Proposals for RDR in AASB 16/NZ IFRS 16 *Leases*

Introduction

AASB staff and NZASB staff have applied the current RDR decision-making framework (see Agenda Paper 9.2) to the disclosures in AASB 16/NZ IFRS 16 *Leases* to determine disclosure concessions for Tier 2 entities applying AASB 16/NZ IFRS 16.

Key

Blue font – rationale for proposals for RDR for AASB 16/NZ IFRS 16 under current RDR decision-making framework

Red font – rationale for RDR in AASB ED 277/ED NZASB 2017-1 (the EDs) under proposed RDR decision-making framework

Green font – comments from respondents to AASB ED 277/ED NZASB 2017-1

Purple font – corroboration with the *IFRS for SMEs* Standard and AASB 117/NZ IAS 17 *Leases* for proposals under current RDR framework

IFRS for SMEs Standard

There is currently no section in the *IFRS for SMEs* Standard based on AASB 16/NZ IFRS 16. Section 20 *Leases* is based on IAS 17 *Leases*.

The next comprehensive review of the *IFRS for SMEs* Standard is expected to start in early 2019.

Identifying proposed disclosure requirement reductions for AASB 16/NZ IFRS 16

The three-step approach to identify RDR proposals per current RDR framework is the following:

1 Apply ‘user need’ and ‘cost benefit’ principles (see paragraph 1(a) of Agenda Paper 9.2), because disclosures in IFRS 16 are new or revised disclosures that did not exist when the *IFRS for SMEs* was published or last updated.

2 Compare disclosure requirements with the *IFRS for SMEs* Standard and AASB 117/NZ IAS 17 and identify whether a similar disclosure was retained or reduced for Tier 2 entities under current RDR framework when applied in the past.

3 Compare RDR proposals under current RDR framework with RDR proposals under proposed RDR framework in the EDs.

Issues to be considered by the Board

There are several instances when the outcome of applying the current RDR framework is different to the proposals in the EDs or the requirements in AASB 117/NZ IAS 17, as identified below:

1 Application of current and proposed RDR frameworks results in different RDR proposals:

- (a) lessees
  - (i) paragraph 52 – regarded as a presentation requirement and retained now, regarded as guidance and reduced in the EDs (not a difference for NZ);
  - (ii) paragraph 53(a) – both total and disaggregated disclosure retained now – only total disclosure retained in the EDs;
  - (iii) paragraph 54 *second sentence* – regarded as a measurement requirement and retained now – regarded as a disclosure requirement but not a KDA and thus reduced in the EDs;
  - (iv) paragraph 60 – regarded as a disclosure requirement for an accounting policy and retained now – regarded as a disclosure requirement for accounting policies in AASB 101 and AASB 108 and reduced in the EDs (not a difference for NZ);
  - (v) paragraph B48 – regarded as guidance and retained now – regarded as guidance that is unnecessary and thus reduced in the EDs (not a difference for NZ).
- (b) lessors
  - (i) paragraph 94 *second sentence* – regarded as a disclosure requirement and retained now – regarded as reconciliation and reduced in the EDs (not a difference for NZ);
  - (ii) paragraph 95 – regarded as a disclosure requirement and retained now – regarded as a general cross-reference and reduced in the EDs (not a difference for NZ);
  - (iii) paragraph 96 – regarded as a disclosure requirement and retained now – regarded as a general cross-reference and reduced in the EDs (not a difference for NZ).

2 Application of current RDR framework results in different RDR proposals for AASB 16/NZ IFRS 16 now and for AASB 117/NZ IAS 17 in the past:

- (a) lessees
  - (i) paragraph 53(e) – retained now – reduced in AASB 117/NZ IAS 17 in the past;
  - (ii) paragraph 53(h) – reduced now – retained in AASB 117/NZ IAS 17 in the past.

Proposed RDR in AASB 16 (shaded) under current RDR framework	**Proposed RDR in AASB 16 (shaded) under proposed framework per the 2017 EDs**	**Disclosure requirements in *IFRS for SMEs* Standard Section 20 *Leases***	**Comments [① current approach; ② approach in the ED; ③ corroboration]**
Lessee **Disclosure** **51 The objective of the disclosures is for lessees to disclose information in the notes that, together with the information provided in the statement of financial position, statement of profit or loss and statement of cash flows, gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. Paragraphs 52–60 specify requirements on how to meet this objective.**	**Lessee** **Disclosure** **51 The objective of the disclosures is for lessees to disclose information in the notes that, together with the information provided in the statement of financial position, statement of profit or loss and statement of cash flows, gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. Paragraphs 52–60 specify requirements on how to meet this objective.**		Paragraph 51 identifies the objective of the disclosures for lessees in the Standard. As such, it is not a disclosure requirement so would not be subject to analysis. It refers to paragraphs 52-60 that are, in part, retained for Tier 2 entities. ① Under current RDR framework, treated as guidance relating to a disclosure that is retained. Therefore retain paragraph 51 for Tier 2 entities. ② Disclosure objective/principles paragraph without requiring any disclosures therefore kept. ③ Neither the *IFRS for SMEs* Standard nor AASB 117/NZ IAS 17 include disclosure objective paragraphs.
52 A lessee shall disclose information about its leases for which it is a lessee in a single note or separate section in its financial statements. However, a lessee need not duplicate information that is already presented elsewhere in the financial statements, provided that the information is incorporated by cross-reference in the single note or separate section about leases.	52 A lessee shall disclose information about its leases for which it is a lessee in a single note or separate section in its financial statements. However, a lessee need not duplicate information that is already presented elsewhere in the financial statements, provided that the information is incorporated by cross-reference in the single note or separate section about leases. [Reduce in Aus] [Retain in NZ]		Paragraph 52 specifies two ways of disclosing information – in a note or in a separate section. This prohibits disclosure from being spread out across financial statements. ① Under current RDR framework, treated as a presentation requirement. Therefore retain paragraph 52 for Tier 2 entities. However, this is not consistent with the proposed approach taken in the ED (see below in ②). ② Guidance for disclosures by lessees therefore kept in NZ but shaded in Aus because guidance is considered unnecessary. ③ Neither the *IFRS for SMEs* Standard nor AASB 117/NZ IAS 17 include such disclosure requirements.

Proposed RDR in AASB 16 (shaded) under current RDR framework	Proposed RDR in AASB 16 (shaded) under proposed framework per the 2017 EDs	Disclosure requirements in *IFRS for SMEs* Standard Section 20 *Leases*	Comments [① current approach; ② approach in the ED; ③ corroboration]
53 A lessee shall disclose the following amounts for the reporting period: (a) depreciation charge for right-of-use assets by class of underlying asset;	53 A lessee shall disclose the following amounts for the reporting period: (a) depreciation charge for right-of-use assets by class of underlying asset;	20.14 In addition, the requirements for disclosure about assets in accordance with Sections 17, 18, 27 and 34 apply to lessees for assets under finance leases. 20.31 In addition, the requirements for disclosure about assets in accordance with Sections 17, 18, 27 and 34 apply to lessors for assets provided under operating leases. **Section 17 *Property, Plant and Equipment*** 17.31 An entity shall disclose the following for each class of property, plant and equipment that was deemed appropriate in accordance with paragraph 4.11(a): (e) a reconciliation of the carrying amount at the beginning and end of the reporting period showing separately: (vi) depreciation; and	Paragraph 53(a) requires disclosure of depreciation charges by class of underlying asset for the reporting period. ① Under current RDR framework, it meets user needs in relation to disaggregations of amounts presented in the financial statements. Therefore retain paragraph 53(a) for Tier 2 entities. However, this is not consistent with the proposed approach taken in the ED (see below in ②). ② KDA (nature of transaction or event that makes it significant or material to the entity) – disclosure of total depreciation is sufficient. **[ED respondent AR5]** Reconsider as this disclosure provides only little incremental benefit. We also note in para 20 of AASB 7 all the P&L disclosures are considered not to relate to a KDA and have been completely reduced. If any of these items are significant, they would also be disclosed under the general principles in AASB 101. **[ED respondent AR7]** This should be retained to be comparable with the requirements retained in AASB 116 paragraph 73(e)(vii). ③ The *IFRS for SMEs* Standard does not have right-of-use assets but this is a type of asset so have considered the disclosures for assets. Similar disclosures are required by the *IFRS for SMEs* Standard in paragraphs 20.14 and 20.31, including by class of underlying asset in paragraph 17.31(e)(vi). This is consistent with AASB 117/NZ IAS 17 paragraph 32 and accordingly with AASB 116/NZ IAS 16 paragraph 73(e)(vii), which requires disclosure of depreciation by class of asset and is retained for Tier 2 entities under current RDR framework. Therefore should retain AASB 16/NZ IFRS 16 paragraph 53(a).
(b) interest expense on lease liabilities;	(b) interest expense on lease liabilities;	**Section 5 *Statement of Comprehensive Income and Income Statement*** 5.5 As a minimum, an entity shall include, in	Paragraph 53(b) requires disclosure of finance costs for the reporting period. ① Under current RDR framework, it meets user

