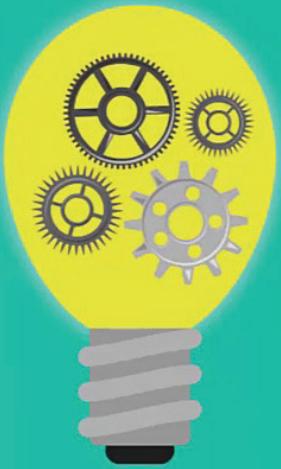


IFRS Today

**Our series on the most topical issues in
IFRS® Standards and financial reporting**



13 February 2020



"For me, the key focus is to go back and look again at all the key recognition and measurement judgements you made to come up with those numbers."

VIDEO TRANSCRIPT

IFRS 16 – Applying the new leases standard

Brian O'Donovan
KPMG global IFRS leasing standards deputy leader

I am a partner at KPMG and, for me, 2020 financial reporting is all about the new leases standard.

By now, I hope you've worked through all the big recognition and measurement questions. You've quantified the big, new lease asset number that will appear on your balance sheet and the big, new lease liability number.

So what should you be thinking about now as you prepare your first financial statements under the new leases standard?

For me, the key focus is to go back and look again at all the key recognition and measurement judgements you made to come up with those numbers. Are they fully documented? Is the audit committee happy with them? Are your auditors happy with them?

Another key area is to look beyond the big numbers that are going to be in the balance sheet and to think about whether you have all the information to hand you are going to need to complete the notes. Do you have all the detail you need for all of the notes? You don't want to be running around, the night before the financial statements have to go out, with a calculator doing one last set of numbers!

And perhaps the most important question is this: how are you going to explain the change? Your balance sheet has changed, your P&L has changed, all your KPIs have changed – perhaps you are even using different KPIs. You are going to need to explain clearly, concisely and transparently exactly what's happened so you can present a fair comparison of this year's financial results with last year's.

It's only once you've addressed all these points, once you've got the financial statements out of the door, that you can focus on the New Year – the year in which this standard is going to be business as usual.

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