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Chairman

PDC N° 11

Paris, May 7th 2020

Mr Hans Hoogervorst

IASB Chair

7 Westferry Circus, Canary Wharf

LONDON, UK, E14 4HD

IASB Exposure Draft ED/2020/2: Covid-19-Related Rent Concessions – Proposed amendment to IFRS 16

Dear Hans,

I am writing on behalf of the Autorité des normes comptables (ANC) to express our views on the above-mentioned IASB Exposure Draft regarding the proposed amendment to IFRS 16 “Covid-19-Related Rent Concessions” (ED/2020/2). This letter sets out the most critical issues identified by interested stakeholders involved in ANC’s due process.

ANC welcomes the Board’s efforts to deal with the consequences of the pandemic on the implementation of IFRS 16’s requirements through an expeditious process. We are very supportive of the proposed amendment and also urge for its timely publication since its purpose is to provide an immediate practical expedient (i.e. for the 30 June interim financial statements) and that any application delay would impair its efficiency.

The main objective of the amendment is to provide a practical expedient when addressing the urgent accounting treatment of lease concessions granted in relation with the Covid-19 outbreak. For simplification as well as for convergence with US GAAP reasons, we would favour the most simple and converged solutions that would also contribute to preserve a level-playing field in these difficult economic times.

In that regard, without unduly slowing the urgent process, we note that restricting the scope of the expedient to 2020 payments or excluding lessors raises unnecessary application concerns.

The objective mentioned in the Introduction to the amendments refers rent concessions “granted” in 2020 rather than paid in 2020. Limiting the amendment to payments due in 2020 is more restrictive and may lead to different outcome, depending on the period on which the concession is spread. Moreover, this restriction may not be necessary as long as the practical expedient already requires a direct linkage with Covid-19 concessions.

There are no obvious reasons to assume that the process of assessing whether a concession constitutes a modification could be easier for lessors, as they may manage a large number of contracts in various jurisdictions. In addition, when a lessor acts as an intermediary between a primary lessor and a lessee, the scope asymmetry might create undue mismatches.

Additionally, some clarifications would be welcome to define more precisely the scope of the amendment. We suggest setting out more clearly the requirements in par. BC.4 and BC.6, regarding the obligation to apply the relief “consistently to contracts with similar characteristics and in similar circumstances, as already specified by par. 2 of IFRS 16”, and its interaction with par. 46A (“[...] shall account for **any change** in lease payments”¹). Should the assessment be made on a lease-by-lease basis, by portfolio or for all the contracts simultaneously?

Similarly, while par. BC5(c) deals with modifications that are unrelated to the covid-19 pandemic, the example bracketed in the same paragraph relates to a modification eligible to the practical expedient and thus may be misleading.

Questions also remain on the consequences of the adjustment of the lease liability as a result of the practical expedient (especially regarding par. BC7 and BC8). We understand that the right of use is not supposed to be adjusted insofar as it is related to a COVID-19 related concession, but the effect on P&L should not be immediate if the lease concessions are spread over time. We would therefore welcome clarifications regarding the expected accounting outcome in this context.

Finally, a more consistent application could be achieved by providing detailed examples, as was the case in the Agenda Paper 32B (April 2020). These examples have been greatly appreciated and could easily be included as an application guidance.

We stand at your disposal should you want to discuss any aspect of our letter.

Best regards,

A handwritten signature in black ink that reads "Patrick de Cambourg". The signature is written in a cursive, slightly slanted style.

Patrick de CAMBOURG

¹ Emphasis added