Proposed RDR in AASB 16 (shaded) under current RDR framework	**Proposed RDR in AASB 16 (shaded) under proposed framework per the 2017 EDs**	**Disclosure requirements in *IFRS for SMEs* Standard Section 20 *Leases***	**Comments [① current approach; ② approach in the ED; ③ corroboration]**
		the statement of comprehensive income, line items that present the following amounts for the period: (b) finance costs.	needs of liquidity and solvency, as well as short-term cash flows. Therefore retain paragraph 53(b) for Tier 2 entities. ② KDA – nature of transaction or event that makes it significant or material to the entity. ③ The *IFRS for SMEs* Standard requires similar disclosures in paragraph 5.5(b). This is consistent with AASB 101/NZ IAS 1 paragraph 82(b), which requires disclosure of finance costs and is retained for Tier 2 entities under current RDR framework. Therefore should retain AASB 16/NZ IFRS 16 paragraph 53(b).
(c) the expense relating to short-term leases accounted for applying paragraph 6. This expense need not include the expense relating to leases with a lease term of one month or less;	(c) the expense relating to short-term leases accounted for applying paragraph 6. This expense need not include the expense relating to leases with a lease term of one month or less;	20.16 A lessee shall make the following disclosures for operating leases: (b) lease payments recognised as an expense; and	Paragraph 53(c) requires disclosure of short-term lease expenses for the reporting period. ① Under current RDR framework, it meets user needs of short-term cash flows, obligations, commitments and contingencies. Therefore retain paragraph 53(c) for Tier 2 entities. ② KDA – nature of transaction or event that makes it significant or material to the entity. **[ED respondent AR5]** Reconsider as this disclosure provides only little incremental benefit. We also note in para 20 of AASB 7 all the P&L disclosures are considered not to relate to a KDA and have been completely reduced. If any of these items are significant, they would also be disclosed under the general principles in AASB 101. ③ The *IFRS for SMEs* Standard deals with operating leases and makes no reference to short-term leases. The disclosure is similar, in principle, to the disclosure of operating lease payments in paragraph 20.16(b) This is consistent with AASB 117/NZ IAS 17 paragraph 35(c), which is retained for Tier 2 entities under current RDR framework. Therefore should retain AASB 16/NZ IFRS 16 paragraph 53(c).
(d) the expense relating to leases of low-value assets accounted for applying paragraph 6.	(d) the expense relating to leases of low-value assets accounted for applying paragraph 6.	20.16 A lessee shall make the following	Paragraph 53(d) requires disclosure of low-value

Proposed RDR in AASB 16 (shaded) under current RDR framework	**Proposed RDR in AASB 16 (shaded) under proposed framework per the 2017 EDs**	**Disclosure requirements in *IFRS for SMEs* Standard Section 20 *Leases***	**Comments [① current approach; ② approach in the ED; ③ corroboration]**
This expense shall not include the expense relating to short-term leases of low-value assets included in paragraph 53(c);	This expense shall not include the expense relating to short-term leases of low-value assets included in paragraph 53(c);	disclosures for operating leases: (b) lease payments recognised as an expense; and	lease expenses for the reporting period. ① Under current RDR framework, it meets user needs of liquidity and solvency, as well as short-term cash flows, obligations, commitments and contingencies. Therefore retain paragraph 53(d) for Tier 2 entities. ② KDA – nature of transaction or event that makes it significant or material to the entity **[ED respondent AR5]** Reconsider as this disclosure provides only little incremental benefit. We also note in para 20 of AASB 7 all the P&L disclosures are considered not to relate to a KDA and have been completely reduced. If any of these items are significant, they would also be disclosed under the general principles in AASB 101. ③ The *IFRS for SMEs* Standard deals with operating leases and makes no reference to low-value assets. The disclosure is similar, in principle, to the disclosure of operating lease payments in paragraph 20.16(b). This is consistent with AASB 117/NZ IAS 17 paragraph 35(c), which is retained for Tier 2 entities under current RDR framework. Therefore should retain AASB 16/NZ IFRS 16 paragraph 53(d).
(e) the expense relating to variable lease payments not included in the measurement of lease liabilities; **[Contingent rents reduced in AASB 117/NZ IAS 17 see comment ③]**	(e) the expense relating to variable lease payments not included in the measurement of lease liabilities;		Paragraph 53(e) requires disclosure of variable lease payments, not measured in lease liabilities, for the reporting period. ① Under current RDR framework, it meets user needs of obligations, commitments and contingencies, whether or not recognised as liabilities. Therefore retain paragraph 53(e) for Tier 2 entities. However, this is not consistent with the current approach taken in AASB 117/NZ IAS 17 (see below in ③). ② KDA – nature of transaction or event that makes it significant or material to the entity. **[ED respondent AR5]** Reconsider as this

Proposed RDR in AASB 16 (shaded) under current RDR framework	Proposed RDR in AASB 16 (shaded) under proposed framework per the 2017 EDs	Disclosure requirements in *IFRS for SMEs* Standard Section 20 *Leases*	Comments [① current approach; ② approach in the ED; ③ corroboration]
			disclosure provides only little incremental benefit. We also note in para 20 of AASB 7 all the P&L disclosures are considered not to relate to a KDA and have been completely reduced. If any of these items are significant, they would also be disclosed under the general principles in AASB 101. ③ The *IFRS for SMEs* Standard does not require lessees to disclose contingent rents paid. Accordingly, AASB 117/NZ IAS 17 paragraph 31(c) and, in part, paragraph 35(c), which require disclosure of contingent rents, are reduced for Tier 2 entities under current RDR framework. Therefore should reduce AASB 16/NZ IFRS 16 paragraph 53(e) for Tier 2 entities.
(f) income from subleasing right-of-use assets;	(f) income from subleasing right-of-use assets;		Paragraph 53(f) requires disclosure of sublease income for the reporting period. ① Under current RDR framework, it meets user needs of short-term cash flows, obligations, commitments and contingencies. Therefore retain paragraph 53(f) for Tier 2 entities. ② KDA – nature of transaction or event that makes it significant or material to the entity. **[ED respondent AR5]** Reconsider as this disclosure provides only little incremental benefit. We also note in para 20 of AASB 7 all the P&L disclosures are considered not to relate to a KDA and have been completely reduced. If any of these items are significant, they would also be disclosed under the general principles in AASB 101. ③ The *IFRS for SMEs* Standard does not require lessees to disclose income from subleasing assets. Accordingly, AASB 117/NZ IAS 17 paragraphs 31(d) and 35(f) reduce the requirements to disclose the total of future sublease payments for Tier 2 entities under current RDR framework. However, should retain AASB 16/NZ IFRS 16 paragraph 53(f) as the disclosure requirements are different.

