
Accounting Standards Advisory Forum meeting

Date **March 2026**

Project **Post-implementation Review of IFRS 16 Leases**

Topic **Ongoing costs for lessees of applying the measurement requirements in IFRS 16**

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Accounting Standards Advisory Forum, March 2026, Agenda Paper 9B

This paper was prepared for discussion at the International Accounting Standards Board's (IASB's) March 2026 meeting as Agenda Paper 7A.

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 4 in the [Request for Information Post-implementation Review of IFRS 16 Leases](#) (RFI), which asked about the ongoing costs for lessees of applying the measurement requirements in IFRS 16.
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 website: [IASB post-implementation reviews](#).
3. At its future meetings, the IASB will discuss our analyses and recommendations on whether to take action in response to feedback to other questions in the RFI. That

feedback might not necessarily directly relate to high ongoing costs of applying IFRS 16. However, taking action for some other areas of concern might also help to reduce the ongoing costs for lessees. For example, reconsidering the requirements for partial gain or loss recognition in sale and leaseback transactions might mitigate some ongoing costs for seller-lessees. We will analyse the ongoing cost effects of any potential actions in future staff papers that consider feedback to other questions in the RFI.

4. This paper is structured as follows:
- (a) [summary of staff recommendations](#) (paragraphs 5–6);
 - (b) [feedback overview—key messages](#) (paragraphs 7–9);
 - (c) [introduction and overall assessment of ongoing costs](#) for lessees of applying the measurement requirements in IFRS 16 (paragraphs 10–17);
 - (d) [remeasurements of the lease liability](#) (paragraphs 18–57);¹
 - (e) [discount rates](#) (paragraphs 58–91);
 - (f) [recognition exemptions](#) (paragraphs 92–116);
 - (g) [disclosure requirements](#) (paragraphs 117–133); and
 - (h) [Appendix A](#)—Other cost-related matters raised by a few respondents in response to Question 4 in the RFI.

Summary of staff recommendations

5. Based on the overall feedback (see paragraphs 7–8) and our analysis in this paper, we think it is reasonable to conclude that ongoing costs for lessees of applying the measurement requirements are higher than the IASB expected when it issued IFRS 16. Therefore, we recommend the IASB add to its project pipeline and explore in a separate research project whether it would be feasible to mitigate the higher-than-

¹ Throughout this agenda paper, we use the term ‘remeasurements’ when we refer to both ‘reassessments of the lease liability’ and ‘lease modifications’. Otherwise, we refer separately to reassessments of the lease liability or lease modifications.

expected ongoing costs for lessees of applying the measurement requirements in IFRS 16 without a significant negative effect on the usefulness of financial information about leases. In particular, we recommend the IASB explore the feasibility of potential cost-reduction measures relating to:

- (a) remeasurements of the lease liability, for example by:
 - (i) reducing the frequency of remeasurements of the lease liability; and
 - (ii) simplifying the requirements for the reassessment of the lease liability to reflect changes in variable lease payments that are linked to an index or a rate; and
 - (b) discount rates, for example by requiring or permitting lessees to use:
 - (i) a simplified discount rate instead of the incremental borrowing rate; and
 - (ii) an unchanged discount rate for some remeasurements of the lease liability.
6. We recommend the IASB take no further action in response to stakeholders' feedback and suggestions relating to:
- (a) clarity of guidance for remeasurements of the lease liability;
 - (b) the requirement to use a rate implicit in the lease;
 - (c) clarity of guidance for determining discount rates;
 - (d) recognition exemptions;
 - (e) disclosure requirements; and
 - (f) cost-related matters (1 and 2) summarised in Appendix A.

Feedback overview—key messages

7. As discussed in [Agenda Paper 7D](#) for the January 2026 IASB meeting, many stakeholders (including almost all standard-setters, many preparers, most accounting firms and many accountancy bodies) commented on the ongoing costs for lessees of

applying the measurement requirements in IFRS 16. Of those who commented, some stakeholders said the ongoing costs are reasonable. However, most stakeholders (including almost all preparers, most standard-setters, most accountancy bodies and many accounting firms), who commented on the ongoing costs of applying IFRS 16, expressed concerns about high ongoing costs, with *many saying that the costs are significantly higher* than the IASB expected. [emphasis added]

8. Many stakeholders, who commented on the ongoing costs of applying IFRS 16, find many aspects of the Standard very complex to apply and not always possible to automate, in particular, those requiring significant judgements. Therefore, stakeholders said, entities incur high costs of continuous training of personnel across different functions and sometimes have to engage external consultants to assist with applying the measurement requirements in IFRS 16.
9. We note that in its post-implementation review, the Financial Accounting Standards Board (FASB) also observed that the ongoing costs for lessees of applying the requirements in FASB ASC Topic 842, Leases, are significantly higher than the FASB expected. This is primarily because entities' existing systems and processes were often not able to account for operating leases on the balance sheet. Upon concluding the PIR process of Topic 842, the FASB staff has not identified any matters that warrant immediate standard-setting action on Topic 842. However, the FASB will monitor feedback from stakeholders on the costs of applying Topic 842 and will consider future opportunities to reduce the ongoing costs of the leases standard where appropriate, including through the Private Company Council.²

Introduction and overall assessment of ongoing costs for lessees of applying the measurement requirements in IFRS 16

10. 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*

² See the [Report on Post-Implementation Review: Leases \(Topic 842\)](#) published in November 2025.

significantly lower than was expected and the costs of applying the requirements and auditing and enforcing their application *not significantly* greater than was expected.

11. The IASB considered the costs and benefits of the new requirements and discussed these in the [Effects Analysis](#) accompanying IFRS 16. The IASB expected that entities with material off balance sheet leases would incur implementation costs, but that the ongoing costs would be only marginally higher compared to those incurred when applying IAS 17 *Leases*.³
12. In our initial outreach, many preparers said they incur higher-than-expected ongoing costs, especially when measuring (or remeasuring) the lease liability. In response to the RFI, most stakeholders, who commented on the ongoing costs of applying the measurement requirements in IFRS 16, expressed concerns about high ongoing costs, with many saying that *the costs are significantly higher* than the IASB expected (see paragraph 7).
13. This table summarises the IASB's expectations relating to the ongoing costs of applying IFRS 16⁴ and the feedback in this PIR about actual ongoing costs.

The IASB's expectations	Feedback on actual ongoing costs
<i>Remeasurements of the lease liability</i>	
The costs of remeasuring lease liabilities were expected to arise mainly in relation to leases that include inflation-linked payments. In response to feedback received and to reduce cost and complexity, IFRS 16 requires entities to reassess inflation-linked payments only when there is a contractual change in the cash flows; that is, when the change in the inflation rate or index 'resets' the cash flows, rather than at each reporting date. In the	As discussed in paragraph 8 in Agenda Paper 7D for the January 2026 IASB meeting, most stakeholders (including almost all accountancy bodies, most global accounting firms, many preparers and many standard-setters, mostly from Latin America, Europe and Asia-Oceania), who commented on the ongoing costs of applying IFRS 16 in response to the RFI, expressed concerns about the cost-benefit balance of the requirements for <i>remeasurements</i> . Similar to the feedback we received from stakeholders in the initial outreach, they said

³ See Section 5 Costs of the *Effects Analysis*.

⁴ See section 5.2 of the *Effects Analysis*.

The IASB's expectations	Feedback on actual ongoing costs
IASB's view, the approach removes the complexity of estimating future inflation-linked payments. The IASB was of the view that even when a lease contains options to extend or terminate the lease, the remeasurement of the lease liability was unlikely to be onerous because the threshold for reassessment is high. For example, changes to the lease term—and thereby a reassessment of the discount rate and lease payments—were expected only in a small number of cases, because IFRS 16 requires reassessment of the lease term after its initial determination only when the entity takes actions that could have a significant effect on the lease term.	that the frequency of remeasurements, including remeasurement of inflation-linked payments, is higher than the IASB expected, in particular, in entities with high-volume and dynamic lease portfolios. The feedback suggests that the higher-than-expected costs arise not only from determining revised discount rates, if applicable, but also from: (a) the requirement to recognise separately the effect of modifications involving an increase and a decrease in the scope of the lease, which might require complex calculations and complex processing of resulting journal entries; as well as (b) manual calculations and processing of journal entries for less complex remeasurements that require manual processing in the absence of suitable IT solutions, in particular, at smaller entities.
<i>Discount rates</i>	
A change that was expected to increase costs compared to IAS 17 was the requirement in IFRS 16 to discount lease obligations for former off balance sheet leases. At the same time, unlike IAS 17, IFRS 16 does not require a lessee to classify its leases as a finance lease or an operating lease, consequently, the IASB expected this change to reduce costs compared to IAS 17, particularly for those contracts for which lease classification was complicated and required the application of judgement.	As discussed in paragraph 10 in Agenda Paper 7D for the January 2026 IASB meeting, many stakeholders from various jurisdictions (including most standard-setters, most accountancy bodies, many preparers and many accounting firms), who commented on the ongoing costs of applying IFRS 16 in response to the RFI, provided similar feedback to the feedback we received from stakeholders in the initial outreach, saying the determination of <i>discount rates</i> on initial and subsequent measurement of the lease liability is one of the major ongoing cost drivers because it is complex, involves significant judgement, and in some cases requires the use of external consultants. They said this particularly affects entities with activities in multiple jurisdictions

