
IASB[®] meeting

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Project	Post-implementation Review of IFRS 16 Leases
Topic	Usefulness of information about lessees' lease-related cash flows Ozlem Arslan (ozlem.arslan@ifrs.org)
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Purpose and structure of this paper

1. At its meeting in January 2026, the International Accounting Standards Board (IASB) discussed [the summary of stakeholders' feedback](#) to Question 3 in the [Request for Information Post-implementation Review of IFRS 16 Leases](#) (RFI), which asked about the usefulness of information relating to lessees' lease-related cash flows.
2. At this meeting, the IASB will discuss our analysis of the feedback and decide how to respond to that feedback. In developing our recommendations, we applied a framework for responding to the matters identified in a post-implementation review (PIR), published on the IFRS Foundation website: [IASB post-implementation reviews](#).
3. This paper is structured as follows:
 - (a) summary of staff recommendations (paragraph 4);
 - (b) feedback overview (paragraphs 5–11);
 - (c) introduction to staff analysis (paragraphs 12–19);
 - (d) classification and presentation of lessees' lease-related cash flows (paragraphs 20–37);

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- (e) fragmentation and complexity of cash flow information (paragraphs 38–56);
 - (f) comparability between lessees and entities that borrow to buy assets (paragraphs 57–65); and
 - (g) Appendix A—Other matters related to the usefulness of information about lessees’ lease-related cash flows.

Summary of staff recommendations

4. Based on our analysis in this paper, we recommend the IASB:
 - (a) add to its project pipeline a research project to explore requiring lessees to disclose the components of the total cash outflow for leases together with which line item in the statement of cash flows each component of the total cash outflow is presented;
 - (b) consider in the Statement of Cash Flows and Related Matters project stakeholders’ feedback related to:
 - (i) classification and presentation of lease-related cash flows by lessees; and
 - (ii) lack of comparability between lessees and entities that borrow to buy assets; and
 - (c) take no action in relation to other matters related to the usefulness of information about lessees’ lease-related cash flows raised by stakeholders (see Appendix A).

Feedback overview

5. Many stakeholders commented on the usefulness of information about lessees’ lease-related cash flows (Question 3 in the RFI). Of those stakeholders:

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- (a) many agreed that, overall, the improvements to the quality and comparability of financial information about lease-related cash flows that lessees present and disclose are largely as the IASB expected; and
 - (b) many either explicitly said that the improvements are lower (or significantly lower) than expected or provided mixed feedback.
 6. Some stakeholders commented specifically on the interaction between this PIR and the IASB's ongoing project on the Statement of Cash Flows and Related Matters saying that the IASB should consider their feedback in that ongoing project.

Positive feedback

7. Of those who commented on Question 3 in the RFI, many stakeholders (including most accountancy bodies, many standard-setters and many accounting firms) provided positive feedback. These stakeholders generally agreed that IFRS 16 results in lessees' presenting and disclosing better-quality information that improves the transparency and comparability of lease-related cash flows, as the IASB expected.
8. However, some stakeholders who provided positive feedback still highlighted areas of complexity and raised some concerns about the quality, granularity or comparability of information. These concerns were similar to the concerns of those who provided mixed or negative feedback.

Negative or mixed feedback

9. Some stakeholders (including most users of financial statements (users), some preparers, some standard-setters and a few accountancy bodies), who commented on Question 3 in the RFI, provided negative feedback. These stakeholders said the improvements to the quality and comparability of lease-related cash flow information are lower or significantly lower than the IASB expected and, in some cases, the requirements in IFRS 16 have resulted in a decrease in the usefulness of information in the statement of cash flows.

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10. Some other stakeholders (including many standard-setters, many preparers, a few accountancy bodies and a few accounting firms), who commented on Question 3 in the RFI, provided mixed feedback. These stakeholders did not explicitly agree or disagree that the improvements to the quality and comparability of financial information about lessees' lease-related cash flows are largely as the IASB expected. Some of them made positive comments, for example, that a single lessee accounting model enhances the comparability of lease-related information, and the detailed disclosure requirements enhances the transparency and consistency of cash flow information that lessees provide. However, most of these stakeholders (including those that made positive comments) raised some concerns, which are largely similar to comments of those stakeholders who explicitly provided negative feedback. However, the concerns do differ in the overall context and sentiment (that is, negative or mixed) that the two groups of stakeholders provide those concerns in.
11. For detailed feedback about lessees' lease-related cash flows, see [Agenda Paper 7C for the January 2026 IASB meeting](#) and paragraphs 26–31 of [Agenda Paper 7E for the January 2026 IASB meeting](#).

