

New accounting standards and amendments effective 01 January 2024

New currently effective requirements:

Effective date	New accounting standards or amendments	JBA Guidelines
01 January 2024	Leases liability in a Sales and Leaseback - Amendments to IFRS 16	<i>Understanding into IFRS</i>
	Non-Current Liabilities with covenants - Amendments to IAS 1	<i>Understanding into IFRS</i>
	Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	<i>Understanding into IFRS</i>

1. Lease liability in a Sale and Leaseback – Amendments to IFRS 16

01 Jan 2024

On 22 September 2022, the IASB issued 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)' with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments are effective for annual periods beginning on or after 1 January 2024. IFRS 16 Leases ended sale-and-leaseback transactions as an off-balance sheet financing proposition. Assessing whether a transaction qualifies for sale and lease back accounting under IFRS 16 is a key judgement. The key to identifying a sale and leaseback transaction is to determine whether a sale occurs. This is crucial because if there is no sale then the transaction is accounted for as a financing management. Whether you are assessing how to account for a new sale and leaseback transactions, [follow here](#) and hope you will find this guide helpful. [Tap here for IFRS module.](#)

1.1. Identifying a sale and leaseback transaction:

Lessee controls an asset

Sale-and-leaseback accounting may be required if a lessee controls the underlying asset before it is transferred to the lessor.

If the lessee does not control the underlying asset before it is transferred to the lessor, then the transaction is a lease and not a sale-and-leaseback transaction.

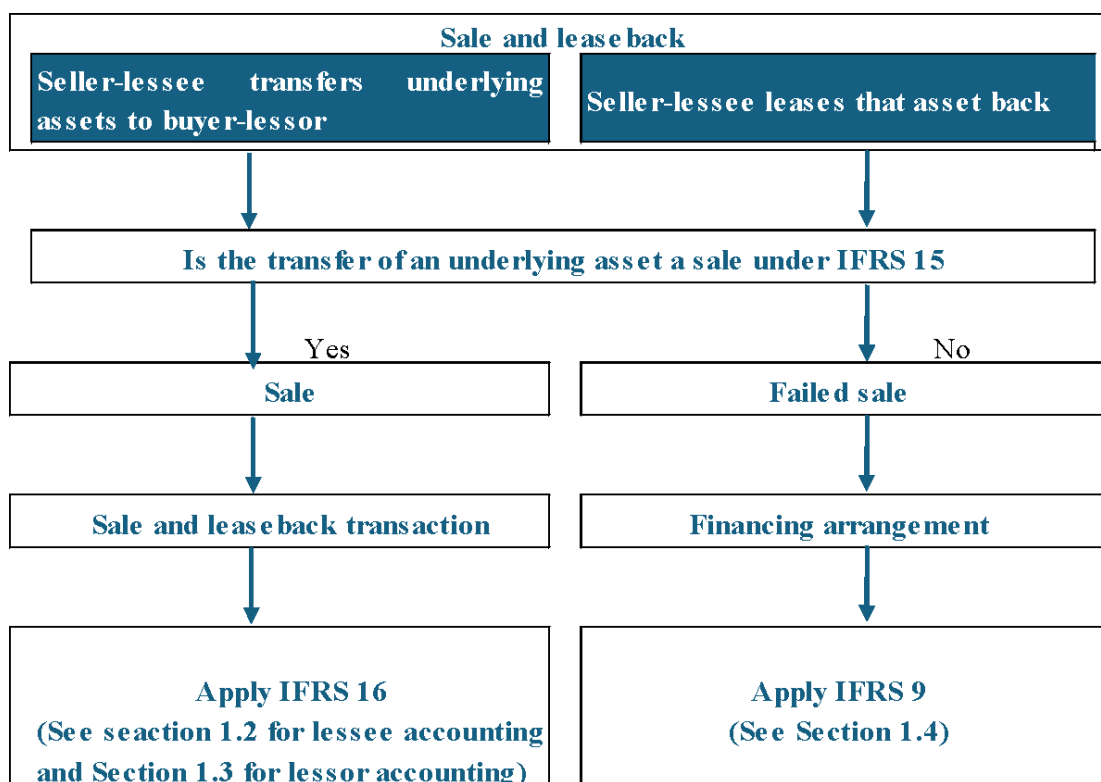
A lessee may obtain legal title to an underlying asset before that legal title is transferred to the lessor and the asset is leased to the lessee. Obtaining legal title does not in itself determine whether the lessee controls the asset before it is transferred to the lessor.

