



Cover Memo

Project:	Leases	Meeting	AASB December 2015 (M149)
Topic:	Cover memo	Agenda Item:	3.0
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		Decision-Making:	High
		Project Status:	Issuance of Standard

Introduction and objective of the meeting

- 1 The objective of this meeting is to:
 - (a) update the Board on the expected technical requirements of the upcoming Leases standard as well as provide an overview of broader considerations surrounding the leases project, and of the due process steps required to release the Standard in Australia;
 - (b) update the Board on staff analysis of not-for-profit (NFP) specific issues previously raised in relation to the IASB's Leases proposals; and
 - (c) seek Board decisions relating to:
 - (i) NFP specific lessee and lessor accounting; and
 - (ii) any potential amendments to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*

as a consequence of issuing AASB [16].
- 2 The IASB's Leases project has gone through many iterations of proposed requirements and the first part of this agenda item is to update the Board of the expected final requirements of the Standard and to provide the Board with an overview of due process steps required to release the standard in Australia. The Board will not be asked to make any decisions during this first part of the meeting.
- 3 The second part of the agenda item is to update the Board on the NFP specific issues previously considered under the Leases project and to seek the Board decisions in relation to the two items noted in paragraph 1(c).

Link to project summary

AASB: http://www.aasb.gov.au/admin/file/content102/c3/Leases_Project_Summary.pdf

IASB: <http://eifrs.ifrs.org/eifrs/Go/leases>

Attachments

Agenda Paper 3.1 Leases Update – Leases technical update and other considerations

Agenda Paper 3.2 Staff Paper – Not-for-Profit considerations

Overview of agenda papers

- 4 Agenda Paper 3.1 is a technical update, the Board will not be asked to make any decisions during this session.
- 5 Agenda Paper 3.2 considers the application of the expected AASB [16] *Leases* requirements to below-market leases in the NFP sector for both lessors and lessees.
- 6 AASB [16] is expected to carry forward the AASB 117 *Leases* lessor accounting model. Therefore, the introduction of AASB [16] does not introduce any new NFP-specific issues for lessors.
- 7 The lessee accounting model of AASB [16] is also not expected to introduce new NFP-specific issues. However, an existing potential interpretation issue in relation to the interaction of AASB 117 and AASB 1004 for below-market finance leases of NFP lessees would continue to exist under AASB [16].
- 8 AASB ED 260 *Income of Not-for-Profit Entities* proposes a consequential amendment to AASB 117 to address the above issue. If a similar consequential amendment is made to AASB [16] as a consequence of issuing AASB 10XX (i.e. the final Standard on *Income of Not-for-Profit Entities*), this would help address the issue going forward.
- 9 Finally, Agenda Paper 3.2 notes that there would be a fundamental difference between the lessee accounting model in AASB [16] and the Government Finance Statistics (GFS) requirements (i.e. a GAAP/GFS difference).

Summary of staff recommendations

- 10 The staff recommend the following:
 - (a) When AASB 10XX is issued (expected prior to the effective date of AASB [16]), an amendment should be made to AASB [16], similar to the consequential amendment proposed to AASB 117 in ED 260; and
 - (b) Not amending AASB 1049 for the GAAP/GFS difference expected to be introduced by AASB [16], so that AASB [16] will be applied without modification in the whole of government and general government sectors.