Introduction to staff analysis

Prioritisation framework

12. As set out in the description of [IASB post-implementation reviews](#), a PIR involves assessing whether the new requirements are overall working as intended, with the benefits to users of the information arising from applying the new requirements *not significantly* lower than was expected and the costs of applying the requirements and auditing and enforcing their application *not significantly* greater than was expected.
13. In our view the feedback is inconclusive in assessing whether the benefits to users of information about lessees' lease-related cash flows are significantly lower than expected, given the variations in stakeholders' views. While some stakeholders (based on all stakeholders providing feedback) said the benefits were as the IASB expected, many stakeholders (including many users) raised various concerns, with some

stakeholders saying explicitly that the improvements are lower (or significantly lower) than the IASB expected. Hence the feedback is mixed. Therefore, we think it is reasonable to consider the criteria in paragraph 15 in deciding whether to take further action.

14. Based on the feedback received, we identified three main topics related to lessees' lease-related cash flows that stakeholders said contribute most to their concerns:
 - (a) classification and presentation of lessees' lease-related cash-flows (paragraphs 20–37);
 - (b) fragmentation and complexity of cash flow information (paragraphs 38–56); and
 - (c) lack of comparability between lessees and entities that borrow to buy assets (paragraphs 57–65).
15. The remainder of this paper analyses whether to take action in response to these matters and how to prioritise them depending on the extent to which evidence gathered during the PIR indicates that:
 - (a) the matter has *substantial consequences* (for example, widespread diversity in practice materially affects users' ability to analyse trends and compare entities);
 - (b) the matter is *pervasive* (for example, it affects transactions that occur frequently in various industries and jurisdictions);
 - (c) the matter arises from a financial reporting issue that *can be addressed* by the IASB or the IFRS Interpretations Committee (Committee)—that is, a feasible solution is likely to exist; and
 - (d) the benefits of any action are expected to *outweigh the costs* (considering the extent of disruption to current practice and operational costs from change in the light of the importance of the matter to users).
16. Appendix A—Other matters related to the usefulness of information about lessees' lease-related cash flows summarises feedback raised by no more than a few

respondents. We do not recommend taking action on any of these matters because the feedback does not provide evidence of the matters meeting the criteria in paragraph 15(a)–(d). In particular, the feedback does not suggest that the matters are pervasive, have substantial consequences or that the benefits of any actions would justify the costs.

What do IFRS Accounting Standards require?

17. To retain the link with the statement of financial position and statement of profit or loss, a lessee is required to classify in the statement of cash flows:
 - (a) cash payments for the principal portion of the lease liability within financing activities;
 - (b) cash payments for the interest portion of the lease liability in accordance with *IAS 7 Statement of Cash Flows*; and
 - (c) short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities.
18. IFRS 16 requires a lessee to disclose the total cash outflow for leases. IFRS 16 also requires a lessee to disclose additional qualitative and quantitative information about its leasing activities to give users a basis on which to assess the effect leases have on a lessee's cash flows. This additional information might include information about future cash outflows to which the lessee is potentially exposed that are not included in the measurement of lease liabilities.¹
19. Paragraphs 43–44E of IAS 7 require an entity:
 - (a) to exclude investing and financing non-cash transactions from the statement of cash flows and disclose them in the notes to the financial statements. Examples

¹ See paragraphs 50, 53(g) and 59 of IFRS 16.

of non-cash transactions are the acquisition of assets either by assuming directly related liabilities or by means of a lease.

- (b) to disclose information that enables users to evaluate changes in liabilities arising from financing activities (which include lease liabilities), including changes arising from both cash flows and non-cash movements.

Classification and presentation of lessees' lease-related cash-flows

What do stakeholders say?

- 20. Some stakeholders (many of the stakeholders who provided negative or mixed feedback) raised concerns about the presentation of a lessee's lease-related cash flows and said that classifying leases as financing activities:
 - (a) does not reflect the operating nature of lease payments, particularly in lease-intensive industries such as retail, telecommunications or airlines. In some stakeholders' views, some leases are core to operating activities and do not represent a financing decision.
 - (b) is inconsistent with how entities manage and report operating cash flows, including key performance measures, such as free cash flow, or how external stakeholders use information about cash flows (when analysing trends, making credit assessments, valuing entities or monitoring covenants). This leads to management reporting alternative performance measures and analysts relying on adjusted or non-GAAP information.
 - (c) introduces inconsistencies and hinders comparability between entities purchasing assets and entities leasing assets.
- 21. Some users who commented on lessees' lease related cash flows said they do not consider leases as debt-like transactions or that the current classification of leases in the statement of cash flows makes it hard for them to calculate some key metrics (such as free cash flow) for their analyses. Some users expressed concerns that the classification of payments for the principal portion of the lease liability as financing

cash outflows does not align with the nature of business operations. These users view such payments as arising from operating activities and consider the current classification to be inconsistent with how entities manage and report their operating cash flows.

