

The Swedish Financial Reporting Board

RFR-rs 2021:02

International Accounting Standards Board  
Columbus Building,  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

Dear Board members,

## Re: ED 2020/4 Lease Liability in a Sale and Leaseback Proposed amendment to IFRS 16

The Swedish Financial Reporting Board is responding to your invitation to comment on the Exposure Draft ED/2020/4 Lease Liability in a Sale and Leaseback Proposed amendment to IFRS 16 (the 'ED').

The Swedish Board recognizes that the proposal introduces a "conceptual dilemma" since the ED gives rise to a mixed measurement model, i.e. lease liabilities under a sale and lease back transaction will at initial measurement include variable lease payments while others will not. Even so, we believe that the reasons for making the proposed amendments are predominant. A reasonably correct measurement of a gain from a partial derecognition of an assets economic use is achieved when the lease back contract includes variable payments. The subsequent measurement model makes sense as a practical straightforward way to account for the inevitable differences that will arise when the estimated future lease payments and actual payments differ.

Requiring an entity to consider variable lease payments when calculating the lease liability in a sale and leaseback transaction leads to two problems. Firstly, two different measurement models are used to capture similar economic phenomena for lease liabilities. Secondly, initial measurement judgements made by management will give rise to subsequent effects in profit and loss, and those effects could arise many years after the initial measurement, if the lease back agreement is for a long period of time.

The amendment also further increases an already high number of complex judgments that a preparer must make in order to apply the standard. A large number of judgments required by preparers will make it harder for a user to interpret, understand and use the information of lease liabilities in the balance sheet and of the related effects in the profit and loss statement.

The complex accounting model in IFRS 16 required preparers in many instances to implement tailored made accounting systems. Every change to the model leads to changes in such accounting systems, and these increase costs for the preparer. All such costs must be evaluated against the possible information benefits for users.

# Rådet **för** **finansiell rapportering**

Based on the above we therefore also encourage the Board to plan for a PIR of IFRS 16 sooner rather than later.

If you have any questions concerning our comments, please address our Executive member Carina Edlund by e-mail to: [Carina.Edlund@radetforfinansiellrapportering.se](mailto:Carina.Edlund@radetforfinansiellrapportering.se).

Stockholm, 24 March 2021

Yours sincerely

  
Anders Ullberg  
Chairman