Proposed RDR in AASB 16 (shaded) under current RDR framework	Proposed RDR in AASB 16 (shaded) under proposed framework per the 2017 EDs	Disclosure requirements in *IFRS for SMEs* Standard Section 20 *Leases*	Comments [① current approach; ② approach in the ED; ③ corroboration]
(g) total cash outflow for leases;	(g) total cash outflow for leases;		Paragraph 53(g) requires disclosure of lease cash outflow for the reporting period. ① Under current RDR framework, it meets user needs of liquidity and solvency, as well as short-term cash flows. Therefore retain paragraph 53(g) for Tier 2 entities. ② KDA – current liquidity and solvency. ③ Neither the *IFRS for SMEs* Standard nor AASB 117/NZ IAS 17 include such disclosure requirements.
(h) additions to right-of-use assets; **[Retained in AASB 117/NZ IAS 17 – see comment ③]**	(h) additions to right-of-use assets;	20.14 In addition, the requirements for disclosure about assets in accordance with Sections 17, 18, 27 and 34 apply to lessees for assets under finance leases. 20.31 In addition, the requirements for disclosure about assets in accordance with Sections 17, 18, 27 and 34 apply to lessors for assets provided under operating leases. **Section 17 *Property, Plant and Equipment*** 17.31 An entity shall disclose the following for each class of property, plant and equipment that was deemed appropriate in accordance with paragraph 4.11(a): (e) a reconciliation of the carrying amount at the beginning and end of the reporting period showing separately: (i) additions;	Paragraph 53(h) requires disclosure of additions to right-of-use assets for the reporting period. ① Under current RDR framework, it does not meet any user needs. Therefore reduce paragraph 53(h) for Tier 2 entities. However, this is not consistent with the approach taken in AASB 117/NZ IAS 17 (see below in ③). ② Regarded as a disclosure requirement but not a KDA, therefore reduced. ③ The *IFRS for SMEs* Standard requires similar disclosures in paragraphs 20.14 and 20.31 and accordingly in paragraph 17.31(e)(i). This is consistent with AASB 117/NZ IAS 17 paragraph 32 and accordingly with AASB 116/NZ IAS 16 paragraph 73(e)(i), which requires disclosure of additions and is retained for Tier 2 entities under current RDR framework. Therefore should retain AASB 16/NZ IFRS 16 paragraph 53(h) for Tier 2 entities.
(i) gains or losses arising from sale and leaseback transactions; and	(i) gains or losses arising from sale and leaseback transactions; and		Paragraph 53(i) requires disclosure of gains/losses from sale/leaseback transactions for the reporting period. ① Under current RDR framework, it meets user needs of transactions and other events and conditions. Therefore retain paragraph 53(i) for Tier 2 entities. ② KDA – nature of transaction or event that

Proposed RDR in AASB 16 (shaded) under current RDR framework	Proposed RDR in AASB 16 (shaded) under proposed framework per the 2017 EDs	Disclosure requirements in *IFRS for SMEs* Standard Section 20 *Leases*	Comments [① current approach; ② approach in the ED; ③ corroboration]
			makes it significant or material to the entity. **[ED respondent AR5]** Reconsider as this disclosure provides only little incremental benefit. We also note in para 20 of AASB 7 all the P&L disclosures are considered not to relate to a KDA and have been completely reduced. If any of these items are significant, they would also be disclosed under the general principles in AASB 101. ③ Neither the *IFRS for SMEs* Standard nor AASB 117/NZ IAS 17 include such disclosure requirements.
(j) the carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset.	(j) the carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset.	20.13 A lessee shall make the following disclosures for finance leases: (a) for each **class of asset**, the net **carrying amount** at the end of the **reporting period**;	Paragraph 53(j) requires disclosure of asset's carrying amount by class of underlying asset. ① Under current RDR framework, it meets user needs of liquidity and solvency. Therefore retain paragraph 53(j) for Tier 2 entities. ② KDA – current liquidity and solvency. ③ The *IFRS for SMEs* Standard requires similar disclosures in paragraph 20.13(a). This is consistent with AASB 117/NZ IAS 17 paragraph 31(a), which requires disclosure of the net carrying amount for each class of asset and is retained for Tier 2 entities under current RDR framework. Therefore should retain AASB 16/NZ IFRS 16 paragraph 53(j) for Tier 2 entities.
54 A lessee shall provide the disclosures specified in paragraph 53 in a tabular format, unless another format is more appropriate. The amounts disclosed shall include costs that a lessee has included in the carrying amount of another asset during the reporting period. <ins>RDR 54.1 The amounts disclosed in accordance with paragraph 53 shall include costs that a lessee has included in the carrying amount of another asset during the reporting period.</ins>	54 A lessee shall provide the disclosures specified in paragraph 53 in a tabular format, unless another format is more appropriate. The amounts disclosed shall include costs that a lessee has included in the carrying amount of another asset during the reporting period.		Paragraph 54 specifies the disclosure format for paragraph 53 and a measurement requirement. ① Under current RDR framework, the *first sentence* is treated as a disclosure requirement that does not meet any user needs. The *second sentence* is treated as a measurement rather than a disclosure requirement. Therefore reduce the *first sentence* and retain the *second sentence* of paragraph 54 for Tier 2 entities by means of an RDR paragraph. However, this is inconsistent with the approach taken in the ED (see below in ②).

Proposed RDR in AASB 16 (shaded) under current RDR framework	Proposed RDR in AASB 16 (shaded) under proposed framework per the 2017 EDs	Disclosure requirements in *IFRS for SMEs* Standard Section 20 *Leases*	Comments [① current approach; ② approach in the ED; ③ corroboration]
			② The *first sentence* is guidance about how to provide the disclosures specified in paragraph 53. However, references to 'in a tabular format' are reduced for Tier 2 entities. The *second sentence* of paragraph 54 is regarded as a disclosure requirement but not a KDA, therefore reduced. ③ Neither the *IFRS for SMEs* Standard nor AASB 117/NZ IAS 17 include such disclosure requirements.
55 A lessee shall disclose the amount of its lease commitments for short-term leases accounted for applying paragraph 6 if the portfolio of short-term leases to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed applying paragraph 53(c) relates.	55 A lessee shall disclose the amount of its lease commitments for short-term leases accounted for applying paragraph 6 if the portfolio of short-term leases to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed applying paragraph 53(c) relates.	20.16 A lessee shall make the following disclosures for operating leases: (a) the total of future minimum lease payments at the end of the reporting period, for each of the following periods: (i) not later than one year;	Paragraph 55 requires disclosure of commitments for short-term leases. ① Under current RDR framework, it meets user needs of liquidity and solvency, as well as obligations, commitments and contingencies. Therefore retain paragraph 55 for Tier 2 entities. ② KDA – current liquidity and solvency, and commitments and contingencies. ③ The *IFRS for SMEs* Standard requires similar, but more general, disclosures in paragraph 20.16(a). This is consistent with AASB 117/NZ IAS 17 paragraph 35(a), which requires disclosure of future minimum lease payments and is retained for Tier 2 entities under current RDR framework. Therefore should retain AASB 16/NZ IFRS 16 paragraph 55 for Tier 2 entities.
56 If right-of-use assets meet the definition of investment property, a lessee shall apply the disclosure requirements in AASB 140/NZ IAS 40. In that case, a lessee is not required to provide the disclosures in paragraph 53(a), (f), (h) or (j) for those right-of-use assets.	56 If right-of-use assets meet the definition of investment property, a lessee shall apply the disclosure requirements in AASB 140/NZ IAS 40. In that case, a lessee is not required to provide the disclosures in paragraph 53(a), (f), (h) or (j) for those right-of-use assets.	**Section 16 *Investment Property*** 16.11 In accordance with Section 20, the owner of an investment property provides lessors' disclosures about leases into which it has entered. An entity that holds an investment property under a finance lease or an operating lease provides lessees' disclosures for finance leases and lessors' disclosures for any operating leases into which it has entered.	Paragraph 56 provides guidance relating to disclosure requirements in AASB 140/NZ IAS 40 that are, in part, retained for Tier 2 entities. ① Under current RDR framework, treated as guidance relating to disclosures that are retained. Therefore retain AASB 16/NZ IFRS 16 paragraph 56 for Tier 2 entities. ② Guidance about disclosures that are not required if the right-of-use asset meets the definition of investment property, therefore kept. ③ The *IFRS for SMEs* Standard requires similar disclosures in paragraph 16.11. This is consistent with AASB 140/NZ IAS 40 paragraph 74, which