The IASB's expectations	Feedback on actual ongoing costs
	and in volatile markets with frequently changing interest rates, or private entities with no observable credit ratings or no debt portfolio that can provide benchmark rates that can be used as a reliable starting-point. The feedback also does not suggest the elimination of the requirement to classify the lease as a finance or an operating lease compensates for the higher-than-expected costs of determining discount rates.
<i>Recognition exemptions</i>	
Providing recognition exemptions, such as for short-term leases and leases of low-value assets, would provide substantial cost relief for potentially high volumes of low-value leases without any significant effect on the improvements introduced by IFRS 16.	Many stakeholders from various jurisdictions (including most accountancy bodies, many standard-setters and many preparers), who commented on the ongoing costs of applying IFRS 16, commented on <i>the recognition exemptions</i> for leases. As discussed in paragraph 12 in Agenda Paper 7D for the January 2026 IASB meeting, many of those who commented on the recognition exemptions said they have not benefitted from them as much as the IASB expected, because entities incur significant costs accounting for leases which the entities consider 'economically insignificant' but which they were not able to identify as eligible for recognition exemptions based on their understanding of the applicable requirements.
<i>Disclosure requirements</i>	
Higher costs were expected to be incurred by entities that have complex features in their lease contracts and for which leasing is significant to the entity. Entities were expected to apply judgement in determining the extent to which disclosures should be provided.	As discussed in paragraph 15 in Agenda Paper 7D for the January 2026 IASB meeting, some stakeholders (including some preparers and standard-setters, mostly from Europe and Asia-Oceania), who commented on the ongoing costs of applying IFRS 16, commented on high costs of disclosing information required in IFRS 16

The IASB's expectations	Feedback on actual ongoing costs
Accordingly, entities were generally not expected to incur costs in complying with disclosure requirements that are not relevant to users of their financial statements.	with little or no observed benefit to users of financial statements (users). They made suggestions to remove or simplify a few specific <i>disclosure requirements</i> .
<i>Lease term</i>	
Applying the judgement in determining the lease term was not expected to result in high implementation or ongoing costs. In order to provide the disclosures required by IAS 17, entities already needed to have an inventory of leases, and information about the lease term and future lease payments for each lease. Accordingly, costs were not expected to increase to gather the other information required.	As discussed in paragraph 19 in Agenda Paper 7D for the January 2026 IASB meeting, some stakeholders (including some preparers and standard-setters, mostly from Europe and Asia-Oceania), who commented on the ongoing costs of applying IFRS 16, said that determining <i>the lease term</i> involves complex judgements which might lead to high ongoing costs. We observe that the comments do not specify the reasons for the costs being higher than the costs of determining the lease term for preparing the information required to be disclosed by IAS 17. Therefore, it is not clear whether the ongoing costs of determining the lease term are higher than the IASB expected.

14. Based on the overall feedback (see paragraphs 7–8) and our analysis of how the feedback compares with the IASB's expectations when it issued IFRS 16 (see paragraphs 11–13), we think it is reasonable to conclude that the ongoing costs for lessees of applying the measurement requirements are higher than the IASB expected when it issued IFRS 16. At a future IASB meeting we will consider the overall assessment of IFRS 16 and analyse responses to Question 1 in the RFI, which asked stakeholders about the *overall* ongoing costs of applying the requirements in IFRS 16 and auditing and enforcing their application. We will conclude on the *overall* ongoing costs at that meeting. Based on the feedback to Question 4 in the RFI we have identified four main areas of IFRS 16 requirements that stakeholders said contribute

most to their concerns about the ongoing costs of applying IFRS 16 being higher than expected:

- (a) remeasurements of the lease liability (paragraphs 18–57);
- (b) discount rates (paragraphs 58–91);
- (c) recognition exemptions (paragraphs 92–116); and
- (d) disclosure requirements (paragraphs 117–133).⁵

15. The remainder of this section analyses whether to take action in response to these cost-related matters and how to prioritise those matters 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).⁶

16. Appendix A to this paper summarises feedback on other cost-related matters raised by no more than a few respondents to Question 4 in the RFI and provides staff comments.

⁵ Although the effects of applying the recognition exemptions or disclosure requirements are not directly related to the costs of applying the measurement requirements, stakeholders generally commented on them in response to Question 4 in the RFI. Therefore, we analyse these comments in this paper.

⁶ See the prioritisation framework on the website: [IASB post-implementation reviews](#).

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17. Agenda Paper 7B for this meeting analyses feedback about the effects of applying the requirements for determining lease term and suggestions for reducing the complexity of judgements that, in view of the stakeholders, reduce comparability of information for users and increase costs for preparers. This feedback is analysed in Agenda Paper 7B for this meeting because most concerns were about the usefulness of information resulting from lessees' application of judgement and it is unclear whether the ongoing costs of determining the lease term are a significant contributor to higher-than-expected ongoing costs (see paragraph 13). The analysis in Agenda Paper 7B for this meeting concludes with our recommendation for the IASB not to provide additional guidance (or illustrative examples) and not to simplify the requirements for determining lease term, but instead to explore, among others, developing specific requirements for lessees to disclose significant judgements made in determining lease term (see paragraphs 66–67 of Agenda Paper 7B for this meeting). If the IASB agrees with our recommendations, the research project will carefully consider the cost implications of the additional disclosure requirements in light of the feedback on the ongoing costs of applying IFRS 16 (see paragraph 59 of Agenda Paper 7B for this meeting).

Remeasurements of the lease liability

What does IFRS 16 require?

18. After the commencement date, a lessee measures:
- (a) the right-of-use asset applying a cost model (unless it applies the fair value model to right-of-use assets that meet the definition of investment property in IAS 40 *Investment Property* or the revaluation model in IAS 16 *Property, Plant and Equipment*);⁷ and
 - (b) the lease liability by:

⁷ See paragraph 29 of IFRS 16.

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- (i) increasing the carrying amount to reflect interest on the lease liability;
 - (ii) reducing the carrying amount to reflect the lease payments made; and
 - (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.⁸
19. The IASB differentiated between scenarios resulting in the remeasurement of existing lease assets and lease liabilities that are not lease modifications (for example, a change in lease term resulting from the exercise of an option to extend the lease when that option was not included in the original lease term) and those resulting in a lease modification (for example, a change in the lease term resulting from changes to the terms and conditions of the original lease).⁹
20. A lessee reassesses an option to extend or terminate a lease upon the occurrence of a significant event or significant change in circumstances that:
- (a) is within the control of the lessee; and
 - (b) affects the lessee's judgement of the exercise of an option.¹⁰
21. IFRS 16 defines a lease modification as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).¹¹ A lease modification is accounted for as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets, and the consideration increases by an amount commensurate with the stand-alone price for the increase in scope. For a lease modification that is not accounted for as a separate lease, the lessee accounts for the remeasurement of the lease liability by:
- (a) decreasing the carrying amount of the right-of-use asset for lease modifications that decrease the scope of the lease. The lessee recognises in

⁸ See paragraph 36 of IFRS 16.

⁹ See paragraph BC201 of the Basis for Conclusions on IFRS 16.

¹⁰ See paragraph 20 of IFRS 16.

¹¹ See Appendix A to IFRS 16.

profit or loss any gain or loss relating to the partial or full termination of the lease.

- (b) making a corresponding adjustment to the right-of-use asset for all other lease modifications.¹²

22. A lessee remeasures the lease liability to reflect changes to the lease payments by discounting the revised lease payments using a revised discount rate or an unchanged discount rate depending on the type of remeasurement (see paragraph 60).¹³

What do stakeholders say?

23. As discussed in paragraph 8 in [Agenda Paper 7D](#) for the January 2026 IASB meeting, most stakeholders (including almost all accountancy bodies, most global accounting firms, many preparers and many standard-setters, mostly from Latin America, Europe and Asia-Oceania), who commented on the ongoing costs of applying IFRS 16, expressed concerns about the cost–benefit balance of the requirements for remeasurements of the lease liability. Their comments included:
- (a) the frequency of remeasurements is higher than the IASB expected—it is costly but often results in immaterial information;
 - (b) determining revised discount rates is costly;
 - (c) the requirements are generally complex to understand and apply; and
 - (d) accounting for the change in lease payments that depend on an index or a rate contributes to high ongoing costs.
24. Many stakeholders, who commented on the ongoing costs of applying IFRS 16, made suggestions relating to the requirements for remeasurement of the lease liability, including for leases with payments depending on an index or a rate. The suggestions included:

¹² See paragraphs 44–46 of IFRS 16.

¹³ See paragraphs 40–43 and 45 of IFRS 16.

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- (a) reducing the frequency of when the lease liability is required to be remeasured, for example:
- (i) some suggested introducing a *practical expedient* for minor changes in lease arrangements that would permit entities not to assess whether particular changes to the original terms and conditions of the lease meet the definition of a lease modification and instead to account for any change in lease payments in the income statement when incurred. The stakeholders suggested the IASB introduce a quantitative threshold for identifying which lease changes would qualify for the practical expedient. A few stakeholders from Latin America and a global accounting firm provided an example of a similar threshold—the guidance on accounting for a substantial modification of a financial liability in paragraph B3.3.6 of IFRS 9 *Financial Instruments*.¹⁴ Other examples of minor changes that should not trigger remeasurement of lease liabilities (each mentioned by one stakeholder) included: changes in lease term of up to six months, temporary changes in lease payments for a small portion of the lease term and insignificant changes in timing of payments.
 - (ii) a few suggested removing the requirement in paragraph 42 of IFRS 16 to remeasure the lease liability for *variable lease payments that depend on an index or a rate* each time there is a change in the reference index or rate. The stakeholders said one possible solution would be to align the requirements with Topic 842.¹⁵ One preparer suggested the IASB remove the requirement to include indexation of payments in the measurement of the lease liability. A few suggested initially measuring the lease liability by estimating future cash flows based on forecasted

¹⁴ Paragraph B3.3.6 of IFRS 9 *Financial Instruments* states: '[...] the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.'

