



# IFRS 16: New Lease Accounting

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## The challenge

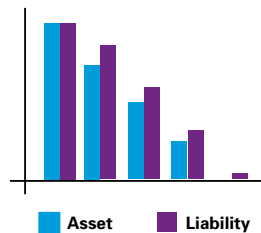
Most companies lease assets and will be affected by the standard

- Under IFRS 16, **lessees will bring leases on balance sheet** effective date 01.01.2019
- New lease definition becomes the **new on/off balance sheet test**

- **The new standard will change many financial ratios**
- Your stakeholders/investors will want to **understand the impact on your business**
- In a number of cases the **impact can be significant on profit & loss and balance sheet**

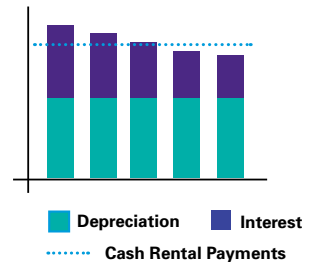
### Balance Sheet

Companies with operating leases will appear to be more asset-rich, but also more heavily indebted



### Income Statement

Total lease expense will be front-loaded even when cash rentals are constant



Profit/loss	Balance sheet	Ratios
EBITDA	Total assets Total debt	Debt-to-Equity
EPS (in early years)	Net assets	Interest cover asset turnover

### Leases on balance sheet

#### Balance sheet

*Asset*  
= 'Right of use'  
of underlying asset

*Liability*  
= Obligation to make  
lease payments

#### P&L

*Lease expense*  
Depreciation + Interest  
= Front-loaded  
total lease expense

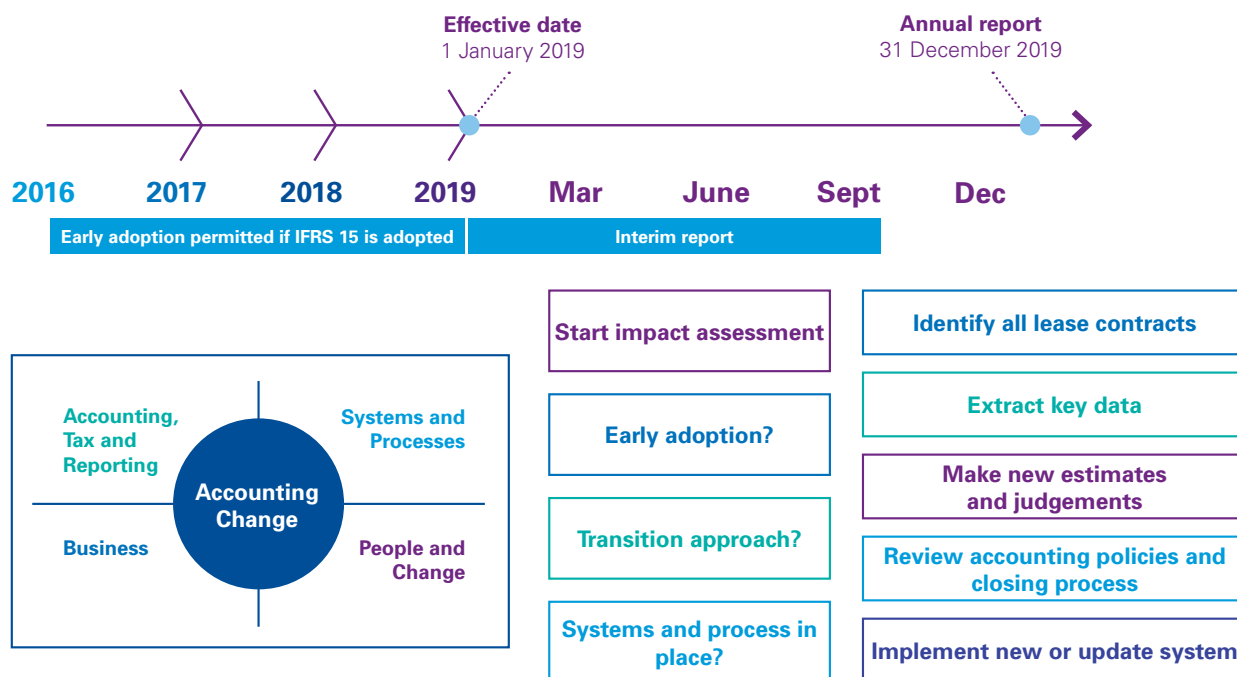
### What is your current view on IFRS 16 implementation ?



- Do you know what the expected major impacts of the lease accounting standard are for your company?
- What is your level of preparation with respect to complying with the lease accounting standard?
- Have you started the implementation with the leasing tool and based on an integrated approach?

## How to implement change

It is likely to be challenging and appropriate time is needed to choose the right options




### Are you aware of the complexity ?

In large international groups the right project management is essential due to the high number of lease contracts, their content and nature, local languages and out of IT or differing IT systems.



**High number of leases**

- Massive data
- Different types of contracts
- Processes for lease contract monitoring
- Comprehensive documentation



**Complexity of lease data**

- Low group-wide transparency
- Local languages and local currencies
- Local legal requirement
- Decentralized responsibility



**Decentralized management of leases**

- Stand-alone solutions
- Different IT systems
- Different responsibilities
- Data migration and interfaces

## How KPMG can help

- **High specialization** in lease accounting and tools to assess impact and facilitate calculations
- **Strong experience** in various sectors (energy, retail,..) for technical explanations, trainings, workshops
- **Structured and proven** methodology for project management, integrated approach

## Your benefits

The earlier you understand the impact of the new standard on your organization, the more prepared you will be to tackle issues and reduce implementation costs and risks.

## Contact



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