22. A few stakeholders said it is unclear how lessees should classify cash flows related to advance payments (prepaid lease payments) or lease incentives received from lessors. These stakeholders raised concerns about entities classifying and presenting these payments inconsistently in various categories of the statement of cash flows. Some entities classify these payments (applying paragraph 16(e) of IAS 7) as investing activities, while others classify them as financing activities, reflecting their view that these payments form part of the initial measurement of the lease liability applying IFRS 16. In some cases, entities classify these payments as operating activities.

Staff analysis

Does the matter have substantial consequences?

23. Some stakeholders (including many users) raised concerns about classification and presentation of lessees' lease-related cash flows. They said that the current classification and presentation of lessees' lease-related cash flows do not reflect the operating nature of lease payments, hinders comparability between entities, is inconsistent with how the business is managed and how users analyse cash flows. In addition, some users also raised concerns about the related matter (fragmentation and complexity of information about cash flows—see paragraph 39). Therefore, considering the feedback on the consequences of the current classification and presentation requirements, we think that the criterion in paragraph 15(a)—the matter has *substantial consequences*—is met.

Is the matter pervasive?

24. Some stakeholders (including many users, many standard-setters and some accountancy bodies) mostly from Asia-Oceania and Europe raised concerns about the

classification and presentation of lessee's lease-related cash flows. Considering that leases are a widespread form of financing and that stakeholders of various types from various regions raised concerns about the classification and presentation of lessees' lease-related cash flows, we think that the criterion in paragraph 15(b)—the matter is *pervasive*—is also met.

Is there a feasible solution and are the benefits of the solution expected to outweigh the costs?

25. Paragraphs BC210–BC211 of the Basis for Conclusions on IFRS 16 include the IASB's rationale for the classification and presentation requirements of lessees' lease-related cash flows:

The IASB's decisions on the presentation of lease cash outflows are linked to the nature of the right-of-use asset and lease liability, and the presentation of expenses arising from a lease in the income statement. In the IASB's view, it would be misleading to portray payments in one manner in the income statement and in another in the statement of cash flows.

Consequently, the IASB decided that a lessee should classify the principal portion of cash repayments of the lease liability as financing activities in the statement of cash flows and classify cash payments relating to interest consistently with other interest payments. This approach is consistent with the requirements in IAS 7 *Statement of Cash Flows* for cash flows relating to financial liabilities and provides comparability between interest paid on leases and interest paid on other financial liabilities. This approach also results in a lessee accounting for a lease consistently in the balance sheet, income statement and statement of cash flows. For example, a lessee (a) measures and presents the lease liability similarly to other financial liabilities; (b) recognises and presents interest relating to that liability in a similar

manner to interest on other financial liabilities; and (c) presents cash paid relating to interest on lease liabilities similarly to interest on other financial liabilities.

26. To better understand the underlying cause of stakeholders' concerns, we analysed the comments to determine whether stakeholders who had concerns about the classification and presentation of lessees' lease-related cash flows also expressed negative views on the IFRS 16 accounting model as a whole. In other words, we wanted to assess whether their concerns were specific to cash flow information or reflected broader disagreement with the Standard and the resulting information. We found that most stakeholders who raised concerns about the classification and presentation (including most users), expressed overall positive views on the IFRS 16 lessee model.
27. In our view, the main advantage of classifying principal payments within financing activities is that it is conceptually consistent with treating the lease liability as a financial liability. Classifying all lessees' lease-related cash outflows within operating activities (an approach the IASB considered and rejected when developing the Standard) would reflect lease payments as costs directly related to an entity's day-to-day operations and might limit the extent to which users need to adjust reported figures when assessing, for example, a lessee's 'free cash flow'. However, this classification and presentation of lessees' lease-related cash flows might be inconsistent with how most stakeholders (including many users) treat and analyse leases (that is, as debt-like transactions).
28. A few stakeholders acknowledged the concerns about the classification and presentation of lessees' lease related cash flows. However, they expressed concerns about whether amending the requirements in IFRS Accounting Standards (to permit or require lessees to present all repayments of the principal of lease liabilities within operating cash flows) would improve the quality and usefulness of financial reporting. They said that requiring (or permitting) a different presentation of cash flows based on the specific characteristics of lease transactions would result in reduced comparability