¹⁵ Topic 842 requires entities to remeasure the lease liability only when the lease obligation is remeasured for other reasons (for example, a change in lease term, lease modification, change in assessment of purchase option or the resolution of a contingency of the variable lease payments unrelated to a change in a reference index or rate).

future indices or rates available at the date of the initial measurement and not remeasuring the liability for subsequent changes in the index or rate.

- (b) permitting an entity to use the originally determined (*unchanged*) discount rate in accounting for reassessments of the lease liability or lease modifications—some stakeholders (mostly from Latin America and Europe) suggested this (see also paragraph 65(b)).
 - (c) adding guidance, decision-trees, illustrative examples (including for complex and industry-specific scenarios) or providing educational materials that would clarify the requirements for remeasurements of the lease liability—a few stakeholders (mostly preparers from Europe) suggested this. Specifically, they suggested clarifying how:
 - (i) to distinguish reassessments from lease modifications;
 - (ii) to identify various types of reassessments and modifications and determine whether to apply a revised or unchanged discount rate; or
 - (iii) to account for indexation that is delayed or cancelled by the lessor or when availability of an index is delayed.
25. Some stakeholders commented on the complexity (and potential inconsistent application) of the requirements for remeasurements of the lease liability (see items 1–2 in Appendix A to Agenda Paper 7B for this meeting). Only a few users commented on remeasurements of lease balances saying they observe an unexpected volatility in balance sheet amounts when lease contracts are renewed (or lease terms are reassessed), which they do not find useful.

Staff analysis

Does the matter have substantial consequences?

26. Based on the feedback received, the requirements in IFRS 16 for remeasurements of the lease liability are one of the major drivers of higher-than-expected ongoing costs

of applying IFRS 16 (see paragraphs 13–14). Therefore, the criterion in paragraph 15(a)—the matter has *substantial consequences*—is met.

Is the matter pervasive?

27. Most stakeholders (including almost all accountancy bodies, most global accounting firms, many preparers and many standard-setters, mostly from Latin America, Europe and Asia-Oceania), who commented on ongoing costs, expressed concerns about the cost–benefit balance of the requirements for remeasurements of the lease liability. Some of these stakeholders expressed concerns about the cost–benefit balance of the requirements for the reassessment of index-linked leases, stating that costs are significantly higher than expected (see paragraph 13). Considering the feedback, in our view the matter is *pervasive* (criterion in paragraph 15(b) is met).
28. We undertook an AI-assisted review of a sample of financial statements to understand the prevalence of remeasurements of lease liabilities—for more information, see paragraphs 26–28 in Agenda Paper 7C for this meeting.

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

29. Based on the feedback, we identified three main suggestions aimed at reducing the ongoing costs of remeasurements of the lease liability. They are for the IASB:
- (a) to consider how to reduce the frequency of remeasurements of the lease liability (paragraphs 30–39);
 - (b) to simplify the requirements for variable lease payments linked to an index or a rate (paragraphs 40–50); and
 - (c) to clarify guidance on remeasurements of the lease liability (paragraphs 51–54).

Reducing the frequency of remeasurements of the lease liability

30. Based on the feedback, the prevalent suggestion for simplifying the remeasurement requirements was to allow entities to perform a quantitative or qualitative test to

identify substantial remeasurements (reassessments or modifications) and permit lessees not to remeasure lease balances for non-substantial remeasurements. Instead, lessees would recognise any non-substantial changes to lease payments directly in profit or loss, similar to what the exemption for the covid-19-related rent concessions required.

31. Feedback received in this PIR indicates that remeasurements of lease liabilities occur more frequently than the IASB expected, but it is not clear from the feedback what the reasons for that are:
- (a) some say modifications are frequent, without providing further detail;
 - (b) some say reassessments of index-linked payments are frequent;
 - (c) a few say some reassessments are frequent, without providing further detail; and
 - (d) some say remeasurements are frequent and therefore burdensome without specifying the reasons for the remeasurements.
32. In our view:
- (a) if reassessments are frequent because lessees need to frequently revise their estimates (for example, of extension options), a standard-setting solution might not be workable.
 - (b) if reassessments and modifications are frequent because the events that trigger them occur more frequently than the IASB expected, it could be worth exploring the feasibility of potential cost-reduction measures, such as to permit entities not to remeasure the lease liability if particular criteria are met (see paragraphs 33–39).
 - (c) if frequent reassessments are linked to changes in an index or a rate, it might be beneficial to explore the feasibility of reducing the frequency of remeasurements triggered by updates to an index or a rate (see paragraphs 40–50).

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33. We think permitting lessees not to remeasure lease balances for non-substantial remeasurements of the lease liability could represent a major change to the lessee accounting model (see paragraphs 34–35 for the IASB’s considerations in developing the remeasurement requirements in IFRS 16). However, as discussed in paragraph 30 in [Agenda Paper 7A](#) for the January 2026 IASB meeting, only a few stakeholders expressed appetite for significant changes, therefore we think the IASB will need to think carefully about introducing such changes.
34. In developing IFRS 16, the IASB decided that a lessee should measure lease liabilities similarly to other financial liabilities using an effective interest method, so that the carrying amount of the lease liability is measured on an amortised cost basis and the interest expense is allocated over the lease term.¹⁶ We also observe that the IASB in the past considered various options relating to remeasurements of the lease liability:
- (a) *reassessment of options*—in the IASB’s view, users receive more relevant information if lessees reassess extension, termination and purchase options on a regular basis. However, in response to concerns about costs, the IASB decided to require entities to perform the reassessment only upon the occurrence of a significant event or a significant change in circumstances that affects the assessment of the options rather than at each reporting date. The IASB noted that an entity will need to apply judgement in identifying significant events or significant changes in circumstances that trigger reassessment and that it would be impossible to provide a list of all possible triggering events. However, the IASB provided some examples of possible triggering events in paragraph B41 of IFRS 16 to help entities apply that judgement.¹⁷ In section 5.2 of the [Effects Analysis](#) the IASB said, in their view, the threshold for reassessment was high, therefore the remeasurement of the lease liability was unlikely to be onerous.
 - (b) *lease modifications*—the IASB considered requiring a lessee to distinguish between changes to a lease that are substantial and those that are not substantial, in a manner similar to that required for contract modifications relating to

¹⁶ See paragraph BC182 of the Basis for Conclusions on IFRS 16.

¹⁷ See paragraphs BC184–BC186 of the Basis for Conclusions on IFRS 16.

financial liabilities within the scope of IFRS 9. This approach would require a lessee to account for the lease modification as (i) a new lease, when the change represents a substantial modification; or (ii) a continuation of the original lease, when the change does not represent a substantial modification. However, the IASB did not adopt this approach because, as a result of the link to the right-of-use asset, it could result in outcomes that would not faithfully represent the differing nature of each of those changes.¹⁸

35. We observe that in developing the practical expedient in IFRS 16 for covid-19-related rent concessions, the IASB decided to limit the scope of the expedient because, in the IASB's view, applying the practical expedient too broadly could result in unintended consequences (for example, reduced comparability if lessees were to apply the practical expedient beyond when it was needed most).¹⁹
36. Some stakeholders suggested introducing a threshold (similar to that in IFRS 9) for identifying substantial remeasurements and not requiring lessees to remeasure the lease liability if the remeasurement was insubstantial. We think that the solution that stakeholders suggest in this PIR would differ from the requirements in IFRS 9. In accordance with IFRS 9, the quantitative 10 per cent threshold is used to assess whether a financial liability is derecognised, rather than whether it is remeasured. Applying IFRS 9, financial liabilities are remeasured even if a modification is not substantial (and hence does not result in its derecognition). In particular, IFRS 9 requires entities:
- (a) to remeasure a financial liability that has not been substantially modified using the original effective interest rate and to recognise the effect in profit or loss (see paragraph B5.4.6 of IFRS 9).
 - (b) to derecognise a financial liability that has been substantially modified and to recognise a new financial liability at fair value. Any difference between the

¹⁸ See paragraph BC205 of the Basis for Conclusions on IFRS 16.

¹⁹ See paragraph BC205D of the Basis for Conclusions on IFRS 16.

derecognised financial liability and the new instrument is recognised in profit or loss (see paragraphs 3.3.2–3.3.3 of IFRS 9).

