

# IFRS 16 – Leases

## The impacts



Adoption as of **1 January 2019**

The IASB has announced the new Leases standard.

### What's changed

#### Old Treatment for lessees:



Finance leases on balance sheet



Operating leases off balance sheet



Service contracts off balance sheet

**New**

#### New treatment for lessees:



All leases > 12 months on balance sheet



Short term leases (less than 12 months), and low value asset leases off balance sheet



Service contracts off balance sheet

### What is affected

Compliance



Ensure compliance with new IFRS requirements

Performance measurement



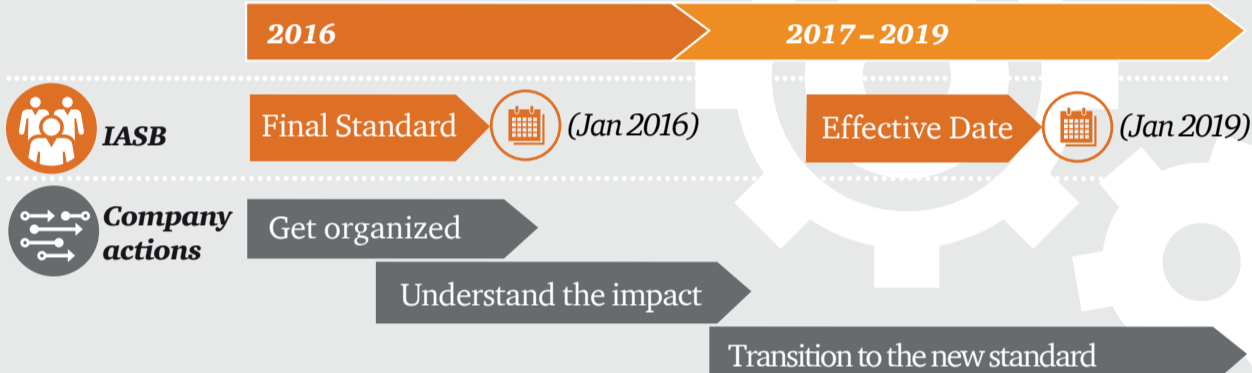
Most key ratios and KPIs redefined

Cross-department issue



Treasury, HR, IT, Tax, Real Estate, Sales/ Procurement

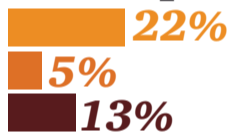
### Timetable



### Global lease capitalisation impact by industry\*

- Median increase in debt
- Median increase in total assets
- Median increase in EBITDA

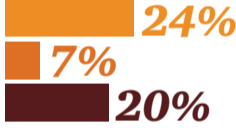
#### All companies



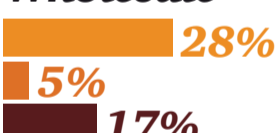
#### Professional Services



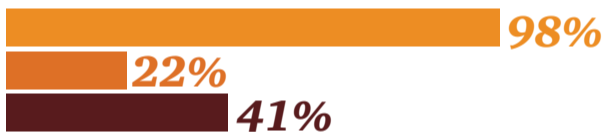
#### Transport & Logistics



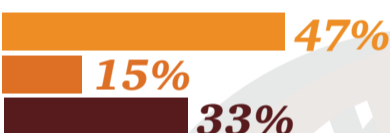
#### Wholesale



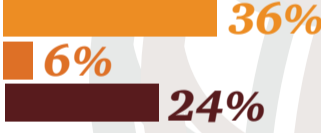
#### Retailers



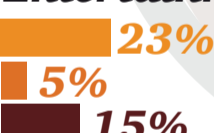
#### Airlines



#### Health Care



#### Entertainment



\* Global PwC Lease Capitalization Study 2015

### Steps to get your house in order

#### What you need to do

##### Get organized



- Understand the issue
- Scope project
- Setup project team and governance
- Arrange resources
- Engage stakeholders and train affected staff and management
- Understand accounting policy differences and create roadmap

##### Understand the impact



Identify all in scope leases contracts



Gather lease data, identify data gaps and validate lease data



Assess the impact on financial metrics and optimize arrangements

##### Transition to the new standard



Define business and technical requirements and select software vendor



Implement systems and processes



Ensure business as usual

The IASB has set January 2019 as the effective date for the new Leases standard. At first glance this date feels like it is far enough to not have to think about it immediately. However, the wide reaching impact on organisations' processes and systems and the effect of understanding and implementing the new standard is likely to be very significant. It's vital that organisations take the time to understand the impact of IFRS 16 now, gather and validate their leases data and build an implementation programme. This approach will mean that potential issues are highlighted early and steps can be taken to resolve them, ultimately saving time and costs.

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For more information please get in touch with your local PwC contact