- and, depending on how the criteria would be defined, might lead to enforcement challenges and increased diversity in practice.
29. Many stakeholders who raised concerns about the classification and presentation of lease-related cash flows said the current treatment does not reflect the nature of leases and, in their view, lease payments are part of an entity's day-to-day operations rather than debt-like transactions. In our desktop research on lease-related alternative performance measures presented in [Agenda Paper 7A for the March 2025 IASB meeting](#), we observed diversity in practice in the treatment of lease liabilities in net debt measures. Although many entities included lease liabilities in net debt, some others excluded them, and some presented both measures, including and excluding lease liabilities.
30. We think this diversity in practice reflects differing views on the nature of lease payments. On the one hand, when the nature of the obligation is considered, lease payments may be viewed as financing activities because they arise from a financial liability. On the other hand, when the function of the payments is considered, they may be viewed as operating activities, as they relate to obtaining the use of assets in the course of the entity's operations. These differing perspectives illustrate that there are multiple ways to view the classification of lease-related cash flows.
31. In our view, it might not be feasible to provide a solution to the classification and presentation of lessees' lease-related cash flows that would meet the information needs of *all* users (or that would be acceptable by all stakeholders) given the differences in stakeholders' views about the nature of lease arrangements (that is, whether they are operating in nature or debt-like transactions).
32. We also note that IFRS 18 *Presentation and Disclosure in Financial Statements* (effective for annual reporting periods beginning on or after 1 January 2027) has removed the presentation alternatives for interest cash flows for most entities—interest paid is generally classified in cash flows from financing activities. This change in classification might address some of the stakeholders' concerns about the differences in classification and insufficient information about where in the statement

- of cash flows lessees present cash payments for the interest portion of the lease liability; the latter concern is discussed further in paragraphs 38–56.
33. In paragraphs BC210–BC211 of the Basis for Conclusions on IFRS 16, the IASB noted the importance of consistency of the classification of lease-related cash flows with that of other financial liabilities. These other financial liabilities could also include transactions that are economically similar to leases, such as vendor-financed arrangements. Considering this, and the diversity in views described above, we think that it would be more appropriate to consider feedback on classification and presentation of lease-related payments within the Statement of Cash Flows and Related Matters project, which would allow the broader implications to be considered. In that project stakeholders also commented on the classification of lease-related cash flows and noted that leases are common transactions that investors and preparers adjust for. Addressing classification and presentation holistically within that project, would likely provide a more consistent and conceptually aligned solution to respond to stakeholders’ feedback.
34. We also note that in its Statement of Cash Flows and Related Matters project, the IASB tentatively decided:
- (a) to develop potential requirements to strengthen the link between (i) the statement of cash flows; and (ii) information presented or disclosed in other parts of the financial statements in accordance with IFRS Accounting Standards other than IAS 7; and
 - (b) to explore amending the principle for classifying cash flows in paragraph 11 of IAS 7 to help entities apply the principle more consistently.
35. We acknowledge stakeholders’ concerns about the classification and presentation of lessees’ lease-related cash flows. We also note that many of those stakeholders suggest that these matters be considered as part of the Statement of Cash Flows and Related Matters project. We agree that considering the feedback holistically within a broader framework that supports a more consistent approach to the classification of cash flows would be the most cost-effective approach for the IASB and its stakeholders (because they would only need to comment on a proposed solution

once). In addition, it is likely to be the most beneficial approach for users, because it is likely to result in the development of consistent principles (or requirements) for the classification and presentation of lease-related cash flows and other cash flows.

36. In response to stakeholders' feedback in paragraph 22, differences in classification and presentation of such lease-related cash flows by lessees might arise because entities view lease transactions differently and classify these payments depending on whether they are seen as payments to obtain an asset, to settle a financing obligation, or as part of ongoing lease payments. In our view, in the absence of specific requirements for such payments, differences in classification and presentation might also reflect broader challenges in applying the classification principles in IAS 7, which the IASB is exploring improvements to in the Statement of Cash Flows and Related Matters project.

Staff recommendation and question for the IASB

37. For the reasons discussed in paragraphs 23–36, we recommend that the IASB consider stakeholders' feedback about the classification and presentation of lessees' lease-related cash flows in its Statement of Cash Flows and Related Matters project.

Question 1 for the IASB

Do IASB members agree with the staff recommendation in paragraph 37?

Fragmentation and complexity of cash flow information

What do stakeholders say?