37. If the IASB decided to explore simplifying remeasurement requirements in IFRS 16, it would need to consider the effects of any changes on the usefulness of information. For example, if the effects of some remeasurements were not recognised as adjustments of the lease liability, but expensed, such treatment might further complicate the analysis of the related cash flows (because payments representing repayment of the lease liability would be classified as financing cash outflows and payments representing the expensed amount would likely be classified as operating cash outflows). Another consideration in developing remeasurement reliefs would be the costs of operationalising them. For example, if the IASB was to introduce any threshold-based practical reliefs for exempting entities from applying the remeasurement requirements in IFRS 16, entities might still need to incur costs to determine whether the effect of remeasurement would be below the threshold.
38. We observe that while some stakeholders indicated that the lease modifications guidance in Topic 842 is a significant improvement over legacy GAAP, many stakeholders indicated that the guidance can be complex and challenging to apply (see the FASB's [Report on Post-Implementation Review: Leases \(Topic 842\)](#)). The FASB decided not to pursue improvements to the modification guidance despite that feedback. However, the report states that 'lease modification accounting may be an area that the [FASB] should monitor for potential consideration'.
39. Based on our analysis, at this stage there is insufficient evidence to conclude whether the IASB would be able to provide remeasurement reliefs that would significantly reduce costs for preparers without having a negative effect on the usefulness of information. However, we think the IASB could obtain further evidence as part of any future project to reduce ongoing costs. Reducing the frequency of remeasurements, particularly when these are non-substantial remeasurements, could be an effective means of reducing ongoing costs for lessees because the frequency of remeasurements is one of the significant contributors to higher-than-expected ongoing costs. On balance, we recommend the IASB add to its project pipeline a research project to

explore whether the IASB can reduce the frequency of remeasurements of the lease liability.

Simplifying the requirements for variable lease payments linked to an index or a rate

40. In developing IFRS 16, the IASB stated that, in their view, users receive more relevant information if a lessee updates the measurement of its liabilities to reflect a change in an index or a rate used to determine lease payments. The IASB provided an example that without such remeasurement, the measurement of the lease liability for a 20-year property lease, for which lease payments are linked to an inflation index, is unlikely to provide users with useful information about the entity's future cash outflows relating to that lease throughout the lease term.²⁰
41. The definition of minimum lease payments in IAS 17 excluded inflation-linked payments and entities were required to expense these payments as incurred together with other contingent rent, and these payments were therefore not included in the total of future minimum lease payments under non-cancellable operating leases that entities were required to disclose. Therefore, the requirement in IFRS 16 to include such payments in the measurement of the lease liability and to remeasure lease liabilities when there is a change in future lease payments (resulting from a change in an index or a rate used to determine those payments) results in new costs compared to those required when entities applied IAS 17. In section 5.2 of the [Effects Analysis](#) the IASB explained that it expected the costs of remeasuring lease liabilities to arise mainly in relation to leases that include inflation-linked payments. However, in response to feedback received at that time and to reduce cost and complexity, IFRS 16 requires entities to reassess inflation-linked payments only when the change in the inflation rate or index 'reset' the cash flows, rather than at each reporting date.
42. The feedback received in this PIR suggests that, in spite of the IASB's attempt to reduce costs, remeasuring lease liabilities for changes in an index or a rate is burdensome and potentially provides limited benefit for users. A few stakeholders noted that even though lessees are required to remeasure the lease liability only when

²⁰ See paragraph BC188 of the Basis for Conclusions on IFRS 16.

there is a change in future lease payments resulting from a change in an index or a rate (instead of at each reporting date), it is still costly to apply the requirement, especially when entities are subject to high inflation or hyperinflation (and indices or rates change frequently). They also said that the resulting information is incomplete and not useful, because the measurement of the lease liability does not include forecasts of future indices or rates (even if they are readily available).

43. A few stakeholders suggested initially measuring the lease liability by estimating future cash flows based on forecasted future indices or rates available at the date of the initial measurement and not remeasuring the liability for subsequent changes in the index or the rate. In our view, forecasting future indices at the start of a long-term lease in a high-inflation or volatile environment would require the use of estimation techniques and be costly to apply for some entities, and the usefulness of resulting information might be limited.
44. A few stakeholders suggested a lease liability is not remeasured for subsequent changes in an index or a rate if the change in the index or the rate is below a certain threshold. Consideration of providing practical reliefs for remeasurements based on significance of the changes have been discussed in paragraphs 30–39.
45. As discussed in paragraph 16 of [Agenda Paper 7C](#) for the January 2026 IASB meeting, of the many stakeholders who provided negative or mixed feedback on usefulness of information about lessees' lease-related cash flows, many stakeholders 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. Not remeasuring index-linked payments and instead recognising the changes directly in profit or loss would further increase the fragmentation of lease-related cash flows.
46. We observe that, having considered that the costs of performing reassessments for preparers outweigh the benefits to users, the FASB decided to require entities to remeasure the lease liability for changes in an index or a rate only when the lease obligation is remeasured for reasons other than changes to an index or a rate (for example, a change in lease term, lease modification, change in assessment of a purchase option or the resolution of a contingency of the variable lease payments

unrelated to a change in a reference index or rate).²¹ Aligning the requirements on the matter with Topic 842 could potentially save significant costs for preparers, while improving comparability of information for users through the increased convergence of the Standards.

47. Based on our analysis in paragraphs 26–28, the matter of higher-than-expected costs of remeasurements of the lease liability has substantial consequences and is pervasive. The IASB could consider exploring further in a research project whether the requirements for reassessments of index- or rate-linked variable lease payments in paragraph 42(b) of IFRS 16 can be simplified, for example, by aligning them with the corresponding requirements in Topic 842.
48. Any research project would need to explore whether the benefits of implementing the solution are expected to *outweigh the costs* (criterion in paragraph 15(d))—that is whether the solution is likely to bring a significant cost-saving benefit to entities without significantly reducing the usefulness of information for users. In particular, the project would need to explore the effects of any simplifications on entities with fully automated systems and processes to operationalise the current requirements in IFRS 16.
49. The research project, among others, would need to obtain more evidence on:
 - (a) the prevalence of index-linked payments, including in high-inflation and hyperinflation environments;
 - (b) significance of costs relating to the remeasurements; and
 - (c) potential effect on the usefulness of information if lessees were permitted (or required) *not* to remeasure lease liabilities for changes in index- or rate-linked lease payments.
50. We recommend the IASB add to its project pipeline a research project to explore simplifying the requirements for variable lease payments linked to an index or a rate, for example, by aligning them with the requirements in Topic 842.

²¹ See paragraphs BC236-BC237 of the [Basis for Conclusions on Topic 842](#).

Clarifying guidance on remeasurements of the lease liability

51. Only a few stakeholders in this PIR suggested the IASB clarify the guidance on remeasurements (paragraph 24(c)). So, we have not received evidence of the difficulties with understanding the guidance being pervasive or having substantial consequences. Therefore, in our view, the criteria in paragraph 15(a)–(b) are not met.
52. We note that Example 13 (paragraph IE5), accompanying IFRS 16, illustrates accounting for reassessment of a lease liability resulting from a change in the lease term, and Examples 15–19 (paragraph IE7), accompanying IFRS 16, illustrate the requirements of IFRS 16 regarding various types of lease modifications for a lessee.
53. We think that providing additional illustrative examples for specific complex fact patterns would be unlikely to help many stakeholders because the examples would only cater for those specific facts and circumstances.
54. In 2016 and 2017 the IFRS Foundation published several [webcasts](#) explaining the key requirements in IFRS 16 and the IASB’s thinking when developing some of the requirements. The webcasts answer some of the implementation questions that stakeholders frequently raised during the implementation of IFRS 16. The [IFRS 16: Lease Modifications—Lessees](#) webcast explains various types of modifications, when to measure and recognise lease modifications, and when to use an unchanged (original) discount rate or a revised discount rate.

Staff recommendation and question for the IASB

55. Based on our analysis in paragraphs 26–28, we conclude that the requirements for remeasurements of the lease liability are significant contributors to higher-than-expected ongoing costs of applying IFRS 16.
56. For the reasons discussed in paragraphs 30–49, we recommend the IASB add to its project pipeline and explore in a separate research project whether it would be feasible to mitigate the higher-than-expected ongoing costs for lessees of applying the measurement requirements in IFRS 16 without a significant negative effect on the usefulness of financial information about leases. In particular, we recommend the

IASB explore the feasibility of potential cost-reduction measures relating to remeasurements of the lease liability, for example by:

- (a) reducing the frequency of remeasurements of the lease liability; and
- (b) simplifying the requirements for the reassessment of the lease liability to reflect changes in variable lease payments that are linked to an index or a rate.

57. For the reasons discussed in paragraphs 51–54, we recommend no further action in response to stakeholders’ feedback and suggestions relating to the clarity of guidance for remeasurements of the lease liability.

Question 1 for the IASB

Do IASB members agree with the staff recommendations in paragraphs 56 and 57 of this paper?

Discount rates

What does IFRS 16 require?

58. At the commencement date, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If not, the lessee uses its incremental borrowing rate.²²
59. IFRS 16 defines:
- (a) *interest rate implicit in the lease* as the rate of interest that causes the present value of the lease payments and the unguaranteed residual value to equal the sum of: (i) the fair value of the underlying asset; and (ii) any initial direct costs of the lessor; and

²² See paragraph 26 of IFRS 16.

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- (b) *lessee's incremental borrowing rate* as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.
60. A lessee remeasures the lease liability by discounting the revised lease payments using:
- (a) a revised discount rate if there is:
 - (i) a change in the lease term, as described in paragraphs 20–21 of IFRS 16.
 - (ii) a change in the assessment of an option to purchase the underlying asset.
 - (iii) a lease modification that is not accounted for as a separate lease.
 - (b) an unchanged discount rate if there is a change in:
 - (i) future lease payments resulting from a change in an index or a rate used to determine those payments. However, if the change in lease payments results from a change in floating interest rates, a lessee is required to use a revised discount rate that reflects changes in the interest rate (instead of using an unchanged discount rate).
 - (ii) the amounts expected to be payable under a residual value guarantee.²³

What do stakeholders say?