Proposed RDR in AASB 16 (shaded) under current RDR framework	Proposed RDR in AASB 16 (shaded) under proposed framework per the 2017 EDs	Disclosure requirements in *IFRS for SMEs* Standard Section 20 *Leases*	Comments [① current approach; ② approach in the ED; ③ corroboration]
			is retained for Tier 2 entities under current RDR framework. Therefore retain AASB 16/NZ IFRS 16 paragraph 56 for Tier 2 entities.
57 If a lessee measures right-of-use assets at revalued amounts applying AASB 116/NZ IAS 16, the lessee shall disclose the information required by paragraph 77 of AASB 116/NZ IAS 16 for those right-of-use assets.	57 If a lessee measures right-of-use assets at revalued amounts applying AASB 116/NZ IAS 16, the lessee shall disclose the information required by paragraph 77 of AASB 116/NZ IAS 16 for those right-of-use assets.	20.14 In addition, the requirements for disclosure about assets in accordance with Sections 17, 18, 27 and 34 apply to lessees for assets under finance leases. 20.31 In addition, the requirements for disclosure about assets in accordance with Sections 17, 18, 27 and 34 apply to lessors for assets provided under operating leases. **Section 17 Property, Plant and Equipment** 17.33 If items of property, plant and equipment are stated at revalued amounts, an entity shall disclose the following: (a) the effective date of the revaluation; (b) whether an independent valuer was involved; (c) the methods and significant assumptions applied in estimating the items' fair values; (d) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and (e) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.	Paragraph 57 requires disclosures in AASB 116/NZ IAS 16 paragraph 77, which is, in part, retained for Tier 2 entities. ① Under current RDR framework, treated as a disclosure requirement. Cross-referenced disclosures in paragraph 77 of AASB 116/NZ IAS 16 are, in part, retained for Tier 2 entities. Therefore retain AASB 16/NZ IFRS 16 paragraph 57 for Tier 2 entities. ② The equivalent disclosures to paragraph 17.33(a), (b) and (d) were proposed to be reduced in the EDs in paragraph 77 of AASB 116/NZ IAS 16, except for paragraph 77(f), which would be retained for Tier 2 entities. Therefore paragraph 57 is kept for Tier 2 entities to make the disclosures required by paragraph 77. **[ED respondent AR7]** This is important information to understand the risk stemming from the valuation process (ie how reliable it is) and should be retained. A user cannot determine what is regular if no date is provided. Property, plant and equipment for most government agencies is the largest item on the balance sheet and subject to the most judgement. Further, there is little to no cost in including this information in the financial statements. **[ED respondent AR13/NZR3]** We consider that there is significant benefit to users in understanding whether an independent valuer has been involved in determining a valuation, and that the cost of providing such disclosure would be minimal. **[ED respondent NZR4]** We disagree with removing the requirement in paragraph 77(a) and (b) for Tier 2 entities to disclose the effective

Proposed RDR in AASB 16 (shaded) under current RDR framework	Proposed RDR in AASB 16 (shaded) under proposed framework per the 2017 EDs	Disclosure requirements in *IFRS for SMEs* Standard Section 20 *Leases*	Comments [① current approach; ② approach in the ED; ③ corroboration]
			date of the valuation and whether an independent valuer was involved. We consider this important information for public sector entities (both for profit and public benefit entities). We disagree that the costs of providing this disclosure exceeds the benefits. These disclosures should be simple for Tier 2 entities to prepare with negligible cost. ③ The *IFRS for SMEs* Standard requires similar disclosures in paragraph 17.33. This is consistent, except for paragraph 17.33(c), with AASB 116/NZ IAS 16 paragraph 77, which is, in part, retained for Tier 2 entities under current RDR framework. Therefore retain AASB 16/NZ IFRS 16 paragraph 57 for Tier 2 entities.
58 A lessee shall disclose a maturity analysis of lease liabilities applying paragraphs 39 and B11 of AASB 7/NZ IFRS 7 *Financial Instruments: Disclosures* separately from the maturity analyses of other financial liabilities.	58 A lessee shall disclose a maturity analysis of lease liabilities applying paragraphs 39 and B11 of AASB 7/NZ IFRS 7 Financial Instruments: Disclosures separately from the maturity analyses of other financial liabilities.	20.13 A lessee shall make the following disclosures for finance leases: (b) the total of future minimum lease payments at the end of the reporting period, for each of the following periods: (i) not later than one year; (ii) later than one year and not later than five years; and (iii) later than five years. 20.16 A lessee shall make the following disclosures for operating leases: (a) the total of future minimum lease payments at the end of the reporting period, for each of the following periods: (i) not later than one year; (ii) later than one year and not later than five years; and (iii) later than five years.	Paragraph 58 requires disclosure of a maturity analysis of lease liabilities. ① Under current RDR framework, it meets user needs of liquidity and solvency, as well as obligations, commitments and contingencies. However, the cross-referenced paragraphs 39 and B11 of AASB 7/NZ IFRS 7 are both currently reduced for Tier 2 entities. It would be inconsistent to require a maturity analysis for lease liabilities but not other liabilities. Therefore reduce AASB 16/NZ IFRS 16 paragraph 58 for Tier 2 entities. ② Paragraphs 39 and B11 of AASB 7/NZ IFRS 7, both reduced for Tier 2 entities so reduce. ③ The *IFRS for SMEs* Standard requires similar disclosures in paragraphs 20.13(b) and 20.16(a). This is consistent with AASB 117/NZ IAS 17 paragraphs 31(b) and 35(a), which is retained under current RDR framework. However, there is a stronger precedent in AASB 7/NZ IFRS 7. Therefore reduce AASB 16/NZ IFRS 16 paragraph 58 for Tier 2 entities.
59 In addition to the disclosures required in paragraphs 53–58, a lessee shall disclose	59 In addition to the disclosures required in paragraphs 53–58, a lessee shall disclose	20.13 A lessee shall make the following disclosures for finance leases:	Paragraph 59 requires additional disclosure to meet the disclosure objective. *First sentence* is a

