

● isca breakfast talk

IFRS 16 Implementation Insights

WHEN IFRS 16 LEASES CAME INTO EFFECT ON 1 JANUARY 2019, a significant hurdle has been overcome in transitioning to compliance with IFRS 16 requirements. On June 29, Senthilnathan Sampath, Managing Director, and Lim Lay Kee, Senior Manager, both from PwC Singapore, shared with webinar participants the key challenges in the implementation of IFRS 16, the opportunities to optimise lease management and accounting processes, and the benefits beyond compliance with the Standard.

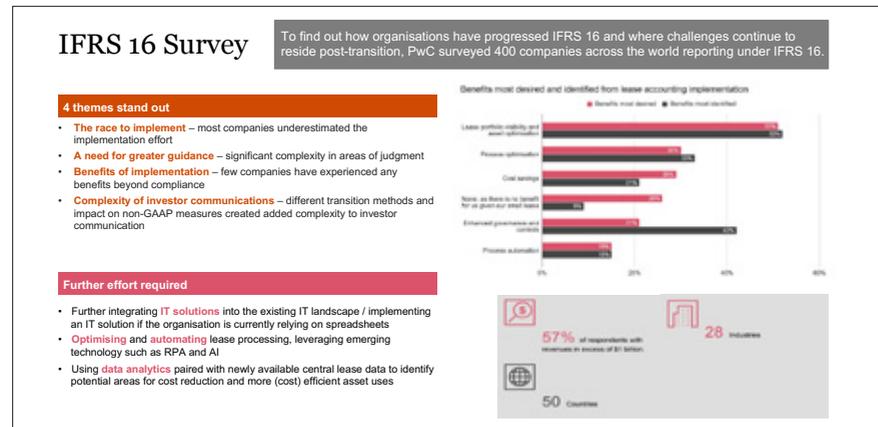
PwC had surveyed 400 corporate respondents across the globe, including a few from Asia, to garner insights into their organisations' approach to implementing IFRS 16. Ms Lim shared the four key themes that stood out from the survey results (Figure 1), and the additional efforts required to operationalise Day 2 lease accounting requirements.



▲ Senthilnathan Sampath, Managing Director, PwC Singapore

▲ Lim Lay Kee, Senior Manager, PwC Singapore

Figure 1



business benefits that the adoption of IFRS 16 could bring beyond compliance. Mr Sampath believes that many opportunities exist for companies to increase their business value from IFRS 16, which would in turn enable them to obtain a return on their implementation costs.

Entities have implemented interim IT solutions for IFRS 16, and want additional functionalities in their IT solutions to meet their ongoing lease administration and reporting needs. IT vendor selection and integration services may be needed to help companies achieve a lower running cost of lease processes and reporting. Also, further to internal centralisation, outsourcing under an automated managed service to a third-party provider that can perform lease processing and reporting efficiently with digitisation is increasingly becoming an option for companies.

Entities have complied with IFRS 16 requirements. It's now time to address Day 2 challenges by further optimising lease management and reporting processes, and taking advantage of emerging technologies and the treasure trove of data available to inform decision-making, reduce costs and better manage risks from leasing.

- The four themes are:
- 1 The race to implement** The market has viewed IFRS 16 changes as a compliance exercise only and scrapped through Day 1 accounting by manual monitoring and calculation using Excel spreadsheets.
 - 2 A need for greater guidance** Entities underestimated the implementation issues arising from IFRS 16 and have not put in place adequate processes to incorporate these in their BAU.
 - 3 Benefits of implementation** Entities are considering embedding the lease

- 4 Complexity of investor communications** related to the application of the Standard, as this change has a direct impact on several commonly used performance indicators and financial ratios reported internally and externally.

Many organisations faced unexpected challenges in implementing IFRS 16, and they have not yet fully investigated the

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