61. As discussed in paragraph 10 in [Agenda Paper 7D](#) for the January 2026 IASB meeting, many stakeholders from various jurisdictions (including most standard-setters, most accountancy bodies, many preparers and many accounting firms), who commented on the ongoing costs of applying IFRS 16, identified the requirement to determine discount rates (or revised discount rates) as one of the major ongoing cost

²³ See paragraphs 40, 42–43, 45 of IFRS 16.

drivers. They said that the determination and periodic updates of discount rates are complex, involve significant judgement, and in some cases requires the use of external consultants. Stakeholders said this affects in particular entities with activities in multiple jurisdictions and in volatile markets with frequently changing interest rates, or private entities with no observable credit ratings or no debt portfolio that could provide reliable benchmark rates as a starting point.

62. Most of those who responded to Question 2 in the RFI raised various concerns about the requirements for determining discount rates in IFRS 16 and the application of significant judgement by the entities which results in information that is difficult to analyse and compare (see paragraphs 70–72 in Agenda Paper 7B for this meeting).
63. As discussed in paragraph 17 in [Agenda Paper 7E](#) for the January 2026 IASB meeting, many users commented on the usefulness of information resulting from lessees' application of judgement in determining discount rates. Most of them raised some concerns about the use of judgement in determining discount rates and how it hinders comparability of financial information.
64. However, some users, including a credit rating agency, expressed little or no concerns about the usefulness of information resulting from the application of judgement in determining discount rates.
65. Many stakeholders, who commented on the ongoing costs of applying IFRS 16, made suggestions relating to discount rate requirements. The suggestions included:
 - (a) permitting a lessee to use a risk-free rate, a rate of a parent, an obtainable borrowing rate²⁴ or a benchmark rate established by local financial regulators instead of the incremental borrowing rate—some stakeholders (mostly stakeholders from Latin America and Europe) suggested this. A standard-setter suggested the IASB develop guidance for determining incremental borrowing rates for entities without observable borrowing rates, similar to the guidance in IFRS 17 *Insurance Contracts*.

²⁴ FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* defines *obtainable borrowing rate* as the rate of interest a lessee would have to pay to borrow, over a similar term, an amount similar to the total undiscounted value of lease payments to be included in the measurement of the lease liability.

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- (b) permitting an entity to use an unchanged discount rate when remeasuring lease liabilities for those reassessments and lease modifications that currently require the use of the revised discount rate—some stakeholders (mostly stakeholders from Latin America and Europe) suggested this (see also paragraph 24(b)).
 - (c) removing the requirement to use the interest rate implicit in the lease, because such rates are often not observable, yet preparers need to spend time and effort to prove this to auditors—a few stakeholders from Europe and Latin America suggested this; and
 - (d) clarifying guidance and adding illustrative examples for the requirements on discount rates (for example, a flow-chart or a decision tree)—a few stakeholders suggested this—which would be helpful in deciding:
 - (i) whether an entity is required to use an unchanged or revised discount rate for remeasuring lease liabilities; and
 - (ii) on the methods for determining an incremental borrowing rate and their hierarchy.
66. Agenda Paper 7B for this meeting analyses feedback on the usefulness of information resulting from lessees' application of judgement in determining discount rates. In this section we analyse whether to take action in response to stakeholders' feedback about the cost of applying the requirements in IFRS 16 for determining discount rates.

Staff analysis

Does the matter have substantial consequences?

67. Based on the feedback received, the requirements in IFRS 16 for determining discount rates are among the significant contributors to the higher-than-expected ongoing costs of applying IFRS 16 (see paragraphs 13–14). Therefore, the criterion in paragraph 15(a)—the matter has *substantial consequences*—is met.

Is the matter pervasive?

68. Many stakeholders from various jurisdictions (including most standard-setters, most accountancy bodies, many preparers and many accounting firms) expressed concerns about the cost–benefit balance of the requirements for determining discount rates—both at initial recognition and subsequent measurement of a lease liability (see paragraph 61). The comments were received from all regions. Many users and other stakeholders expressed concerns about usefulness of information resulting from the use of judgement in determining discount rates (see paragraphs 62–63). Considering this feedback, in our view, the matter is *pervasive* (criterion in paragraph 15(b) is met).

Can the issue be addressed and will the benefits of the change outweigh the costs?

69. Based on the feedback, we identified four key suggestions aimed at reducing the ongoing costs relating to determining discount rates:
- (a) to use a simplified discount rate (paragraphs 70–78);
 - (b) to use the original (unchanged) discount rate when remeasuring the lease liability (paragraphs 79–82);
 - (c) to amend the requirement to use a rate implicit in the lease (paragraphs 83–85); and
 - (d) to clarify guidance on discount rates (paragraphs 86–88).

To use a simplified discount rate

70. Some stakeholders suggested the IASB permit entities to use a simplified discount rate instead of the incremental borrowing rate, including:
- (a) a risk-free rate;
 - (b) a benchmark rate established by local financial regulators;
 - (c) an obtainable borrowing rate (similar to the concept in FRS 102); and
 - (d) a rate of the parent.

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71. In developing IFRS 16, the IASB's objective in specifying the discount rate to apply to a lease was to specify a rate that reflects how the contract is priced. The interest rate implicit in the lease is likely to be similar to the lessee's incremental borrowing rate in many cases. This is because both rates, as they have been defined in IFRS 16, take into account the credit standing of the lessee, the length of the lease, the nature and quality of the collateral provided and the economic environment in which the transaction occurs.²⁵
72. Not considering the credit standing of the lessee, among other factors, in determining the discount rate, for example, by using a risk-free rate or a parent's rate as suggested by some stakeholders, with a few pointing at the [Provisions—Targeted Improvements](#) project (which proposes to use a risk-free rate in measuring provisions in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) could represent a major change to the measurement requirements in IFRS 16. In addition, we think that the nature of a lease liability is different from the nature of a provision, because provisions within the scope of IAS 37 tend not to arise from commercially priced exchange transactions.
73. In its recent amendments to FRS 102, the UK FRC introduced a concept of obtainable borrowing rate, which is defined as the rate of interest a lessee would have to pay to borrow, over a similar term, an amount similar to the total undiscounted value of lease payments to be included in the measurement of the lease liability. The definition differs from the definition of incremental borrowing rate in IFRS 16 (see paragraph 59(b)) mainly because the latter includes references to 'similar security' and 'similar economic environment'.
74. Topic 842 currently provides lessees that are not public business entities with a practical expedient that allows them to elect, by class of underlying asset, an accounting policy to use a risk-free rate as the discount rate for leases.
75. Providing entities an option to use a simplified discount rate instead of the incremental borrowing rate could be a major change to IFRS 16 depending on the

²⁵ See paragraphs BC160-BC161 of the Basis for Conclusions on IFRS 16.

nature of the simplified discount rate. As discussed in paragraph 30 in [Agenda Paper 7A](#) for the January 2026 IASB meeting, only a few stakeholders expressed appetite for significant changes. However, in our view, lessees (in particular those with large portfolios of diverse leases, which have to remeasure lease liabilities frequently) could potentially reduce their ongoing costs if they used a simplified discount rate instead of determining the incremental borrowing rate. The solution could also enhance comparability of the resulting information by simplifying the judgements entities make (although optionality in determining discount rates might reduce some of the benefits of enhanced comparability resulting from simplifications).

76. Considering that the matter of higher-than-expected costs of determining discount rates has substantial consequences (see paragraph 67) and is pervasive (see paragraph 68), and that the use of simplified rates could significantly reduce the costs for lessees and potentially improve comparability of information for users (see paragraph 75), we think that most of the prioritisation characteristics in paragraph 15(a)–(d) are present to a large extent and that it might be beneficial to further explore in a separate research project the feasibility of allowing entities to use a simplified discount rate.
77. Any research project would need to explore whether the benefits of implementing the solution are expected to *outweigh the costs* (criterion in paragraph 15(d))—that is whether the solution is likely to bring a significant cost-saving benefit to entities without significantly reducing the usefulness of information for users and not result in a significant consequential increase in costs for other entities that have their systems and processes set up to operationalise the current requirements in IFRS 16.
78. The research project would need to obtain more evidence, among others, on:
 - (a) the relevance and obtainability of various rates;
 - (b) the significance of cost savings for preparers from not using the incremental borrowing rate or a rate implicit in the lease to measure lease liabilities;
 - (c) the likelihood of significant consequential increase in costs for other entities that have their systems and processes set up to operationalise the requirements in IFRS 16;

- (d) the potential effect on the usefulness of information for users resulting from entities not using the incremental borrowing rate or a rate implicit in the lease to measure lease liabilities and the effect on comparability of lease-related information if entities were provided with an option to use a simplified rate; and
- (e) the potential effect on the convergence of IFRS 16 with Topic 842.

To use the original (unchanged) discount rate when remeasuring the lease liability

79. The Basis for Conclusions on IFRS 16 explains the IASB's rationale for requiring revised discount rates for remeasurements of lease liabilities. The IASB observed:

- (a) *for reassessments of the lease liability*—in most cases, an entity should not reassess the discount rate during the lease term, which is generally consistent with the approach applied to financial instruments accounted for using the effective interest method. The IASB decided to require an entity to reassess the discount rate only in some circumstances:
 - (i) when there is a change in the lease term or a change in the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset—in the IASB's view, in those circumstances, the economics of the lease have changed and it is appropriate to reassess the discount rate to be consistent with the change in the lease payments included in the measurement of the lease liability (and right-of-use asset); or
 - (ii) when there is a change in lease payments resulting from changes in the floating interest rate in a floating interest rate lease, which is consistent with the requirements in IFRS 9 for the measurement of floating-rate financial liabilities subsequently measured at amortised cost.
- (b) *for lease modifications*—for those lease modifications that do not result in a separate lease, the IASB decided that a lessee should remeasure the existing lease liability using a discount rate determined at the effective date of the modification. The use of a revised discount rate reflects that, in modifying the

lease, there is a change in the interest rate implicit in the lease (which the discount rate is intended to approximate).²⁶

80. We think using unchanged discount rates for reassessments and modifications, for which IFRS 16 requires the use of revised discount rates, could represent a major change of the measurement model in IFRS 16.
81. However, we note that, based on the feedback, allowing entities to use unchanged discount rates for remeasurements of lease liabilities might significantly reduce the costs of determining discount rate for some entities and consequently reduce the ongoing cost of remeasuring the lease liability.
82. Considering that the matter of higher-than-expected costs of determining discount rates has substantial consequences (see paragraph 67) and is pervasive (see paragraph 68) and that the use of unchanged discount rates is expected to significantly reduce the costs for lessees (see paragraph 81), we think that most of the prioritisation characteristics in paragraph 15(a)–(d) are present to a large extent and that it might be beneficial to further explore in a separate research project the feasibility of allowing entities to use an unchanged discount rate for (some) remeasurements of lease liabilities.

To amend the requirement to use a rate implicit in the lease

83. The IASB's objective in specifying the discount rate to apply to a lease was to specify a rate that reflects how the contract is priced. With this in mind, the IASB decided that, if readily determinable by the lessee, a lessee should use the interest rate implicit in the lease. However, the interest rate implicit in the lease is generally also affected by a lessor's estimate of the residual value of the underlying asset at the end of the lease and may be affected by taxes and other factors known only to the lessor, such as any initial direct costs of the lessor. Consequently, the IASB noted that it is likely to be difficult for lessees to determine the interest rate implicit in the lease for many leases, particularly those for which the underlying asset has a significant residual

²⁶ See paragraphs BC193–BC195 and BC203 of the Basis for Conclusions on IFRS 16.

value at the end of the lease. Therefore, if the interest rate implicit in the lease cannot be readily determined, then the lessee should use its incremental borrowing rate.²⁷

84. Only a few stakeholders said they incur costs because they need to prove that the rate implicit in the lease is not readily available before they can apply the incremental borrowing rate (see paragraph 65(c)). Therefore, we have not received evidence that amending the requirement to use a rate implicit in the lease could significantly decrease costs for many preparers.
85. Considering that the matter is not pervasive (see paragraph 84) and, in our view, the benefits of any action are unlikely to justify the costs, we do not recommend further action.

To clarify guidance on discount rates

86. Only a few stakeholders, who commented on the ongoing costs of applying IFRS 16, suggested the IASB clarify the guidance on determining discount rates, including the methods for determining an incremental borrowing rate and whether an entity is required to use an unchanged or revised discount rate for remeasuring lease liabilities (see paragraph 65(d)). So, we have not received evidence of the difficulties with understanding the guidance being pervasive or having substantial consequences for the ongoing costs. We note that Example 13 (paragraph IE5), accompanying IFRS 16, illustrates accounting for reassessment of a lease liability resulting from a change in the lease term, and Examples 15–19 (paragraph IE7), accompanying IFRS 16, illustrate the requirements of IFRS 16 regarding various types of lease modifications for a lessee—all the examples illustrate when to use unchanged and when to use revised discount rates.
87. [IFRS 16: Lease Modifications—Lessees](#) webcast explains when to use an unchanged discount rate and when to use a revised discount rate for modifications and [IFRS 16: Lessee Measurement](#) webcast explains possible approaches to determining discount rates.

²⁷ See paragraphs BC160-BC162 of the Basis for Conclusions on IFRS 16.

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88. Paragraphs 85–89 of Agenda Paper 7B for this meeting analyse suggestions from stakeholders to provide additional guidance or illustrative examples on determining incremental borrowing rates to improve the usefulness of information resulting from judgements. The analysis, among others, refers to IFRS 16 definition of incremental borrowing rate, paragraph BC162 of the Basis for Conclusions on IFRS 16 and two agenda decisions that are helpful in understanding the approaches to determining discount rate and concludes with a recommendation in paragraph 91 of Agenda Paper 7B for this meeting not to take any action in response to those suggestions. Our analysis of feedback on the ongoing costs for lessees of applying the measurement requirements in IFRS 16 have not identified any additional suggestions for the IASB to consider.

Staff recommendation and question for the IASB

89. Based on our analysis in paragraphs 67–68, we conclude that the requirements for discount rates on initial or subsequent measurement of the lease liability are significant contributors to higher-than-expected ongoing costs of applying IFRS 16.
90. For the reasons discussed in paragraphs 70–82, we recommend the IASB add to its project pipeline and explore in a separate research project whether it would be feasible to mitigate the higher-than-expected ongoing costs for lessees of applying the measurement requirements in IFRS 16 without significant negative effect on the usefulness of financial information about leases. In particular, we recommend the IASB explore the feasibility of potential cost-reduction measures relating to discount rates, for example by requiring or permitting lessees to use:
- (a) a simplified discount rate instead of the incremental borrowing rate; and
 - (b) an unchanged discount rate for some remeasurements of the lease liability.
91. For the reasons discussed in paragraphs 83–88, we recommend no further action in response to stakeholders' feedback and suggestions relating to:
- (a) the requirement to use a rate implicit in the lease; and
 - (b) clarity of guidance for determining discount rates.

Question 2 for the IASB

Do IASB members agree with the staff recommendations in paragraph 90–91?

Recognition exemptions

What does IFRS 16 permit?

92. A lessee is permitted to elect not to recognise right-of-use assets and lease liabilities for short-term leases (leases of 12 months or less) and leases of low-value assets (for example, personal computers).²⁸
93. If a lessee elects not to apply the recognition requirements to short-term leases or leases of low-value assets, the lessee recognises the lease payments associated with those leases as an expense over the lease term.²⁹
94. Paragraphs B3–B8 of IFRS 16 provide guidance to assess whether an underlying asset is of low value.³⁰ In addition, paragraph BC100 of the Basis for Conclusions on IFRS 16 states that ‘at the time of reaching decisions about the exemption in 2015, the IASB had in mind leases of underlying assets with a value, when new, in the order of magnitude of US\$5,000 or less’.
95. If a lessee subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.³¹
96. The lessee is required to disclose amounts of expenses for the reporting period relating to short-term leases and leases of low-value assets accounted for applying the recognition exemption.³²

²⁸ See paragraph 5 of IFRS 16.

²⁹ See paragraph 6 of IFRS 16.

³⁰ Paragraph B6 of IFRS 16 states: ‘For example, leases of cars would not qualify as leases of low-value assets because a new car would typically not be of low value.’

³¹ See paragraph B7 of IFRS 16.

³² See paragraph 53(c)–(d) of IFRS 16.

What do stakeholders say?

97. Many stakeholders from various jurisdictions (including most accountancy bodies, many standard-setters and many preparers), who commented on the ongoing costs of applying IFRS 16, commented on the recognition exemptions for leases. As discussed in paragraph 12 in [Agenda Paper 7D](#) for the January 2026 IASB meeting, many of those who commented on the recognition exemptions said they have not benefitted from them as much as the IASB expected, because entities incur significant costs accounting for leases which the entities consider ‘economically insignificant’ but which they were not able to identify as eligible for recognition exemptions based on their understanding of the applicable requirements—for example, leases of e-bikes.
98. Users did not comment on the usefulness of information resulting from the recognition exemptions.
99. Most stakeholders who commented on the recognition exemptions suggested the IASB:
- (a) increase the scope of the recognition exemptions:
 - (i) by updating the \$5,000 threshold on a regular basis in line with changes in market prices—some suggested this.
 - (ii) by extending the short-term leases exemption to leases with lease terms that are longer than 12 months, for example, a term of three years or a term that is less than half of the useful life of the asset—a few suggested this.
 - (iii) by removing the \$5,000 threshold from the Basis for Conclusions on IFRS 16—a few suggested removing any quantitative thresholds, including the ‘12 months’ for identifying short-term leases, and moving to more principles-based approach to identifying, what they refer to as ‘economically insignificant’ leases. These stakeholders cautioned against including any specific amounts in future IFRS Accounting Standards.

- (b) simplify and clarify the guidance on identifying leases eligible for the recognition exemption to reduce diversity in practice—some suggested this. A few suggested clarifying the link between the exemptions and materiality because currently entities consider that they are required to recognise immaterial leases if they are not eligible for the recognition exemption.
 - (c) extend the exemption to sublease agreements—a few suggested this.
100. A standard-setter and a group of preparers suggested the IASB consider whether to align the requirements with Topic 842 (which does not include the recognition exemption for leases of low-value assets) to improve comparability of information for users.

Staff analysis

Does the matter have substantial consequences?

101. Based on the feedback received, the effectiveness of recognition exemptions in reducing the ongoing costs of applying IFRS 16 is lower (or, for some entities, significantly lower) than the IASB expected. This is mainly because, in stakeholders' view, the requirements are not capable of being applied effectively to a larger population of contracts that are 'economically insignificant' (see paragraphs 11–13 and 97). Therefore, the criterion in paragraph 15(a)—the matter has *substantial consequences*—is met.