Proposed RDR in AASB 16 (shaded) under current RDR framework	Proposed RDR in AASB 16 (shaded) under proposed framework per the 2017 EDs	Disclosure requirements in *IFRS for SMEs* Standard Section 20 *Leases*	Comments [① current approach; ② approach in the ED; ③ corroboration]
additional qualitative and quantitative information about its leasing activities necessary to meet the disclosure objective in paragraph 51 (as described in paragraph B48). This additional information may include, but is not limited to, information that helps users of financial statements to assess: (a) the nature of the lessee's leasing activities; (b) future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities. This includes exposure arising from: (i) variable lease payments (as described in paragraph B49); (ii) extension options and termination options (as described in paragraph B50); (iii) residual value guarantees (as described in paragraph B51); and (iv) leases not yet commenced to which the lessee is committed. (c) restrictions or covenants imposed by leases; and (d) sale and leaseback transactions (as described in paragraph B52).	additional qualitative and quantitative information about its leasing activities necessary to meet the disclosure objective in paragraph 51 (as described in paragraph B48). This additional information may include, but is not limited to, information that helps users of financial statements to assess: (a) the nature of the lessee's leasing activities; (b) future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities. This includes exposure arising from: (i) variable lease payments (as described in paragraph B49); (ii) extension options and termination options (as described in paragraph B50); (iii) residual value guarantees (as described in paragraph B51); and (iv) leases not yet commenced to which the lessee is committed. (c) restrictions or covenants imposed by leases; and (d) sale and leaseback transactions (as described in paragraph B52).	(c) a general description of the lessee's significant leasing arrangements including, for example, information about contingent rents, renewal or purchase options and escalation clauses, subleases and restrictions imposed by lease arrangements. 20.16 A lessee shall make the following disclosures for operating leases: (c) a general description of the lessee's significant leasing arrangements including, for example, information about contingent rents, renewal or purchase options and escalation clauses, subleases and restrictions imposed by lease arrangements. 20.35 Disclosure requirements for lessees and lessors apply equally to sale and leaseback transactions. The required description of significant leasing arrangements includes description of unique or unusual provisions of the agreement or terms of the sale and leaseback transactions.	disclosure requirement. *Second sentence* is guidance to meet this disclosure requirement. ① Under current RDR framework, *first sentence* meets user needs of liquidity and solvency. *Second sentence* is guidance that relates to disclosure that is retained. Therefore retain the whole paragraph 59 Tier 2 entities. ② KDA current liquidity and solvency and commitments and contingencies. ③ The *IFRS for SMEs* Standard requires similar disclosures in paragraphs 20.13(c), 20.16(c) and 20.35. This is consistent with AASB 117/NZ IAS 17 paragraphs 31(e), 35(d) and 65, which are retained for Tier 2 entities under current RDR framework. Therefore retain AASB 16/NZ IFRS 16 paragraph 59 for Tier 2 entities.
60 A lessee that accounts for short-term leases or leases of low-value assets applying paragraph 6 shall disclose that fact.	60 A lessee that accounts for short-term leases or leases of low-value assets applying paragraph 6 shall disclose that fact. [Reduce in Aus] [Retain in NZ]		Paragraph 60 requires disclosure of a policy choice. ① Under current RDR framework, it meets user need of the entity's accounting policy choices. Therefore retain paragraph 60 for Tier 2 entities. ② KDA accounting policy on recognition or measurement – kept in NZ but reduced in Aus. ③ Neither the *IFRS for SMEs* Standard nor AASB 117/NZ IAS 17 include such disclosure requirements.
Lessor **Disclosure**	**Lessor** **Disclosure**		Paragraph 89 identifies the objective of the disclosures for lessors in the Standard. As such, it is not a disclosure requirement so would not be

Proposed RDR in AASB 16 (shaded) under current RDR framework	Proposed RDR in AASB 16 (shaded) under proposed framework per the 2017 EDs	Disclosure requirements in *IFRS for SMEs* Standard Section 20 *Leases*	Comments [① current approach; ② approach in the ED; ③ corroboration]
89 The objective of the disclosures is for lessors to disclose information in the notes that, together with the information provided in the statement of financial position, statement of profit or loss and statement of cash flows, gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessor. Paragraphs 90–97 specify requirements on how to meet this objective.	**89 The objective of the disclosures is for lessors to disclose information in the notes that, together with the information provided in the statement of financial position, statement of profit or loss and statement of cash flows, gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessor. Paragraphs 90–97 specify requirements on how to meet this objective.**		subject to analysis. It refers to paragraphs 90-97 that are, in part, retained for Tier 2 entities. ① Under current RDR framework, treated as guidance relating to a disclosure that is retained. Therefore retain paragraph 89 for Tier 2 entities. ② Disclosure objective/principles paragraph without requiring any disclosures therefore kept. ③ Neither the *IFRS for SMEs* Standard nor AASB 117/NZ IAS 17 include disclosure objective paragraphs.
90 A lessor shall disclose the following amounts for the reporting period: (a) for finance leases: (i) selling profit or loss; (ii) finance income on the net investment in the lease; and (iii) income relating to variable lease payments not included in the measurement of the net investment in the lease.	90 A lessor shall disclose the following amounts for the reporting period: (a) for finance leases: (i) selling profit or loss; (ii) finance income on the net investment in the lease; and (iii) income relating to variable lease payments not included in the measurement of the net investment in the lease.	20.23 A lessor shall disclose the following for finance leases: (e) contingent rents recognised as income in the period. (f) a general description of the lessor's significant leasing arrangements, including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements.	Paragraph 90(a) requires disclosures for finance leases. ① Under current RDR framework, it meets user needs of disaggregations of amounts presented in the financial statements. Therefore retain paragraph 90(a) for Tier 2 entities. ② KDA – nature of transaction or event that makes it significant or material to the entity. ③ The *IFRS for SMEs* Standard requires similar disclosures in paragraph 20.23(e) and the other disclosures may be relevant to a general description in paragraph 20.23(f). This is consistent with AASB 117/NZ IAS 17 paragraph 47, which is retained for Tier 2 entities under current RDR framework. Therefore retain AASB 16/IFRS 16 paragraph 90(a) for Tier 2 entities.
(b) for operating leases, lease income, separately disclosing income relating to variable lease payments that do not depend on an index or a rate.	(b) for operating leases, lease income, separately disclosing income relating to variable lease payments that do not depend on an index or a rate.	20.30 A lessor shall disclose the following for operating leases: (b) total contingent rents recognised as income. (c) a general description of the lessor's significant leasing arrangements, including, for example, information about contingent rent, renewal or purchase options and escalation clauses, and restrictions imposed by lease arrangements.	Paragraph 90(b) requires disclosures for operating leases. ① Under current RDR framework, it meets user needs of disaggregations of amounts presented in the financial statements. However, as per the 'cost-benefit' principle applied in the EDs, the cost of providing separate disclosures exceeds the benefits. Therefore retain paragraph 90(b) for Tier 2 entities only in part. ② KDA – nature of transaction or event that makes it significant or material to the entity but costs likely to > benefits for separate disclosures.