38. Some stakeholders (many of the stakeholders who provided negative or mixed feedback) raised concerns about fragmentation and the overall complexity for users to understand and analyse the effect that leases have on historical and future cash flows. Their comments included:

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- (a) classifying various lease-related cash flows in operating and financing categories, as well as splitting a single, fixed lease payment between principal and interest components obscures the total cash outflow related to leases.
 - (b) presenting fixed lease payments as financing cash flows and variable lease payments (that do not depend on an index or rate) as operating cash flows hinders comparability across entities and complicates analysis in sectors where variable lease payments are significant (for example, retail). This is because entities report varying proportions of fixed and variable lease payments and their operating cash flows might differ significantly.
 - (c) there is insufficient information to allow users to link lease-related information between the balance sheet, the income statement and the statement of cash flows.
 - (d) the application of the requirement to disclose information about the total cash outflow for leases raises several issues:
 - (i) the requirement is applied inconsistently among entities. Some preparers include only cash outflows from lease liabilities (principal payments and interest payments); others also include payments for low-value assets, short-term leases and variable lease payments that do not depend on index or rate.
 - (ii) disclosures sometimes lack sufficient detail about the components of total cash outflows, or those components are not clearly defined.
 - (iii) information about the components of total cash outflows is sometimes not presented in a single place in the notes to the financial statements.
39. Some users said analysing lease-related cash flows is complex, because they are classified in different categories in the statement of cash flows and in some cases the lease-related information is not sufficiently disaggregated. Users' comments included:
- (a) the requirement to disclose information about total cash outflows for leases is inconsistently applied;

- (b) the quality of reported information often does not enable them to understand differences between lease expenses presented in the income statement and lease-related cash flows presented in the statement of cash flows;
- (c) in some cases, information about variable lease payments (excluded from the measurement of the lease liability) is not separately presented in the statement of cash flows or disclosed in the notes, even if material;
- (d) many entities do not disclose changes in liabilities, including lease liabilities, arising from financing activities; and
- (e) lease-related information necessary to calculate free cash flow is not necessarily disclosed in a single location, and the relationship between information provided in several notes is difficult to understand.

Staff analysis

Does the matter have substantial consequences?

40. Some stakeholders (including some users) raised concerns about the fragmentation of lease-related cash flows and the overall complexity for users to understand and analyse the effect that leases have on historical and future cash flows. These stakeholders raised concerns about inconsistent (incomplete) disclosure of information about the total cash outflow for leases, hindered comparability of information about cash flows, and insufficient information to link lease-related information with other primary financial statements. In addition, many users also raised concerns about the related matter (classification and presentation of lessees' lease-related cash flows—see paragraph 23). Therefore, considering the feedback on the consequences of fragmentation and complexity of cash flows, we think that the criterion in paragraph 15(a)—the matter has *substantial consequences*—is met.

Is the matter pervasive?

41. Some stakeholders (including some users, many standard-setters and many accountancy bodies) mostly from Asia-Oceania and Europe raised concerns about the

fragmentation and complexity of cash flow information. Considering the prevalence of lease arrangements and that stakeholders of various types from various regions raised concerns about the fragmentation and complexity of cash flows, we think that the criterion in paragraph 15(b)—the matter is *pervasive*—is also met.

Is there a feasible solution and are the benefits of the solution expected to outweigh the costs?

42. We think there are several reasons for stakeholders' concerns about the fragmentation and complexity of cash flow information. In our view one of the main contributors to stakeholders' concerns are the differing views of the nature of lease arrangements and hence of the appropriate classification and presentation of lessees' lease-related cash flows such that the classification and presentation requirements in IFRS 16 are not able to provide useful information for *all* users (see our analysis in paragraphs 23–37). In addition, we think that concerns are related to:
- (a) the lack of clarity (and diversity) in relation to which cash outflows lessees are required to include when disclosing their total cash outflow for leases;
 - (b) insufficient information to allow users to link lease-related information between the balance sheet, the income statement and the statement of cash flows;
 - (c) the difficulty for users to understand how leases have affected different sections of the statement of cash flows; and
 - (d) non-compliance with some of the requirements in IFRS 16.
43. Based on the feedback, we think the IASB could consider making improvements to the requirement for lessees to disclose the total cash outflow for leases to help mitigate these concerns.

To improve the requirement for lessees to disclose total cash outflow for leases

44. Paragraph 53(g) of IFRS 16 requires entities to disclose the *total* cash outflow for leases for the reporting period. [emphasis added] Paragraph 50 of IFRS 16 sets out lessees' lease-related payments:

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- (a) cash payments for the principal portion of the lease liability;
 - (b) cash payments for the interest portion of the lease liability;
 - (c) short-term lease payments;
 - (d) payments for leases of low-value assets; and
 - (e) variable lease payments not included in the measurement of the lease liability.
45. Paragraph BC217 of the Basis for Conclusions on IFRS 16 explains that this disclosure was identified by users as providing the most useful information about lease cash flows and was expected to help in forecasting future lease payments.
46. In developing IFRS 16, the IASB decided at its [June 2014](#) meeting to require a lessee to disclose a single figure for lease cash outflows in the financial statements because the classification of lease-related cash flows would be fragmented across different categories in the statement of cash flows. Despite the IASB's rationale for requiring a single figure to be disclosed, the feedback in the PIR indicates concerns about the usefulness of this information in practice. In particular:
- (a) diversity in practice suggests that the composition of cash flows included in 'total cash outflow' is not always clear for the users and that such information is not consistently presented in a single location; and
 - (b) users find it difficult to reconcile the disclosed total cash outflow for leases with the amounts presented in the statement of cash flows.
47. To provide context and additional evidence, we examined whether entities disclose the total cash outflow for leases as a separate item. The purpose of our research was to assess entities' compliance with the disclosure requirement and to supplement feedback from stakeholders indicating that the information about the total cash outflow for leases is sometimes not available.
48. We prompted an AI model to analyse the consolidated financial statements of 753 entities that contain disclosures about leases for reporting years ended in 2024. Our

sample included global entities which are among the largest entities in terms of market capitalisation.²

49. Of 753 entities screened, 325 (43%) entities disclosed the total cash outflow for leases explicitly as a single figure.³ The other entities disclosed some components of cash outflows but did not include a total cash outflow figure. In some cases, entities disclosed only a single component (for example, cash flows relating to debt payments from leasing arrangements), while in other cases multiple components were disclosed. Among entities disclosing multiple components, some reported only interest payments and principal repayments related to leases. In such cases, it is difficult to determine whether payments relating to low-value assets, short-term leases or variable lease payments (a) were not incurred; or (b) were incurred but were not included in the disclosed total cash outflow for leases. Similarly, when only a total cash outflow figure is provided, it is often difficult to understand the composition of that amount.
50. Although we acknowledge that some of the concerns identified may arise from inappropriate application of disclosure requirements of IFRS 16, we think there may be scope to explore improvements to the requirements. Feedback summarised in paragraphs 38–39 indicates that users face challenges in identifying and analysing the components of lease-related cash flows and difficulties in linking information across the statement of financial position, the statement of profit or loss and the statement of cash flows due to the fragmented presentation of lease-related cash flows. Therefore, we think requiring entities to disclose the components of the total cash outflow for leases and the location of those components in the statement of cash flows could improve the usefulness of information for users. In addition, this approach could allow the IASB to clarify which components should be included in the total cash outflow for leases, thereby improving the consistent application of paragraph 53(g) of IFRS 16. The IASB could also clarify whether lease prepayments (advance payments

² See [Agenda Paper 7C for the March 2026 IASB meeting](#), which summarises the objective and scope of our AI-assisted research, our approach to designing the AI prompts and the limitations of our research.

³ We did not perform an assessment of whether leases are material to the 753 entities in our sample. Consequently, for some entities, lease-related information may be immaterial and therefore would not be required to be disclosed.

- to lessors) should be included in total cash outflow for leases and this clarification could address some of the concerns summarised in paragraph 22.
51. Such improvements to the requirements would provide greater transparency about lease-related cash flows and assist users in understanding and reconciling information presented in different parts of the financial statements. This might also help users find relevant information to make any adjustments to reported cash flows they consider necessary (for example, when calculating free cash flow). In our view, information about the components of the total cash outflow for leases and their location in the statement of cash flows should be readily available for lessees and therefore we think it is unlikely that preparers would incur significant additional costs to comply with the improved requirements in paragraph 53(g) of IFRS 16.
52. Consequently, we think the IASB should explore requiring lessees to disclose both the components of total cash outflow for leases and their location in the statement of cash flows. Such information would enhance comparability between entities and help users better understand the relationship between the statement of cash flows and the statement of profit or loss.
53. We think that potential improvements to paragraph 53(g) of IFRS 16 should be considered together with the research project to explore cost-reduction measures (see [the IASB's tentative decisions at its March 2026 meeting](#)). This would enable the IASB to holistically assess the costs for preparers and benefits for users of all potential changes to IFRS 16 at the same time. This would also be a more effective approach to standard-setting not only from the IASB's perspective, but also from stakeholders' perspective (because they would only need to comment once on any proposed amendments to IFRS 16).
54. We note that, as part of the Statement of Cash Flows and Related Matters project, the IASB is considering more broadly the principles and requirements for the classification of cash flows and disaggregation of information about cash flows. We think that the narrow-scope improvements to paragraph 53(g) of IFRS 16 that we recommend would better respond to users' needs and concerns about fragmented lease-related cash flow information than the general principles or requirements for

disaggregation. However, we think that the feedback in this PIR relating to the fragmentation of lessees' lease-related cash flows may provide a useful data point for the IASB's consideration in the Statement of Cash Flows and Related Matters project to understand some stakeholders' concerns about the classification and presentation of lease-related cash flows. Therefore, we will share the feedback with the project team.

