



11 December 2020

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

INVITATION TO COMMENT ON IASB EXPOSURE DRAFT ED/2020/4
Lease Liability in a Sale and Leaseback
Comments to be received by 10 March 2021

The Financial Reporting Standards Committee (FRSC) of the Hong Kong Institute of Certified Public Accountants (Institute) is seeking comments on the IASB Exposure Draft ED/2020/4. The Exposure Draft (ED) is available on the Institute's website:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/exposure-drafts/>.

Sale and leaseback transactions are transactions for which an entity (the seller-lessee) transfers an asset to another party (the buyer-lessor) and leases back that same asset.

IFRS 16 *Leases* includes requirements for how to account for sale and leaseback transaction at the time the transaction takes place. However, it does not specify the subsequent measurement of the lease liability after the date of the transaction.

The International Accounting Standards Board proposes to amend IFRS 16 by specifying how a seller-lessee subsequently measures the lease liability in a sale and leaseback transaction, and the method a seller-lessee uses in initially measuring the right-of-use asset and liability arising in such transactions.

The proposal in the ED would improve the sale and leaseback requirements already in IFRS 16 by providing greater clarity for seller-lessees, which would help to ensure the Standard is applied consistently to such transactions.

The proposal would not change the principles for the sale and leaseback requirements in IFRS 16, or the accounting for leases other than those arising in a sale and leaseback transaction.

The FRSC invites your comments on the Exposure Draft by **10 March 2021** to allow your comments to be considered in developing its response to the IASB. Comments should be supported by specific reasoning and should be submitted in written form.

Comments may be sent by mail, fax or e-mail to:

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Comments will be acknowledged and may be made available for public review unless otherwise requested by the respondent.