Proposed RDR in AASB 16 (shaded) under current RDR framework	Proposed RDR in AASB 16 (shaded) under proposed framework per the 2017 EDs	Disclosure requirements in *IFRS for SMEs* Standard Section 20 *Leases*	Comments [① current approach; ② approach in the ED; ③ corroboration]
			③ The *IFRS for SMEs* Standard requires similar disclosures in paragraph 20.30. This is consistent with AASB 117/NZ IAS 17 paragraph 56, which is, in part, retained for Tier 2 entities under current RDR framework. Therefore retain AASB 16/IFRS 16 paragraph 90(b) for Tier 2 entities.
91 A lessor shall provide the disclosures specified in paragraph 90 in a tabular format, unless another format is more appropriate.	91 A lessor shall provide the disclosures specified in paragraph 90 in a tabular format, unless another format is more appropriate.		Paragraph 91 specifies the disclosure format for paragraph 90. ① Under current RDR framework, it does not meet any user needs. Therefore reduce paragraph 91 for Tier 2 entities. ② Disclosures in tabular format not required for Tier 2 entities, therefore reduced. ③ Neither the *IFRS for SMEs* Standard nor AASB 117/NZ IAS 17 include such requirements.
92 A lessor shall disclose additional qualitative and quantitative information about its leasing activities necessary to meet the disclosure objective in paragraph 89. This additional information includes, but is not limited to, information that helps users of financial statements to assess: (a) the nature of the lessor's leasing activities; and (b) how the lessor manages the risk associated with any rights it retains in underlying assets. In particular, a lessor shall disclose its risk management strategy for the rights it retains in underlying assets, including any means by which the lessor reduces that risk. Such means may include, for example, buy-back agreements, residual value guarantees or variable lease payments for use in excess of specified limits.	92 A lessor shall disclose additional qualitative and quantitative information about its leasing activities necessary to meet the disclosure objective in paragraph 89. This additional information includes, but is not limited to, information that helps users of financial statements to assess: (a) the nature of the lessor's leasing activities; and (b) how the lessor manages the risk associated with any rights it retains in underlying assets. In particular, a lessor shall disclose its risk management strategy for the rights it retains in underlying assets, including any means by which the lessor reduces that risk. Such means may include, for example, buy-back agreements, residual value guarantees or variable lease payments for use in excess of specified limits.	20.23 A lessor shall make the following disclosures for finance leases: (f) a general description of the lessor's significant leasing arrangements, including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements. 20.30 A lessor shall disclose the following for operating leases: (c) a general description of the lessor's significant leasing arrangements, including, for example, information about contingent rent, renewal or purchase options and escalation clauses and restrictions imposed by lease arrangements.	Paragraph 92 requires additional disclosure to meet the disclosure objective. *First sentence* is a disclosure requirement. *Second sentence* is guidance to meet this disclosure requirement. ① Under current RDR framework, *first sentence* meets user needs of the nature of transactions and other events. *Second sentence* is guidance that relates to disclosure that is retained. Therefore retain the whole paragraph 92 Tier 2 entities. ② KDA nature of the transaction or event that makes it significant or material to the entity and associated risks specific to a transaction or event. ③ The *IFRS for SMEs* Standard requires general disclosures in paragraphs 20.23(f), and 20.30(c). This is consistent with AASB 117/NZ IAS 17 paragraphs 47(f) and 56(c), which are retained under current RDR framework. Therefore retain AASB 16/NZ IFRS 16 paragraph 92 for Tier 2 entities.
Finance leases	**Finance leases**		Paragraph 93 requires disclosure explaining

Proposed RDR in AASB 16 (shaded) under current RDR framework	Proposed RDR in AASB 16 (shaded) under proposed framework per the 2017 EDs	Disclosure requirements in *IFRS for SMEs* Standard Section 20 *Leases*	Comments [① current approach; ② approach in the ED; ③ corroboration]
93 A lessor shall provide a qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases.	93 A lessor shall provide a qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases.		changes in net investment in finance leases. ① Under current RDR framework, it meets user needs of liquidity and solvency. Therefore retain paragraph 93 for Tier 2 entities. ② KDA current liquidity and solvency. ③ Neither the *IFRS for SMEs* Standard nor AASB 117/NZ IAS 17 include such requirements.
94 A lessor shall disclose a maturity analysis of the lease payments receivable, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years. A lessor shall reconcile the undiscounted lease payments to the net investment in the lease. The reconciliation shall identify the unearned finance income relating to the lease payments receivable and any discounted unguaranteed residual value.	94 A lessor shall disclose a maturity analysis of the lease payments receivable, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years. A lessor shall reconcile the undiscounted lease payments to the net investment in the lease. The reconciliation shall identify the unearned finance income relating to the lease payments receivable and any discounted unguaranteed residual value.	20.23 A lessor shall make the following disclosures for finance leases: (a) a reconciliation between the gross investment in the lease at the end of the reporting period and the present value of minimum lease payments receivable at the end of the reporting period. In addition, a lessor shall disclose the gross investment in the lease and the present value of minimum lease payments receivable at the end of the reporting period for each of the following periods: (i) not later than one year; (ii) later than one year and not later than five years; and (iii) later than five years. (b) unearned finance income. (c) the unguaranteed residual values accruing to the benefit of the lessor.	Paragraph 94 requires disclosure of a maturity analysis of lease payments receivable and reconciliation to the net investment in leases. ① Under current RDR framework, it meets user needs of liquidity and solvency. Therefore retain AASB 16/NZ IFRS 16 paragraph 94 for Tier 2 entities. ② First sentence – KDA current liquidity and solvency. Remaining sentences – a reconciliation which is not required by Tier 2 entities. ③ The *IFRS for SMEs* Standard requires similar disclosures in paragraph 20.23. This is consistent with AASB 117/NZ IAS 17 paragraphs 47, which is retained under current RDR framework. Therefore retain AASB 16/NZ IFRS 16 paragraph 94 for Tier 2 entities.
Operating leases 95 For items of property, plant and equipment subject to an operating lease, a lessor shall apply the disclosure requirements of AASB 116/NZ IAS 16. In applying the disclosure requirements in AASB 116/NZ IAS 16, a lessor shall disaggregate each class of property, plant and equipment into assets subject to operating leases	**Operating leases** 95 For items of property, plant and equipment subject to an operating lease, a lessor shall apply the disclosure requirements of AASB 116/NZ IAS 16. In applying the disclosure requirements in AASB 116/NZ IAS 16, a lessor shall disaggregate each class of property, plant and equipment into assets subject to operating leases	20.31 In addition, the requirements for disclosure about assets in accordance with Sections 17, 18, 27 and 34 apply to lessors for assets provided under operating leases.	Paragraph 95 requires disclosures in AASB 116/NZ IAS 16, which are, in part, retained for Tier 2 entities. ① Under current RDR framework, treated as a disclosure requirement. Cross-referenced disclosures in AASB 116/NZ IAS 16 are, in part, retained for Tier 2 entities. Therefore retain AASB 16/NZ IFRS 16 paragraph 95 for Tier 2 entities.

Proposed RDR in AASB 16 (shaded) under current RDR framework	Proposed RDR in AASB 16 (shaded) under proposed framework per the 2017 EDs	Disclosure requirements in *IFRS for SMEs* Standard Section 20 *Leases*	Comments [① current approach; ② approach in the ED; ③ corroboration]
and assets not subject to operating leases. Accordingly, a lessor shall provide the disclosures required by AASB 116/NZ IAS 16 for assets subject to an operating lease (by class of underlying asset) separately from owned assets held and used by the lessor.	and assets not subject to operating leases. Accordingly, a lessor shall provide the disclosures required by AASB 116/NZ IAS 16 for assets subject to an operating lease (by class of underlying asset) separately from owned assets held and used by the lessor. [Reduce in Aus] [Retain in NZ]		② General cross-reference to another paragraph so kept in NZ but reduced in Aus. **[ED respondent AR7]** This paragraph includes disaggregation requirements additional to those contained in AASB 116 and as such should be kept. ③ The *IFRS for SMEs* Standard requires similar disclosures in paragraph 20.31 and accordingly in 17.31, 17.32 and 17.33. This is consistent with paragraphs 73, 74 and 77 of AASB 116/NZ IAS 16, which are, in part, retained for Tier 2 entities under current RDR framework. Therefore retain AASB 16/NZ IFRS 16 paragraph 95 for Tier 2 entities.
96 A lessor shall apply the disclosure requirements in AASB 136/NZ IAS 36, AASB 138/NZ IAS 38, AAASB 140/NZ IAS 40 and AASB 141/NZ IAS 41 for assets subject to operating leases.	96 A lessor shall apply the disclosure requirements in AASB 136/NZ IAS 36, AASB 138/NZ IAS 38, AAASB 140/NZ IAS 40 and AASB 141/NZ IAS 41 for assets subject to operating leases. [Reduce in Aus] [Retain in NZ]	20.31 In addition, the requirements for disclosure about assets in accordance with Sections 17, 18, 27 and 34 apply to lessors for assets provided under operating leases.	Paragraph 96 requires disclosures in other Standards, which are, in part, retained for Tier 2 entities. ① Under current RDR framework, treated as a disclosure requirement. Cross-referenced disclosures are, in part, retained for Tier 2 entities. Therefore retain AASB 16/NZ IFRS 16 paragraph 96 for Tier 2 entities. ② General cross-reference to another paragraph so kept in NZ but reduced in Aus. ③ The *IFRS for SMEs* Standard requires similar disclosures in 20.31 and other respective Sections. This is consistent with AASB 117/NZ IAS 17 paragraph 57 and other respective Standards, which is retained for Tier 2 entities under current RDR framework. Therefore retain AASB 16/NZ IFRS 16 paragraph 96 for Tier 2 entities.
97 A lessor shall disclose a maturity analysis of lease payments, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years.	97 A lessor shall disclose a maturity analysis of lease payments, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years.	20.30 A lessor shall disclose the following for operating leases: (a) the future minimum lease payments under non-cancellable operating leases for each of the following periods:	Paragraph 97 requires disclosure of a maturity analysis of lease payments to be received. ① Under current RDR framework, it meets user needs of liquidity and solvency. Therefore retain paragraph 97 for Tier 2 entities. ② KDA current liquidity and solvency.

