (ASB) of ICAI with the aim to provide an opportunity to the various stakeholder in India to raise their concerns at the initial International Standard-setting stage (ED stage) itself, invites comments on the ED issue by the IASB. It also helps the Indian stakeholders to be aware of the preparations required for implementation of Ind AS in line with adhering to global timelines. At present, following ED issued by IASB is open for comments by March 29, 2021:

• **Lease Liability in a Sale and Leaseback - Proposed amendment to IFRS 16**

Through this ED, the IASB has proposed to amend IFRS 16, Leases. The proposed amendment would specify the method a seller-lessee uses in initially measuring the right-of-use asset and liability arising in a sale and leaseback transaction and how the seller-lessee subsequently measures that liability. The proposed amendment applies to sale and leaseback transactions in which, applying paragraph 99 of IFRS 16, the transfer of the asset satisfies the requirements to be accounted for as a sale of the asset.

Background of publishing this amendment by IASB:

The IFRS Interpretations Committee (Committee) of the IASB had received a request about a sale and leaseback transaction that includes variable lease payments. The request asked how the seller-lessee measures the right-of-use asset arising from the leaseback and, thus, determines any gain or loss to recognise at the date of the transaction. The Committee concluded that IFRS 16 provides an adequate basis for a seller-lessee to determine the accounting for the sale and leaseback transaction at the date of the transaction and published an agenda decision explaining this conclusion.

However, the Committee's discussions on this matter highlighted the absence of specific subsequent measurement requirements for sale and leaseback transactions in IFRS 16. The IASB was informed that diverse views on how to subsequently measure the liability arising in a sale and leaseback transaction could lead to material differences in the financial statements of seller-lessees that enter into such transactions. The IASB, therefore, proposes to amend IFRS 16 to add subsequent measurement requirements for sale and leaseback transactions. To facilitate this proposed amendment, the IASB is also proposing to specify the method a seller-lessee uses in initially measuring the right-of-use asset and liability arising in such transactions. The proposal set out in this Exposure Draft would improve the requirements for sale and leaseback transactions in IFRS 16. The proposal would change neither the principles for the sale and leaseback requirements in IFRS 16 nor the accounting for leases unrelated to sale and leaseback transactions.

The above mentioned ED is hosted on the website of the Institute of Chartered Accountants of India for public comments with last date as February 15, 2021, and can be accessed at the following link: <https://www.icai.org/resource/62442asb141220.pdf>

Comments on the abovementioned ED may be submitted through any of the following modes:

1. Click on <http://www.icai.org/comments/asb/> to Electronically: submit comment online (Preferred method)
2. Email: Comments can be sent to: commentsasb@icai.in
3. Postal Secretary, Accounting Standards Board,
The Institute of Chartered Accountants of India,
ICAI Bhawan, Post Box No. 7100,
Indraprastha Marg, New Delhi 110 002

Further clarifications on this ED may be sought by e-mail to asb@icai.in