

- 1. Planning for IFRS 16 Implementation**
- 2. Specific Issues for different sectors**
- 3. Activities by various stakeholders in terms of supporting implementation of IFRS 16**

# 1. Planning for IFRS 16

2

**IFRS 16 was issued in January this year (2016) and is effective from January 2019, so no entity has applied. Yet to discuss with various stakeholders on potential impact of the standard but some issues that may arise are as follows especially for LESSEES:**



# 1. Planning for IFRS 16

3

- 1. Accounting systems (Processes and records) will need to be revised to enable proper preparation of financial reports, mainly to comply with on-balance sheet treatment of previous operating leases.**



# 1. Planning for IFRS 9

4

**2. Training is required so that accountants identify potential problems and gaps that may make it difficult to implement IFRS 16 for lessees. For example valuation issues and thresholds for assets treated previously as operating leases and now required to be treated as finance leases. This includes transition.**

# 1. Planning for IFRS 9

---

3. Some issues still rise that require judgment like the lease period.

4. The need to link IFRS 16 with other important standards like IFRS 15 (Dealers in lease assets) and IFRS 9 (finance lease obligations).



# 1. Planning for IFRS 9

---

6

5. IFRS 16 may impact on practical issues on disclosures and taxes.



## 2. Specific Sector Issues

7

### 1. Non Financial entities

**There could be a major impact on reporting especially where such entities are using leases to finance substantial portions of their assets and issues of transioning.**



## 2. Specific Sector Issues

8

### 2. Financial Entities – Banks

**Most banks are lessors and hence no significant impact on their financial. However, those banks that have been using operating leases may need to transition to finance leases, hence may increase liabilities in their balance sheet. An Indirect effect on risk measures and may also increase the interest expense.**



## 2. Specific Sector Issues

9

### 2. Financial Entities – Pension Firms

**Most pension firms would be classified as lessors hence minimal impact expected here, unless some assets that are under operating leases and need to be classified as finance leases.**



## 2. Specific Sector Issues

10

### 2. Financial Entities – Insurance Co.s

**Mostly lessors, but if having operating leases, then the leases may need to be reclassified into finance, hence increasing liabilities.**

## 2. Specific Sector Issues

### 2. Financial Entities – Investment co.s

**Mostly lessor, so less effect on financials.**



### 3. What is being done to prepare

12

- 1. ICPAK has several IFRS workshops, nearly every month and some sessions cover Leases. These sessions are also customized for specific sectors. ICPAK also has inhouse trainings for companies that have specific issues in accounting for leases and other assets. In addition we have the Financial Reporting Excellence awards.**



### 3. What is being done to prepare

13

**2. KASNEB/ACCA, curriculum also provides avenues for examining current issues such as the new accounting standard for leases in the accounting exams.**

**3. Audit firms also have sessions for training and materials in these areas.**

