

Ms Kris Peach  
Chair  
Australian Accounting Standards Board  
PO Box 204  
Collins St West VIC 8007

7 December 2018

Via online lodgement

Dear Ms Peach

**Exposure Draft -ED286 Amendments to Australian Accounting Standard -  
Right-of-Use Assets of Not-for-Profit Entities- November 2018**

Ernst & Young is pleased to comment on the proposed temporary option for not-for-profit (“NFP”) entities to choose either cost or fair value when recognising so-called “peppercorn leases”, i.e. those leases with significantly below market terms and conditions principally to enable the entity to further its objectives, as detailed in the above-mentioned Exposure Draft. We welcome the proposals and would like to take this opportunity to confirm our overall support for the proposed changes.

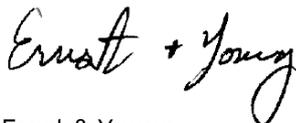
We agree with the proposed temporary option to allow NFP entities to use cost or fair value on initial recognition of peppercorn leases. We consider that the benefits to NFPs of not bearing undue cost and effort in applying the requirements of AASB 13 *Fair Value Measurement* outweigh the potential loss of comparability in NFP reporting (noting that this is a temporary effect).

We support the AASB’s proposal to develop further guidance as part of its Fair Value Measurement for Public Sector Entities project.

We agree with the proposed additional disclosures to be provided by those NFP entities which elect the cost option for peppercorn leases. The disclosures proposed will go some way to addressing the potential lack of comparability which may otherwise result from granting the temporary measurement option.

Should you wish to discuss this letter with us, please contact Frank Palmer on (02) 9248 5555 or Anne-Marie Johnson on (02) 9248 5537.

Yours faithfully,



Ernst & Young