Staff recommendation and question for the IASB

55. For the reasons discussed in paragraphs 40–54, we recommend the IASB add to its project pipeline a research project to explore requiring lessees to disclose the components of the total cash outflow for leases together with which line item in the statement of cash flows each component of the total cash outflow is presented.
56. If the IASB agrees with our recommendation in paragraph 55, for the reasons discussed in paragraph 53, we think the IASB should undertake the research at the same time as it explores potential cost-reduction measures (see the [IASB's tentative decisions at its March 2026 meeting](#)).

Question 2 for the IASB

Do IASB members agree with the staff recommendation in paragraph 55?

Comparability between lessees and entities that borrow to buy assets

What do stakeholders say?

57. Some users said to help them compare lessees with entities that borrow to buy assets, the IASB should require lessees to present non-cash movements on the lease commencement date (that is, cash outflows in investing activities and offsetting cash inflows in financing activities). A user said non-cash transactions related to leases are only disclosed by some entities and generally it is difficult to find the relevant information to compare entities that lease assets with those that borrow to buy assets. Conversely, a credit rating agency said that in almost all cases they have sufficient

information in the financial statements to make adjustments they need to compare both types of entities.

58. A few stakeholders, other than those users in paragraph 57, also raised concerns about non-cash movements or transactions, making comments such as:
- (a) insufficient information about non-cash movements related to the initial recognition of leases makes it difficult to compare entities that lease assets and entities that borrow funds to buy assets;
 - (b) the requirements in IAS 7 for non-cash transactions (see paragraph 19) are unclear or insufficient, and therefore result in disclosures that do not provide useful information; and
 - (c) the IASB should consider developing requirements to distinguish a lease from an in-substance purchase of an asset and for the classification and presentation of cash flows related to in-substance purchases (see Appendix A).

Staff analysis

Does the matter have substantial consequences?

59. Many stakeholders commented on the usefulness of information about lessees' lease-related cash flows. Of those, a few stakeholders, including some users, raised concerns about the disclosure of non-cash transactions related to leases.
60. However, feedback that the IASB received in its Statement of Cash Flows and Related Matters project suggests that matters related to non-cash transactions are important to users, with leases being one of the most commonly identified transactions. As discussed in paragraph 7 of [Agenda Paper 20A for the October 2025 IASB meeting](#), investors reported difficulty in locating information about non-cash transactions because such information is often scattered across the financial statements. Investors also consider some non-cash transactions (for example, acquiring an asset by entering into a lease) to be economically similar to cash transactions and therefore require transparent and accessible information about them.

61. At its [October 2025 meeting](#), the IASB tentatively decided to develop potential requirements to specify the content and location of information an entity discloses about non-cash transactions as part of the Statement of Cash Flows and Related Matters project.

62. Therefore, we think that, considering both the feedback received in this PIR and the broader evidence in the Statement of Cash Flows and Related Matters project about the importance of better information about non-cash transactions, the criterion in paragraph 15(a)—that the matter has *substantial consequences*—is met.

Is the matter pervasive?

63. Considering both the feedback received from a broad range of stakeholders in the PIR and the broader evidence in the Statement of Cash Flows and Related Matters project, the criterion in paragraph 15(b)—the matter is *pervasive*—is also met.

Is there a feasible solution and are the benefits of the solution expected to outweigh the costs?

64. There is limited feedback on non-cash transactions in the PIR. However, we note that non-cash transactions extend beyond leases. Therefore, developing improvements to financial information about non-cash transactions in general requires a broader, holistic approach. In this context, the IASB tentatively decided to develop potential requirements specifying the content and location of information an entity should disclose about non-cash transactions as part of the Statement of Cash Flows and Related Matters project.

Staff recommendation and question for the IASB

65. For the reasons discussed in paragraphs 59–64, we recommend the IASB consider stakeholders' feedback about the lack of comparability between lessees and entities that borrow to buy assets in its Statement of Cash Flows and Related Matters project.

Question 3 for the IASB

Do IASB members agree with the staff recommendation in paragraph 65?

Question 4 for the IASB

As explained in paragraph 16, the staff recommend no action in relation to the matters discussed in Appendix A.

Do IASB members agree with the staff recommendation?

Appendix A—Other matters related to the usefulness of information about lessees' lease-related cash flows

A1. This appendix summarises comments and suggestions for the IASB to consider raised by no more than a few respondents. We do not recommend acting on any of these matters because the feedback does not provide evidence of the matters meeting the criteria in paragraph 15(a)–(d). In particular, the feedback does not suggest that the matters are pervasive, have substantial consequences or that the benefits of any actions would justify the costs.

