

Accounting Advisory Services – PwC Bulgaria

IFRS 16 Leases – Accounting Revolution with Widespread Business Implications

IFRS 16 Leasing

• **New standard**

IFRS 16 is effective from 1 January 2019 with a major impact on all lessees renting assets under operating leases (limited impact on lessors of operating leases, as well as both lessees and lessors of finance leases).

Tenants will bring on balance sheet virtually all leases and rental contracts on balance sheet by recognizing a new financial liability and new right-of-use asset. Rent expense is replaced with depreciation and interest expenses. Financial key performance indicators such as gearing and EBITDA will change. This will impact covenants, credit ratings and stakeholders' perception of your company.

The recently conducted PwC Global Lease Capitalisation Study of some 3,200 listed IFRS reporters revealed the following major impact on certain industries:

Industry	Median increase debt	Median increase EBITDA
All companies	22%	13%
Retailers	98%	41%
Airlines	47%	33%
Professional services	42%	15%
Health care	36%	24%
Wholesale	28%	17%
Transport & Infrastructure	24%	20%
Entertainment	23%	15%
Telecommunications	21%	8%

• **Business data and processes**

IFRS 16 will have significant impact on lessees' business processes, systems and controls. Significantly more data will be required and cross-functional approach to implementation will be of critical importance.

How PwC can help?

• **As analysis**

Initial understanding how the standard is likely to affect you.

• **Build a roadmap**

Project management with proper identification of stages and planning to ensure a smooth transition.

• **Accounting advice**

The new standard requires a deep understanding of the applicable guidance and requires expert interpretation and judgements. Our team has the expertise to help.

• **Data gathering and analysis**

We can help gather relevant data and we have the analytical capabilities to help you understand the impact and make the right decisions.

• **PwC proprietary IFRS 16 e-tools**

We can offer our own IFRS 16 e-tools and assist in choosing the best Information Technology solution for your company.

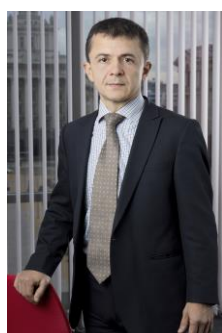
Regular monthly IFRS 16 breakfasts

PwC Bulgaria Accounting Advisory team will be organizing **IFRS 16 breakfasts** each month in 2018. The events will cover:

- Focus on the technical changes brought by the new IFRS 16, compared to the current IAS 17 requirements for tenants/lessees of operating leases
- Pragmatic implementation aspects
- IFRS 16 e-tools offered by PwC and other Information Technology solutions.

For more information visit our website www.pwc.bg or contact us via e-mail: marketing-bg@bg.pwc.com

Our dedicated Accounting Advisory Services team in PwC Bulgaria is there to help:



Gueorgui Nikolov,
Director
gueorgui.nikolov@pwc.com



Ilian Stoianov,
Senior Manager
ilian.stoianov@pwc.com



Savin Dyankov,
Manager
savin.dyankov@pwc.com