Is the matter pervasive?

102. Many stakeholders from various jurisdictions (including most accountancy bodies, many standard-setters and many preparers), who commented on the ongoing costs of applying IFRS 16, commented on the recognition exemptions for leases. Of those, many said they have not benefitted from them as much as the IASB expected. Considering this feedback, in our view—the matter is *pervasive* (criterion in paragraph 15(b) is met).

Can the issue be addressed and will the benefits of the change outweigh the costs?

103. The analysis in paragraphs 101–102 suggests that the inability of some entities to apply recognition exemptions to a greater population of leases appears to be a significant contributor to the ongoing costs for lessees because the matter has substantial consequences and is pervasive. So, we have considered whether the issue can be addressed by the IASB or the Committee.
104. Based on the feedback, we identified four key suggestions aimed at reducing the ongoing costs relating to the inability to apply recognition exemptions more effectively:
- (a) to update the threshold for low-value assets (paragraphs 105–106);
 - (b) to extend the 12-month term threshold for short-term leases (paragraph 107);
 - (c) to simplify and clarify guidance on identifying leases eligible for recognition exemptions, including improving the link to the materiality concept (paragraphs 108–113); and
 - (d) to extend the recognition exemptions to subleases (paragraphs 114–116).

To update the threshold for low-value assets

105. The Basis for Conclusions on IFRS 16 explains the IASB's rationale at the time of developing the Standard. We think that is why paragraph BC100 of the Basis for Conclusions on IFRS 16 states that '*at the time of reaching decisions about the exemption in 2015, the IASB had in mind leases of underlying assets with a value, when new, in the order of magnitude of US\$5,000 or less*'. The Basis for Conclusions on IFRS 16 does not contain authoritative guidance and only provides explanations of the IASB's rationale in developing the requirements. We, therefore, do not think that the matter of the low-value assets recognition exemption being less effective than the IASB expected could be solved by amending or completely removing the amount from the Basis for Conclusions on IFRS 16 (the criterion in paragraph 15(c) is not met).

106. We note that in 2016, the IFRS Foundation published a webcast supporting the implementation of IFRS 16 [Exemptions—Discussion with Board Member Sue Lloyd](#) (IFRS 16 webcast). The webcast explains that the US\$5,000 amount should not be applied as a ‘bright line’ for identifying low-value assets without considering the current economic environment, inflation and other relevant factors.

To extend the threshold for short-term leases

107. The question about extending the lease term threshold in the recognition exemption is not new. The IASB considered this in developing IFRS 16. The IASB did not adopt an alternative approach. In paragraph BC92 of the Basis for Conclusions on IFRS 16 the IASB explains that longer term leases (for example, three-year leases) are more likely to give rise to material assets and liabilities than 12-month leases, and the objective of the project was to ensure greater transparency about an entity’s leasing activities. Considering also that only a few stakeholders suggested extending the lease term threshold, there is no new evidence to suggest that any changes to the short-term lease recognition exemption would mitigate the high ongoing costs without significantly affecting the usefulness of information (the criteria in paragraph 15(b) and 15(d) are not met).

To simplify and clarify guidance on identifying leases eligible for recognition exemptions

108. Most stakeholders who suggested simplifying and clarifying the requirements for recognition exemptions were raising concerns about the difficulties with identifying whether an underlying asset is a low-value asset. The application guidance in paragraphs B3–B8 of IFRS 16 includes examples of low-value assets and examples of assets that typically are not of low value. In paragraphs BC98–BC99 of the Basis for Conclusions on IFRS 16 the IASB explained that it decided to provide a recognition exemption for leases of low-value assets in light of the concerns raised by many preparers about the costs of applying the requirements of IFRS 16 to leases that are large in number but low in value.

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109. Example 11 in paragraph IE3, accompanying IFRS 16, illustrates how a lessee might apply paragraphs B3–B8 of IFRS 16 to leases of low-value assets.
110. In addition, [the 2016 webcast](#) explains the application of the recognition exemptions. The webcast explains that the low-value asset exemption works in a similar way to the recognition threshold for an item of property, plant and equipment that many entities apply. The webcast also explains that the types of assets an entity uses change over time and it is not possible to give a comprehensive list of the types of low-value assets that will be useful in the long term. Therefore, we think it is unlikely that the IASB would be able to provide more detailed guidance, explanations or educational material on the low-value exemption beyond what is already available in IFRS 16, the Basis for Conclusions on IFRS 16 and the 2016 webcast.
111. Paragraph B4 of IFRS 16 explains that leases of low-value assets qualify for the recognition exemption regardless of whether those leases are material to the lessee. In developing IFRS 16, the IASB considered the relationship between the exemption and the concept of materiality and, in the light of feedback received from preparers, the IASB concluded that the exemption would provide substantial cost relief to many lessees (and, in particular, smaller entities) by removing the burden of justifying that such leases would not be material in the aggregate.³³ The 2016 webcast also reiterates that the exemption is unrelated to materiality (that is, the threshold is an absolute measure, independent from the entity's materiality assessment).
112. We note that a few stakeholders said they incur significant costs of applying recognition requirements to immaterial leases because, for example, they identify their car leases as not eligible for the recognition exemption based on their understanding of the requirements in IFRS 16. In our view, appropriate application of the overarching materiality concept in IFRS Accounting Standards might allow such immaterial leases not to be recognised on the balance sheet. For example, paragraph 15 of IFRS 18 *Presentation and Disclosure in Financial Statements* states that an

³³ See paragraph BC101 of the Basis for Conclusions on IFRS 16.

entity need only present or disclose material information. As the [2016 webcast](#) explained, the exemptions are designed to benefit mainly smaller entities.

113. Based on the analysis in paragraphs 108–112, we conclude that the IASB (or the Committee) is unlikely to be able to significantly improve the guidance on identifying leases eligible for recognition exemptions in order to significantly reduce costs for lessees (the criterion in paragraph 15(c) is not met).

To extend the recognition exemptions to subleases

114. IFRS 16 prohibits a lessee from classifying a lease that is, or is expected to become, the head lease in a sublease arrangement as a lease of a low-value asset (see paragraph B7 of IFRS 16). The 2016 webcast explained that IFRS 16 requires the lessor in a sublease to classify the lease based on the right-of-use asset on its balance sheet and that, if the low-value exemption was taken, there would be no asset with which to make that assessment.
115. Only a few stakeholders in this PIR suggested the IASB extend the recognition exemptions to subleases (see paragraph 99(c)). So, we have not received evidence of the matter being pervasive or having substantial consequences. Therefore, the criteria in paragraph 15(a)–(b) for further action are not met.

Staff recommendation and question for the IASB

116. For the reasons discussed in paragraphs 101–115, we recommend no further action in response to stakeholders' feedback and suggestions relating to recognition exemptions.

Question 3 for the IASB

Do IASB members agree with the staff recommendation in paragraph 116 of this paper?

Disclosure requirements

What does IFRS 16 require?

117. Paragraph 51 of IFRS 16 sets out the disclosure objective for lessees, which is to disclose information in the notes that, together with the information provided in the statement of financial position, statement of profit or loss and statement of cash flows, gives a basis for users to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.
118. IFRS 16 requires a lessee to disclose, among others:
- (a) the expenses relating to variable lease payments not included in the measurement of lease liabilities.³⁴
 - (b) the expenses relating to short-term leases and leases of low-value assets accounted for applying recognition exemptions.³⁵
 - (c) additional qualitative and quantitative information about its leasing activities necessary to meet the disclosure objective (see paragraph 117). This additional information may include, but is not limited to, information that helps users to assess:
 - (i) the nature of the lessee's leasing activities;
 - (ii) 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:
 1. variable lease payments;
 2. extension options and termination options;
 3. residual value guarantees; and
 4. leases not yet commenced to which the lessee is committed;

³⁴ See paragraph 53(e) of IFRS 16.

³⁵ See paragraph 53(c)–(d) of IFRS 16.

- (iii) restrictions or covenants imposed by leases; and
- (iv) sale and leaseback transactions.³⁶

119. In determining whether additional information about leasing activities is necessary to meet the disclosure objective, a lessee considers whether that information is relevant to users. A lessee is required to provide additional information if that information is expected to be relevant to users. In this context, this is likely to be the case if it helps those users to understand the flexibility provided by leases, such as termination or renewal options, restrictions imposed by leases, sensitivity of reported information to key variables, exposure to other risks arising from leases and deviations from industry practice.³⁷

What do stakeholders say?

120. As discussed in paragraph 15 in [Agenda Paper 7D](#) for the January 2026 IASB meeting, some stakeholders (including some preparers and standard-setters, mostly from Europe and Asia-Oceania), who commented on the ongoing costs of applying IFRS 16, commented on high costs of disclosing information required in IFRS 16 with little or no observed benefit to users. The stakeholders suggested the IASB consider reducing or simplifying disclosure requirements. They suggested, for example:
- (a) removing requirements in paragraph 59(b) of IFRS 16 to disclose future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities. A few stakeholders (mostly standard-setters) said that, based on their experience, users instead are interested in more granular qualitative and quantitative information on actual, rather than future, lease-related cash flows, such as information on variable lease payments, extension and termination options, as well as a reconciliation of cash flows to IFRS 16-related expenses and disclosure of useful lives of leased assets.

³⁶ See paragraph 59 of IFRS 16.