Is there a sale?

In a sale-and-leaseback transaction, a company (the seller-lessee) transfers an underlying asset to another company (the buyer-lessor) and leases that asset back from the buyer-lessor. To determine how to account for a sale-and-leaseback transaction, a company first considers whether the initial transfer of the underlying asset from the seller-lessee to the buyer-lessor is a sale under IFRS 15.

If the transfer of the asset meets the requirements for a sale in IFRS 15, then a sale has occurred and the transaction is accounted for as a sale-and-leaseback transaction under IFRS 16.

If the transfer of the asset does not meet the requirements for a sale in IFRS 15, then there is no sale and the transaction is accounted for as a financing arrangement under IFRS 9.



1.2. Lessee accounting

Specific guidance determines the gain or loss recognized on a sale-and-leaseback transaction and the initial carrying amount of the right-of-use asset.

Accounting model for lessees

If a sale-and-leaseback transaction qualifies as a sale (see Section 2), then the seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset relating to the right of use retained by the seller-lessee. This means that the amount of any gain or loss recognized by the seller-lessee is limited to the proportion of the total gain or loss relating to the rights transferred to the buyer-lessor. This reflects the economics of the transaction — i.e. the seller-lessee has sold only its interest in the value of the underlying asset at the end of the leaseback.

Accounting for seller/lessee	
Transfer to buyer-lessor is a sale	<ul style="list-style-type: none"> Derecognize the underlying asset and apply the lessee accounting model to the leaseback. Measure the right- of-use asset at the retained portion of the previous carrying amount (i.e. at cost)

	<ul style="list-style-type: none"> Recognize only the amount of any gain or loss retained to the rights transferred to the lessor.
Transfer to buyer-lessor is not a sale	<ul style="list-style-type: none"> See section 1.4

Do IFRS 16's recognition exemptions apply to the leaseback?

Yes. Under IFRS 16, seller-lessees can apply the recognition exemptions to the leaseback — i.e. the lease element of a sale-and-leaseback transaction. If a seller-lessee elects to apply the short-term lease recognition exemption for the applicable class of underlying asset transferred, then that election applies when accounting for the short-term leaseback.

1.3. Lessor Accounting

In a sale-and-operating leaseback transaction, the buyer-lessor recognizes the underlying asset and an operating lease to the seller-lessee and adjusts for any off-market components.

Accounting model for lessors

If a sale-and-leaseback transaction qualifies as a sale (see Section 2), the buyer-lessor recognizes the underlying asset under applicable IFRS Accounting Standards and applies the lessor accounting model in IFRS 16 to the leaseback.

	Accounting for the buyer-lessor
Transfer is a sale	<ul style="list-style-type: none"> Recognize the underlying asset and apply the lessor accounting model to the leaseback.
Transfer is not a sale	<ul style="list-style-type: none"> See Section 1.4.

1.4. Accounting for Failed Sales

The seller-lessee and the buyer-lessor account for failed sales as financing arrangements under IFRS 9.

Basic requirement

If the transfer of an asset in a sale-and-leaseback arrangement is a failed sale — i.e. it does not satisfy the requirements in IFRS 15 to be accounted for as an asset sale — then the seller-lessee continues to recognize the transferred asset and recognizes a financial liability equal to the transfer proceeds. It accounts for the financial liability subsequently under IFRS 9.

Similarly, the buyer-lessor does not recognize the transferred asset. Instead, it recognizes a financial asset equal to the transfer proceeds and accounts for that asset subsequently under IFRS 9.

2. Non-current liabilities with Covenants – Amendments to IAS 1

On 31 October 2022, the IASB issued 'Non-current Liabilities with Covenants (Amendments to IAS 1)' to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after 1 January 2024. The International Accounting Standards Board (IASB) has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.

A company will classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement.

IASB reconfirmed that only covenants with which a company must comply *on or before* the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply *after* the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

[Effective date – Applies retrospectively from January 2024:](#)

The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with early application permitted. They also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments. [Tap here to IFRS Module](#)

3. Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

On 25 May 2023, the IASB issued 'Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)' to add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative

information about supplier finance arrangements. The amendments are effective for reporting periods beginning on or after 1 January 2024.

The IASB's amendments apply to supplier finance arrangements¹ that have all of the following characteristics.

- A finance provider² pays amounts a company (the buyer) owes its suppliers.
- A company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid.
- The company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

The amendments do not apply to arrangements for financing receivables or inventory.

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New disclosures:

The amendments introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk.