

ITC 55 asks the following questions under three broad sections heading as shown below. There is a list of questions under each Section heading as shown below.

Section 1: General Matters (All Stakeholders). This section includes three questions as outlined below relevant to all entities applying AASB 16.

- **Question 1: Are there any regulatory issues or other issues arising in the Australian environment that adversely affect the application of AASB 16 Leases?**
- **Question 2: Does the application of the requirements in AASB 16 result in major auditing or assurance challenges?**
- **Question 3: Are the requirements in the best interests of the Australian economy?**

Section 2: NFP and Public Sector Focus: This section seeks feedback from NFP and public sector stakeholders on sector-specific application issues identified by the AASB during the planning phase of this PIR. In undertaking the planning phase of this PIR, the AASB understands that some NFP and public sector stakeholders are experiencing challenges applying AASB 16. This section asks a list of questions as outlined below.

Question 4: In respect of NFP and public sector entities please respond to following questions:

Question 4.1: Are the ongoing costs of applying AASB 16 and auditing and regulating its application significantly greater than expected?

The introduction and application of AASB 16 has resulted in additional costs to the ABS and its GFS data providers due to the divergence between economic (GFS) and accounting standards. As GFS standards still recognise a distinction between operating and finance leases, particularly around who bears the economic risks and rewards and where finance v operating leases are recorded in the financial statements, the ABS requires additional data from providers to maintain that distinction in the GFS accounts.

Question 4.2: Are the benefits to users significantly lower than expected?

Question 4.3: Overall, do you have any comments about whether AASB 16 results in financial statements that are more useful than financial statements prepared under the

previous Standard AASB 117 Leases? Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.

Financial statements prepared under AASB 16 differ from those prepared under GFS standards due to the divergent treatment of operating and finance leases. This requires extra work from both the ABS and GFS data providers to compile lease data in accordance with GFS standards.

Question 5: Regarding determining the lease term, do you have any comments about:

Question 5.1: The application of the requirements in practice by NFP and public sector entities?

Question 5.2: Whether differences in application exist in practice in the NFP and public sector?

Question 5.3: Whether the current requirements and guidance in AASB 16 for determining the lease term are sufficient for NFP and public sector entities? If so, please provide your views on those requirements, relevant circumstances and their significance, and areas where you believe changes or additional guidance are needed. Examples to illustrate your responses are also most helpful.

Question 6: Regarding the accounting for lease modifications, do you have any comments about:

Question 6.1: The application of the requirements in practice by NFP and public sector entities?

Question 6.2: Whether differences in application exist in practice in the NFP and public sector?

Question 6.3: Whether the current requirements and guidance in AASB 16 for lease modification are sufficient for NFP and public sector entities? If so, please provide your views on those requirements, relevant circumstances and their significance, and areas where you believe changes or additional guidance are needed. Examples to illustrate your responses are also most helpful.

Question 7: Regarding the measurement of lease liabilities and determining an incremental borrowing rate do you have any comments about:

Question 7.1: The application of the requirements in practice by NFP private sector entities, including how these entities are currently determining the incremental borrowing rate in practice?

Question 7.2: Whether differences in application exist in practice in the NFP private sector?

Question 7.3: Whether the current requirements and guidance in AASB 16 for the measurement of lease liabilities are sufficient for NFP private sector entities? If so, please provide your views on those requirements, relevant circumstances and their

significance, and areas where you believe changes or additional guidance are needed. Examples to illustrate your responses are also most helpful.

Question 8 Regarding NFP public sector concessionary leases, do you have any comments about:

Question 8.1: whether there are any reasons to remove the current accounting policy choice to measure initially concessionary ROU assets at either cost or fair value?

The ABS is not supportive of any movement away from fair value, as that is the valuation basis most consistent with the GFS principle of market valuation and this is expected to be continued through the current review of the IMF's GFS Manual.

Under GFS conceptual principles, all assets and liabilities should ideally be valued at their current market value. However, the ABS understands that market valuation can sometimes be challenging. As such the ABS accepts a market value equivalent which to date has been fair value.

The risk for the ABS is that any change from measuring assets at fair value means that the ABS is receiving data that is not consistent with GFS principles. ABS still maintains a requirement for GFS data providers to provide valuations in line with current practices and standards.

Question 8.2: whether the temporary accounting policy choice for NFP public sector entities should be made permanent?

As stated above, the ABS is not supportive of any movement away from fair value, as this is the valuation basis most consistent with the GFS principle of market valuation.

Question 8.3: whether the disclosures prepared in accordance with paragraphs Aus59.1 and Aus59.2 of AASB 16 are sufficient in providing useful information to financial statement users regarding concessionary leases when the ROU assets are measured at cost? If so, please provide your views on those requirements, relevant circumstances, and their significance. Examples to illustrate your responses are also most helpful.

Question 9: Regarding sale and leaseback arrangements do you have any comments about:

Question 9.1: The application of the requirements in practice by public sector entities?

Question 9.2: Whether differences in application exist in practice in the public sector?

Question 9.3: whether the current requirements and guidance in AASB 16 for sale and leaseback arrangements are sufficient for public sector entities? If so, please provide your views on those requirements, relevant circumstances and their significance, and areas where you believe changes or additional guidance are needed. Examples to illustrate your responses are also most helpful.

Question 10: Are there any other NFP and public sector matters that should be brought to the attention of the AASB as it undertakes a PIR of AASB 16? If so, please provide your views on

those matters, relevant circumstances and their significance, and areas where you believe changes or additional guidance are needed. Examples to illustrate your responses are also most helpful.

Section 3: IASB Request for Information (RFI) Primarily For-Profit Sector. This section contains the IASB's Request for information RFI on IFRS 16- Leases in full. This Request for Information includes a list of questions under following six sub-sections:

- information on stakeholders' experience relating to IFRS 16 and their overall views on the Standard.
- Usefulness of information resulting from lessees' application of judgement
- Usefulness of information about lessees' lease-related cash flows
- Ongoing costs for lessees of applying the measurement requirements
- Potential improvements to future transition requirements
- Other matters relevant to the assessment of the effects of IFRS 16

A series of questions is associated with each subsection as outlined below

Question 11: In relation to Overall assessment of IFRS 16 please provide the following:

Question 11.1: In your view, is IFRS 16 meeting its objective (see page 9) and are its core principles clear? If not, please explain why not.

Question 11.2: In your view, are the overall improvements to the quality and comparability of financial information about leases largely as the IASB expected? If your view is that the overall improvements are significantly lower than expected, please explain why.

Question 11.3: In your view, are the overall ongoing costs of applying the requirements and auditing and enforcing their application largely as the IASB expected? If your view is that the overall ongoing costs are significantly higher than expected, please explain why, how you would propose the IASB reduce these costs and how your proposals would affect the benefits of IFRS 16

Question 12: in relation to the Usefulness of information resulting from lessees' application of judgement please respond to following questions:

Question 12.1: Do you agree that the usefulness of financial information resulting from lessees' application of judgement is largely as the IASB expected? If your view is that lessees' application of judgement has a significant negative effect on the usefulness of financial information, please explain why.

Question 12.2: Do you agree that the requirements in IFRS 16 provide a clear and sufficient basis for entities to make appropriate judgements and that the requirements can be applied consistently? If not, please explain why not.

Question 12.3: If your view is that the IASB should improve the usefulness of financial information resulting from lessees' application of judgement, please explain:

- What amendments you propose the IASB make to the requirements (and how the benefits of the solution would outweigh the costs); or

- What additional information about lessees' application of judgement you propose the IASB requires entities to disclose (and how the benefits would outweigh the costs).

Question 13: In relation to Usefulness of information about lessees' lease-related

cash flows Do you agree that the improvements to the quality and comparability of financial information about lease-related cash flows that lessees present and disclose are largely as the IASB expected? If your view is that the improvements are significantly lower than expected, please explain why.

Question 14: in relation to on Ongoing costs for lessees of applying the measurement requirements, respond to following questions:

Question 14.1: Do you agree that the ongoing costs of applying the measurement requirements in IFRS 16 are largely as the IASB expected? If your view is that the ongoing costs are significantly higher than expected, please explain why, considering how any entity-specific facts and circumstances (such as IT solutions) add to these costs.

Question 14.2: If your view is that the ongoing costs are significantly higher than expected, please explain how you propose the IASB reduce these costs without a significant negative effect on the usefulness of financial information about leases.

Question 15: In relation to Potential improvements to future transition requirements based on your experience with the transition to IFRS 16, would you recommend the IASB does anything different when developing transition requirements in future standard-setting projects? If so, please explain how your idea would ensure:

- users have enough information to allow them to understand the effect of any new requirements on entities' financial performance, financial position and cash flows; and
- preparers can appropriately reduce their transition costs when implementing new requirements for the first time.

Question 16: In relation to other matters relevant to the assessment of the effects of IFRS 16 i.e. Accounting for Rent Concessions: IFRS 16 and IFRS 9 please respond to the following questions:

Question 16.1: How often have you observed the type of rent concession described in Accounting for Rent Concessions: IFRS 16 and IFRS 9?

Question 16.2: Have you observed diversity in how lessees account for rent concessions that have had, or that you expect to have, a material effect on the amounts reported, thereby reducing the usefulness of information?

Question 16.3: If your view is that the IASB should act to improve the clarity of the requirements, please describe your proposed solution and explain how the benefits of the solution outweigh the costs.

Question 17: In relation to other matters relevant to the assessment of the effects of IFRS 16 i.e. Applying IFRS 16 with IFRS 15 when assessing whether the transfer of an asset in a sale and leaseback transaction is a sale please respond to the following questions:

Question 17.1: How often have you observed difficulties in assessing whether the transfer of an asset in a sale and leaseback transaction is a sale?

Question 17.2: Have you observed diversity in seller–lessees’ assessments of the transfer of control that has had, or that you expect to have, a material effect on the amounts reported, thereby reducing the usefulness of information?

Question 17.3 If your view is that the IASB should act to help seller–lessees determine whether the transfer of an asset is a sale, please describe your proposed solution and explain how the benefits of the solution would outweigh the costs.

Question 18: In relation to applying IFRS 16 with IFRS 15 to gain or loss recognition in a sale and leaseback transaction, please respond to following questions:

Question 18.1: Do you agree that restricting the amount of gain (or loss) an entity recognises in a sale and leaseback transaction results in useful information? (

Question 18.2: What new evidence or arguments have you identified since the IASB issued IFRS 16 that would indicate that the costs of applying the partial gain or loss recognition requirements, and the usefulness of the resulting information, differ significantly from those expected?

Question 18.3 If your view is that the IASB should improve the cost–benefit balance of applying the partial gain or loss recognition requirements, please describe your proposed solution.

Question 19: In relation to other matters relevant to the assessment of the effects of IFRS 16, are there any further matters the IASB should examine as part of the post implementation review of IFRS 16? If so, please explain why, considering the objective of a post-implementation review.

As stated above, the ABS is not supportive of any movement away from fair value, as this is the valuation basis most consistent with the GFS principle of market valuation.