³⁷ See paragraph B48 of IFRS 16.

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- (b) removing requirements in paragraph 53(c)–(e) of IFRS 16 to disclose expenses relating to short-term leases and leases of low-value assets accounted for applying paragraph 6 of IFRS 16, and expenses relating to variable lease payments not included in the measurement of lease liabilities.
 - (c) allowing entities to apply simplified disclosure requirements if lease assets or lease liabilities are below a certain threshold.
121. However, a user organisation from Asia-Oceania said additional information that lessees currently provide in accordance with paragraph 59 of IFRS 16 is insufficient to meet the disclosure objective in the Standard, and many stakeholders, who commented on the usefulness of information resulting from lessees' application of judgement, suggested the IASB explicitly require lessees to provide better disclosures about leases, for example, more granular disclosure of expected lease renewals and more detailed information about variable lease payments (see paragraphs 33(e) and 99 of Agenda Paper 7B for this meeting).

Staff analysis

Does the matter have substantial consequences?

122. Based on the feedback received from some stakeholders, particular disclosure requirements in IFRS 16 contribute significantly to the higher-than-expected ongoing costs of applying IFRS 16 (see paragraphs 13–14). Therefore, the criterion in paragraph 15(a)—the matter has *substantial consequences*—is met.

Is the matter pervasive?

123. In our view, the matter is not pervasive, because the concerns about costs of providing disclosure requirements were raised by some stakeholders, who commented on ongoing costs, and each of the suggestions for reducing (or removing) certain disclosure requirements were made by only a few stakeholders.

Can the issue be addressed and will the benefits of the change outweigh the costs?

124. The analysis in paragraphs 122–123 confirmed that particular disclosure requirements appear to be a significant contributor to high ongoing costs for some lessees as the matter has substantial consequences for them but it is not pervasive. We have considered whether the issue can be addressed by the IASB or the Committee.
125. Based on the feedback, we identified two key suggestions aimed at reducing the ongoing costs relating to disclosure requirements. They are to remove the requirements in:
- (a) paragraph 59(b) of IFRS 16; and
 - (b) paragraph 53(c)–(e) of IFRS 16.

To remove the requirements in paragraph 59(b) of IFRS 16

126. Paragraph 59(b) of IFRS 16 includes, as an example of additional information that an entity may disclose to meet the disclosure objective in paragraph 51 of IFRS 16, future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities.
127. In developing IFRS 16, the IASB explained that the requirement to disclose additional information has been included because many leases contain more complex features and a standard disclosure requirement for all entities is unlikely to meet the needs of users. Therefore, IFRS 16 requires a lessee to disclose any material entity-specific information, that is necessary to meet the disclosure objective, not disclosed elsewhere in the financial statements.³⁸
128. The IASB acknowledged that, for lessees with many complex, unique or otherwise significant lease arrangements, there are likely to be incremental costs associated with the additional disclosure requirements in paragraph 59 of IFRS 16, but users need additional information to understand any significant features that are excluded from the measurement of lease liabilities. However, many lessees will not need to provide

³⁸ See paragraphs BC224–BC225 of the Basis for Conclusions on IFRS 16.

any additional disclosures as a result of these requirements because the disclosures required by paragraphs 53 and 58 of IFRS 16 are expected to provide sufficient information for those leases that do not have complex or unique features.³⁹

129. Some stakeholders (other than preparers) who commented on Question 2 in the RFI suggested the IASB enhance disclosure requirements, and one user organisation said the information that lessees currently provide in accordance with paragraph 59 of IFRS 16 is insufficient to meet the disclosure objective in the Standard (see paragraph 121). In developing IFRS 16, the IASB considered requiring disclosure of specific information about more complex features of leases, such as the basis and terms and conditions on which variable lease payments and options are determined. However, lessees informed the IASB that this information would be difficult to capture in a meaningful way, particularly for large or diverse lease portfolios. Some users also expressed concerns that such an approach could lead to ‘boilerplate’ compliance statements, which generally do not provide useful information. The approach taken enables lessees to determine the best way to provide information while considering both the costs of providing that information and the information needs of users.⁴⁰
130. We have not received sufficient new evidence to justify removing the disclosure requirements in paragraph 59 of IFRS 16. Therefore, criteria in paragraph 15(c)–(d)—the matter *can be addressed* by the IASB or the Committee in such a way that the *benefits of the change would outweigh the costs*—is not met.

To remove the requirements in paragraph 53(c)–(e) of IFRS 16

131. In developing IFRS 16, the IASB explained that, in their view, the disclosure of the expense related to short-term leases and leases of low-value assets for which the lessee has elected to apply the recognition exemption provides useful information to users about the lease payments that are excluded from lease liabilities as a consequence of the exemption. We think that disclosure of this information might be helpful in reconciling lease-related cash flows with lease-related expenses, as some

³⁹ See paragraph BC226 of the Basis for Conclusions on IFRS 16.

⁴⁰ See paragraph BC227 of the Basis for Conclusions on IFRS 16.

stakeholders, who responded to Question 3 in the RFI, suggested the IASB require entities to disclose such a reconciliation (see paragraph 25(d) of [Agenda Paper 7C](#) for the January 2026 IASB meeting).

132. We observe that some stakeholders suggested the IASB enhance various disclosure requirements, while only a few stakeholders suggested the IASB remove the disclosure requirements in paragraph 53(c)–(e) of IFRS 16. Therefore, we have not received sufficient new evidence to justify removing the disclosure requirements in paragraph 53(c)–(e) of IFRS 16. Therefore, criteria in paragraph 15(c)–(d)—the matter *can be addressed* by the IASB or the Committee in such a way that the *benefits of the change would outweigh the costs*—are not met.

Staff recommendation and question for the IASB

133. For the reasons discussed in paragraphs 122–132, in our view, the matter of higher-than-expected costs resulting from applying disclosure requirements is not pervasive and removing the requirement to disclose the specified information might significantly reduce the usefulness of the lease-related information for users. Therefore, we recommend no further action in response to stakeholders’ feedback and suggestions relating to disclosure requirements.

Question 4 for the IASB

Do IASB members agree with the staff recommendation in paragraph 133 of this paper?

Question 5 for the IASB

The staff recommends no further action in response to stakeholders’ feedback and suggestions relating to cost-related matters (1 and 2) summarised in [Appendix A](#).

Do IASB members agree with the staff recommendation?

Appendix A—Other cost-related matters raised by a few respondents in response to Question 4 in the RFI

Matter raised by stakeholders	Staff response
1. A few stakeholders said they incur high ongoing costs to maintain dual intragroup leases accounting records for separate (or individual) financial statements prepared in accordance with IFRS Accounting Standards and to eliminate intragroup leases in consolidated financial statements at each reporting date, which is complex. They suggested the IASB develop some practical expedients for intragroup leases or exclude the leases from the scope of IFRS 16.	The staff recommend taking no action because limited feedback suggests that the matter is not pervasive and, in our view, there is no feasible principles-based solution for the IASB or the Committee.
2. A few stakeholders said the practical expedient in paragraph B1 of IFRS 16 that allows entities to apply the Standard to a portfolio of leases⁴¹ (and that was intended to be useful for lessees with a large number of similar leases), is not as useful as the IASB expected because the Standard lacks sufficient guidance for portfolio application of IFRS 16. For example, it is unclear how an entity should account for movements of individual leases in a portfolio, such as lease terminations, reassessments and modifications. These stakeholders suggested the IASB add guidance on the portfolio application of IFRS 16.	The staff recommend taking no action because limited feedback suggests that the matter is not pervasive and, in our view, the benefits of any actions are unlikely to justify the costs.
3. A few stakeholders (mostly preparers and standard-setters) said that to meet the requirements of their internal and external stakeholders, entities maintain	At a future IASB meeting the IASB will discuss our analysis of comments to Question 1 in the

⁴¹ Paragraph B1 of IFRS 16 states: '[...] as a practical expedient, an entity may apply this Standard to a portfolio of leases with similar characteristics if the entity reasonably expects that the effects on the financial statements of applying this Standard to the portfolio would not differ materially from applying this Standard to the individual leases within that portfolio.'

Matter raised by stakeholders	Staff response
two sets of books—one in accordance with IFRS 16 and the other in accordance with IAS 17—because not all users find IFRS 16 information useful. In the view of these stakeholders, this results in very high costs. Some of those stakeholders suggested that lessees should be permitted not to apply IFRS 16 to some types of leases that are generally viewed as not binding, cancellable or service-like arrangements—for example, leases of retail space or administrative assets—and instead apply IAS 17 operating lease accounting and disclosure requirements to better reflect the economic substance of the transactions.	RFI, which asked about the <i>overall</i> costs of applying the requirements in IFRS 16 and auditing and enforcing their application. We will analyse this comment at that future meeting.
4. A few stakeholders said they incur high ongoing costs of applying IFRS 16 with IFRS 3 <i>Business Combinations</i> when acquiring a business that has significant leases. IFRS 3 requires the acquirer to measure the lease liability (for leases in which the acquiree is the lessee) at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date. Stakeholders said they often need to maintain two sets of accounting records, for example, if the acquiree is required to prepare separate (or individual) financial statements, in which leases would be reported as if the acquisition had not happened.	At a future IASB meeting the IASB will discuss our analysis of comments to Question 6 in the RFI, which asked about other matters relevant to the assessment of the effects of IFRS 16 (including the effects of applying IFRS 16 with other IFRS Accounting Standards). We will analyse this comment at that future meeting.