



7 May 2020

International Accounting Standards Board
7 Westferry Circus
Canary Wharf
London
E14 4HD

Via email: commentletters@ifrs.org

Dear Sir/Madam,

Re: IASB consultation on covid-19-Related Rent Concessions - Proposed amendment to IFRS 16

The Corporate Reporting Users' Forum (CRUF) welcomes the opportunity to comment on the Exposure Draft, '*Covid-19-Related Rent Concessions - proposed amendment to IFRS 16*'.

Responses to the questions raised in the consultation that relate to the issues that concern investors are set out below.

Question 1—Practical expedient (paragraphs 46A and 46B of the [Draft] amendment to IFRS 16)

Paragraph 46A of the draft amendment to IFRS 16 proposes, as a practical expedient, that a lessee may elect not to assess whether a covid-19-related rent concession is a lease modification. A lessee that makes this election would account for any change in lease payments resulting from the covid-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

Paragraph 46B of the draft amendment to IFRS 16 proposes that the practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due in 2020; and
- (c) there is no substantive change to other terms and conditions of the lease.

Do you agree that this practical expedient would provide lessees with practical relief while enabling them to continue providing useful information about their leases to users of financial statements? Why or why not? If you disagree with the proposal, please explain what you propose and why.

The CRUF response:

The CRUF agrees with the proposed practical expedient, that a lessee may elect not to assess whether a covid-19-related rent concession is a lease modification. Given the relatively short period available to decide and implement the best accounting treatment of covid-19-rent related concessions, the practical expedient is a reasonable compromise. It relieves the reporting entity of the need to assess whether the covid-19-concession meets the definition of a lease modification and any change to accounting that could result were the practical expedient not available.

The CRUF agrees with the conditions in Amendment to IFRS 16' *Leases*' paragraph 46B (conditions a – c in Question1). They ensure that any rent holiday is treated as variable lease payment, resulting in a credit in the income statement.

Paragraph BC5 (b) explains the limitation in (b) that any reduction in lease payments affects only payments originally due in 2020. The CRUF agrees with this limitation. It prevents the application of the practical expedient to future changes that would be open to interpretation as to whether they are attributable to covid-19. The relief is thereby provided to the lessee when it is most needed.

Question 2— Effective date and transition (paragraphs C1A and C20A of the [Draft] amendment to IFRS 16)

Paragraphs C1A and C20A of the draft amendment to IFRS 16 propose that a lessee would apply the amendment:

(a) for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at the date the amendment is issued; and

(b) retrospectively, recognising the cumulative effect of initially applying the 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.

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you propose and why

The CRUF response:

The CRUF agrees with the proposal. The disclosure requirement (paragraph 60A) to disclose application of use of the practical expedient should explain the accounting in (b) to enable users to understand its effect on the financial statements.

The CRUF believes that, given that the amendment is specific to the covid-19 pandemic, it is not required to be reported as a change of accounting policy in accordance with IAS 8 '*Accounting Policies, Changes in accounting Estimates and Errors*' paragraph 14, particularly as there is the



limitation in 46B(b) to payments originally due in 2020. This point does not appear to be considered in the BC section.

C1A refers to annual reporting periods beginning on or after 1 June 2020. BC12 mentions retrospective application to interim financial statements for issue after receiving covid-19-related rent concessions. Should there be a covid-19 amendment to IAS 34 '*Interim Financial Reporting*'?

About the Corporate Reporting Users' Forum (CRUF)

The CRUF was set up in 2005 by users of financial reports to be an open forum for learning about and responding to the many accounting and regulatory changes that affect corporate reporting. In particular, participants are keen to have a fuller input into the deliberations of accounting standard setters and regulators. CRUF participants include buy and sell-side analysts, credit ratings analysts, fund managers and corporate governance professionals. Participants focus on equity and fixed income markets. The Forum includes individuals with global or regional responsibilities and from around the world, including Australia, Canada, France, Germany, Hong Kong, India, Japan, New Zealand, South Africa, UK and USA.

The CRUF is a discussion forum. Different individuals take leadership in discussions on different topics and in the initial drafting of representations. In our meetings around the world, we seek to explore and understand the differences in opinions of participants. The CRUF does not seek to achieve consensus views, but instead we focus on why reasonable participants can have different positions. Furthermore, it would not be correct to assume that those individuals who do not participate in a given initiative disagree with that initiative. This response is a summary of the range of opinions discussed at the CRUF meetings held globally. Local country differences of opinion are noted where applicable.

Participants take part in CRUF discussions and joint representations as individuals, not as representatives of their employer organisations. Accordingly, we sign this letter in our individual capacity as participants of the Corporate Reporting Users' Forum and not as representatives of our respective organisations. The participants in the Forum that have specifically endorsed this response are listed below.



(Signatures)

Jeremy Stuber

Anna Czarniecka
Financial Reporting consultant

Marietta Miemietz
Primavenue

Chris Moore
Evenlode Investment Management

Peter Parry
UKSA

Sue Milton
UKSA

Charles Henderson
Independent

Goro Kumagai
Senior Fellow, Markets Strategic Intelligence Department, Mizuho Securities
SVP on Corporate Accounting, the Securities Analysts Association of Japan
Adjunct Professor, Graduate School of Management, Kyoto University

Chie Mitsui
CMA, Senior researcher
Nomura Research institute

Masayuki Kubota, CFA
Head of Rakuten Securities Economic Research Institute
Rakuten Securities, Inc