Proposed RDR in AASB 16 (shaded) under current RDR framework	Proposed RDR in AASB 16 (shaded) under proposed framework per the 2017 EDs	Disclosure requirements in *IFRS for SMEs* Standard Section 20 *Leases*	Comments [① current approach; ② approach in the ED; ③ corroboration]
		(i) not later than one year; (ii) later than one year and not later than five years; and (iii) later than five years.	③ The *IFRS for SMEs* Standard requires similar disclosures in paragraph 20.30(a). This is consistent with AASB 117/NZ IAS 17 paragraphs 56(a), which is, in part, retained under current RDR framework. Therefore retain AASB 16/NZ IFRS 16 paragraph 97 for Tier 2 entities.
Appendix B **Lessee disclosures (paragraph 59)** B48 In determining whether additional information about leasing activities is necessary to meet the disclosure objective in paragraph 51, a lessee shall consider: (a) whether that information is relevant to users of financial statements. A lessee shall provide additional information specified in paragraph 59 only if that information is expected to be relevant to users of financial statements. In this context, this is likely to be the case if it helps those users to understand: (i) the flexibility provided by leases. Leases may provide flexibility if, for example, a lessee can reduce its exposure by exercising termination options or renewing leases with favourable terms and conditions. (ii) restrictions imposed by leases. Leases may impose restrictions, for example, by requiring the lessee to maintain particular financial ratios. (iii) sensitivity of reported information to key variables. Reported information may be sensitive to, for example, future variable lease payments. (iv) exposure to other risks arising from leases. (v) deviations from industry practice. Such deviations may include, for	**Appendix B** **Lessee disclosures (paragraph 59)** B48 In determining whether additional information about leasing activities is necessary to meet the disclosure objective in paragraph 51, a lessee shall consider: (a) whether that information is relevant to users of financial statements. A lessee shall provide additional information specified in paragraph 59 only if that information is expected to be relevant to users of financial statements. In this context, this is likely to be the case if it helps those users to understand: (i) the flexibility provided by leases. Leases may provide flexibility if, for example, a lessee can reduce its exposure by exercising termination options or renewing leases with favourable terms and conditions. (ii) restrictions imposed by leases. Leases may impose restrictions, for example, by requiring the lessee to maintain particular financial ratios. (iii) sensitivity of reported information to key variables. Reported information may be sensitive to, for example, future variable lease payments. (iv) exposure to other risks arising from leases. (v) deviations from industry practice. Such deviations may include, for		Paragraph B48 provides guidance to meeting the disclosure objective specified in paragraph 51. ① Under current RDR framework, treated as guidance relating to disclosures in paragraph 59 that are retained. Therefore retain paragraph B48 for Tier 2 entities. ② Guidance for paragraph 51, which is kept in NZ but reduced in Aus. **[ED respondent AR7]** This is necessary guidance for preparers which should be kept. ③ Neither the *IFRS for SMEs* Standard nor AASB 117/NZ IAS 17 include such requirements.

Proposed RDR in AASB 16 (shaded) under current RDR framework	Proposed RDR in AASB 16 (shaded) under proposed framework per the 2017 EDs	Disclosure requirements in *IFRS for SMEs* Standard Section 20 *Leases*	Comments [① current approach; ② approach in the ED; ③ corroboration]
example, unusual or unique lease terms and conditions that affect a lessee's lease portfolio. (b) whether that information is apparent from information either presented in the primary financial statements or disclosed in the notes. A lessee need not duplicate information that is already presented elsewhere in the financial statements.	example, unusual or unique lease terms and conditions that affect a lessee's lease portfolio. (b) whether that information is apparent from information either presented in the primary financial statements or disclosed in the notes. A lessee need not duplicate information that is already presented elsewhere in the financial statements. [Reduce in Aus] [Retain in NZ]		
B49 Additional information relating to variable lease payments that, depending on the circumstances, may be needed to satisfy the disclosure objective in paragraph 51 could include information that helps users of financial statements to assess, for example: (a) the lessee's reasons for using variable lease payments and the prevalence of those payments; (b) the relative magnitude of variable lease payments to fixed payments; (c) key variables upon which variable lease payments depend and how payments are expected to vary in response to changes in those key variables; and (d) other operational and financial effects of variable lease payments.	B49 Additional information relating to variable lease payments that, depending on the circumstances, may be needed to satisfy the disclosure objective in paragraph 51 could include information that helps users of financial statements to assess, for example: (a) the lessee's reasons for using variable lease payments and the prevalence of those payments; (b) the relative magnitude of variable lease payments to fixed payments; (c) key variables upon which variable lease payments depend and how payments are expected to vary in response to changes in those key variables; and (d) other operational and financial effects of variable lease payments.		Paragraph B49 provides guidance to meeting the disclosure objective specified in paragraph 51. ① Under current RDR framework, treated as guidance relating to disclosures in paragraph 59 that are retained. Therefore retain paragraph B49 for Tier 2 entities. ② Guidance about variable lease payments in paragraph 53(e), which is kept. The additional information outlined provides information about the possible impact of variable lease payments on cash flows so all kept. ③ Neither the *IFRS for SMEs* Standard nor AASB 117/NZ IAS 17 include such requirements.
B50 Additional information relating to extension options or termination options that, depending on the circumstances, may be needed to satisfy the disclosure objective in paragraph 51 could include information that helps users of financial statements to assess, for example: (a) the lessee's reasons for using extension options or termination options and the prevalence of those options; (b) the relative magnitude of *optional lease*	B50 Additional information relating to extension options or termination options that, depending on the circumstances, may be needed to satisfy the disclosure objective in paragraph 51 could include information that helps users of financial statements to assess, for example: (a) the lessee's reasons for using extension options or termination options and the prevalence of those options; (b) the relative magnitude of *optional lease*		Paragraph B50 provides guidance to meeting the disclosure objective specified in paragraph 51. ① Under current RDR framework, treated as guidance relating to disclosures in paragraph 59 that are retained. However, as per the 'cost-benefit' principle applied in the EDs, the cost of providing separate disclosures would likely exceed the benefits. Therefore retain paragraph B50 for Tier 2 entities only in part. ② Guidance for paragraph 51, which is kept.