Matter raised by stakeholders and staff comments

1. The IASB should require lessees to provide a reconciliation of lease-related cash flows with lease-related expenses.

We think that the information provided based on our recommendation in paragraph 55 would help users better understand the link between the two primary financial statements.

We also note that in developing IFRS 16, the IASB proposed that a lessee should disclose a reconciliation of the opening and closing balances of lease liabilities and right-of-use assets. However, considering stakeholders' feedback at that time (it was one of the most pervasive areas of cost concerns raised), the IASB decided not to finalise the proposal. We also note that at the time, although many users supported disclosure of a reconciliation of the opening and closing balance of lease liabilities, they were generally interested in particular amounts that would be part of the reconciliation (for example, cash paid, additions to right-of-use assets and amortisation expense for the period) rather than the reconciliation as a whole.

2. The IASB should determine time bands and require lessees to disclose a maturity analysis of their lease liabilities applying these time bands.

We note that in developing IFRS 16, the IASB proposed a lessee to disclose a maturity analysis of lease liabilities, showing the undiscounted cash flows on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years. At that time, the IASB decided that the requirements in IFRS 7 *Financial Instruments*:

Matter raised by stakeholders and staff comments

Disclosures would meet investors' needs for understanding liquidity risk and estimating future cash flows since IFRS 7 allows judgements on the selection of time bands for maturity analysis and requires disclosure of undiscounted cash flows only, without a reconciliation to the balance sheet. This approach was judged appropriate for leases because it aligned with disclosures for other financial liabilities, while presenting lease liabilities separately on the balance sheet or in the notes ensures that both the present value and undiscounted amounts are available to users.

Paragraph BC221 of the Basis for Conclusions on IFRS 16 states that in a scenario in which disclosing undiscounted cash flows for each of the first five years and a total for the periods thereafter provides the most useful information to users, the requirements of IFRS 7 should lead a lessee to disclose this level of detail. In contrast, in a scenario in which an alternative (and possibly more detailed) set of time bands provides the most useful information to users, the requirements of IFRS 7 should lead a lessee to disclose that alternative and more useful set of time bands.

3. The IASB should consider developing requirements to distinguish a lease from an in-substance purchase of an asset and for the classification and presentation of cash flows related to in-substance purchases.

We note that when developing IFRS 16, the IASB considered but decided not to provide requirements in IFRS 16 to distinguish a lease from a purchase of an asset, because there was little support from stakeholders for including such requirements. The majority of respondents to the [Exposure Draft: Leases](#) (published in 2010) commented that if a lease is appropriately defined, additional guidance to distinguish it from a purchase or sale would be unnecessary. They also noted that including such guidance could increase complexity and lead to inconsistencies with definitions of a sale in other IFRS Accounting Standards.

In addition, the IASB observed that the accounting for leases (that are similar to the purchase of the underlying asset) would be similar to that for purchases applying the requirements of IAS 16 *Property, Plant and Equipment* (see paragraphs BC138–BC140 of the Basis for Conclusions on IFRS 16). A few stakeholders said that, although accounting

Matter raised by stakeholders and staff comments

for in-substance purchases and leases is generally similar, this similarity does not extend to the presentation of cash flows because cash flows related to purchases of assets are presented differently from lease-related cash flows. We acknowledge these stakeholders' concerns.

The IASB decided in its Statement of Cash Flows and Related Matters project that it will assess potential ways to improve, among others:

- (a) the reporting of information about non-cash transactions in financial statements; and
- (b) the consistent application of requirements to classify cash flows as operating, investing or financing activities.

In our view, feedback relating to distinguishing a lease from an in-substance purchase may provide useful context for the Statement of Cash Flows and Related Matters project, particularly when considering topics such as non-cash transactions and, to some extent, classification of cash flows. Therefore, we will share the feedback with the project team. Similarly, amendments to the principles (or requirements) for the classification of cash flows and improvements to the information about non-cash transactions that the IASB might develop in the Statement of Cash Flows and Related Matters project might address some of stakeholders' concerns relating to the consequences of the lack of explicit criteria for distinguishing a lease from an in-substance purchase.

4. The IASB should consider requiring lessees to disclose sensitivity analysis for variable lease payments that are not included in the measurement of the lease liability.

We note that paragraph 59 of IFRS 16 requires a lessee to disclose additional qualitative and quantitative information to meet the disclosure objective in paragraph 51 (and described in paragraph B48) of IFRS 16. This additional information may include information that helps users to assess future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities. This includes exposure arising from variable lease payments (as described in paragraph B49 of IFRS 16).