Proposed RDR in AASB 16 (shaded) under current RDR framework	Proposed RDR in AASB 16 (shaded) under proposed framework per the 2017 EDs	Disclosure requirements in *IFRS for SMEs* Standard Section 20 *Leases*	Comments [① current approach; ② approach in the ED; ③ corroboration]
payments to lease payments; (c) the prevalence of the exercise of options that were not included in the measurement of lease liabilities; and (d) other operational and financial effects of those options.	*payments* to lease payments; (c) the prevalence of the exercise of options that were not included in the measurement of lease liabilities; and (d) other operational and financial effects of those options.		However, the costs likely to > benefits for paragraphs B50(a), (b) and (d) so only paragraph B50(c) kept. ③ Neither the *IFRS for SMEs* Standard nor AASB 117/NZ IAS 17 include such requirements.
B51 Additional information relating to residual value guarantees that, depending on the circumstances, may be needed to satisfy the disclosure objective in paragraph 51 could include information that helps users of financial statements to assess, for example: (a) the lessee's reasons for providing residual value guarantees and the prevalence of those guarantees; (b) the magnitude of a lessee's exposure to residual value risk; (c) the nature of underlying assets for which those guarantees are provided; and (d) other operational and financial effects of those guarantees.	B51 Additional information relating to residual value guarantees that, depending on the circumstances, may be needed to satisfy the disclosure objective in paragraph 51 could include information that helps users of financial statements to assess, for example: (a) the lessee's reasons for providing residual value guarantees and the prevalence of those guarantees; (b) the magnitude of a lessee's exposure to residual value risk; (c) the nature of underlying assets for which those guarantees are provided; and (d) other operational and financial effects of those guarantees.		Paragraph B51 provides guidance to meeting the disclosure objective specified in paragraph 51. ① Under current RDR framework, treated as guidance relating to disclosures in paragraph 59 that are retained. However, as per the 'cost-benefit' principle applied in the EDs, the cost of providing separate disclosures would likely exceed the benefits. Therefore retain paragraph B51 for Tier 2 entities only in part. ② Guidance for paragraph 51, which is kept. However, the costs likely to > benefits for paragraphs B50(a), (b) and (d) so only paragraph B50(c) kept. **[ED respondent AR13/NZR3]** We question whether this information would be costly to provide as an entity would have views on why they are providing residual value guarantees. Further, as this represents guidance on the application of paragraph 51 we believe it is beneficial for such guidance to be kept for Tier 2 entities. ③ Neither the *IFRS for SMEs* Standard nor AASB 117/NZ IAS 17 include such requirements.
B52 Additional information relating to sale and leaseback transactions that, depending on the circumstances, may be needed to satisfy the disclosure objective in paragraph 51 could include information that helps users of financial statements to assess, for example: (a) the lessee's reasons for sale and leaseback transactions and the prevalence of those transactions;	B52 Additional information relating to sale and leaseback transactions that, depending on the circumstances, may be needed to satisfy the disclosure objective in paragraph 51 could include information that helps users of financial statements to assess, for example: (a) the lessee's reasons for sale and leaseback transactions and the prevalence of those transactions;	20.35 Disclosure requirements for lessees and lessors apply equally to sale and leaseback transactions. The required description of significant leasing arrangements includes description of unique or unusual provisions of the agreement or terms of the sale and leaseback transactions.	Paragraph B52 provides guidance to meeting the disclosure objective specified in paragraph 51. ① Under current RDR framework, treated as guidance relating to disclosures in paragraph 59 that are retained. However, as per the 'cost-benefit' principle applied in the EDs, the cost of providing separate disclosures would likely exceed the benefits. Therefore reduce paragraph B52 for Tier 2 entities.

Proposed RDR in AASB 16 (shaded) under current RDR framework	Proposed RDR in AASB 16 (shaded) under proposed framework per the 2017 EDs	Disclosure requirements in *IFRS for SMEs* Standard Section 20 *Leases*	Comments [① current approach; ② approach in the ED; ③ corroboration]
(b) key terms and conditions of individual sale and leaseback transactions; (c) payments not included in the measurement of lease liabilities; and (d) the cash flow effect of sale and leaseback transactions in the reporting period.	(b) key terms and conditions of individual sale and leaseback transactions; (c) payments not included in the measurement of lease liabilities; and (d) the cash flow effect of sale and leaseback transactions in the reporting period.		② Guidance for paragraph 51 which is kept. However, the costs likely to > benefits so reduced. **[ED respondent AR13/NZR3]** For a sale and leaseback there can be a fine line between a financing and a derecognition. As such, the business reasons for achieving sale provides useful information for users. Such information would be readily available as it relates to the company's decisions. As such we question whether the cost of providing the disclosure would exceed the benefits. ③ The *IFRS for SMEs* Standard requires disclosures for lessees and lessors to be made for sale and leaseback transactions. These disclosures could be required under paragraphs 20.13(c) and 20.16(c) as part of the general description of significant leasing arrangements. This is consistent with AASB 117/NZ IAS 17 paragraph 65, which is retained for Tier 2 entities under current RDR framework.

Appendix C of AASB 16/NZ IFRS 16 was inadvertently omitted from the RDR EDs

<table>
<tr><th>Proposed RDR (shaded) under current RDR framework</th><th>Comments</th></tr>
<tr><td>

Transition

Definition of a lease

C4 If an entity chooses the practical expedient in paragraph C3 [reassessment of whether a contract is, or contains, a lease], it shall disclose that fact and apply the practical expedient to all of its contracts. As a result, the entity shall apply the requirements in paragraphs 9–11 only to contracts entered into (or changed) on or after the date of initial application.

</td><td>

Paragraph 28(d) of AASB 108/NZ IAS 8 requires, when applicable, the disclosure of a description of the transitional provisions upon initial application of an Australian Accounting Standard/NZ IFRS. However, paragraph 28(d) is identified as an RDR in AASB 108/NZ IAS 8 so reduce for Tier 2 entities the requirement to disclose that the entity has applied the practical expedient in paragraph C3.

</td></tr>
<tr><td>

C12 If a lessee elects to apply this Standard in accordance with paragraph C5(b) [retrospective application of the cumulative effect of initially applying the Standard recognised at the date of initial application], the lessee shall disclose information about initial application required by paragraph 28 of AASB 108/NZ IAS 8, except for the information specified in paragraph 28(f) of AASB 108/NZ IAS 8. Instead of the information specified in paragraph 28(f) of AASB 108/NZ IAS 8, the lessee shall disclose:

(a) the weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application; and

(b) an explanation of any difference between:

(i) operating lease commitments disclosed applying AASB 117/NZ IAS 17 at the end of the annual reporting period immediately preceding the date of initial application, discounted using the incremental borrowing rate at the date of initial application as described in paragraph C8(a); and

(ii) lease liabilities recognised in the statement of financial position at the date of initial application.

</td><td>

Paragraph 28 of AASB 108/NZ IAS 8 contains reductions for some of the disclosures required. Retain the first sentence so that Tier 2 entities are required to make the relevant disclosures required by AASB 108/NZ IAS 8. The disclosures that replace paragraph 28(f) do not meet user needs highlighted in the RDR framework, so reduce for Tier 2 entities.

Current RDR (shaded)

AASB 108/NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

28 When initial application of an Australian Accounting Standard/NZ IFRS has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

(a) the title of the Australian Accounting Standard/NZ IFRS;

(b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;

(c) the nature of the change in accounting policy;

(d) when applicable, a description of the transitional provisions;

(e) when applicable, the transitional provisions that might have an effect on future periods;

(f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

(i) for each financial statement line item affected; and

(ii) if AASB 133/NZ IAS 33 *Earnings per Share* applies to the entity, for basic and diluted earnings per share;

(g) the amount of the adjustment relating to periods before those presented, to the extent practicable; and

(h) if retrospective application required by paragraph 19(a) or (b) is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

RDR 28.1 A Tier 2 entity shall disclose an explanation if it is impracticable to determine the amounts required to be disclosed by paragraph 28(f)(i) or 28(g).

</td></tr>
<tr><td>

C13 If a lessee uses one or more of the specified practical expedients in paragraph C10 [for example, application of single discount rate to portfolio of leases with similar characteristics, reliance on assessment of whether a lease is onerous relying on AASB 137/NZ IAS 37], it shall disclose that fact.

</td><td>

Paragraph 28(d) of AASB 108/NZ IAS 8 requires, when applicable, the disclosure of a description of the transitional provisions upon initial application of an Australian Accounting Standard/NZ IFRS. However, paragraph 28(d) is identified as an RDR in AASB 108/NZ IAS 8, so reduce for Tier 2 entities.

</td></tr>
</table>