

AASB 117 Leases vs. IFRS for SMEs Section 20 Leases

1. Executive Summary

Main differences in recognition, measurement or presentation requirements

The main recognition and measurement difference between the standards is that the *IFRS for SMEs* does not require a lessee/lessor to recognise lease payments under operating leases on a straight-line basis if the payments to the lessor are structured to increase in line with expected general inflation.

Disclosure proposals

It is proposed to exclude paragraphs 31(c), 31(d), 31(b) in relation to the reconciliation between the total of future minimum lease payments at the reporting date and their present value, and disclosure of present value, 35(b) and 35(c) in relation to separate disclosure of minimum lease payments, contingent rents, and sublease payments, paragraph 48 and paragraph 56 in relation to the disclosure in aggregate of future minimum lease payments under noncancellable operating leases, from the Reduced Disclosure Regime (RDR).

2. Analysis of disclosure requirements

Text in AASB 117 Leases	Text in IFRS for SMEs Section 20 Leases	Comment
<p>31. Lessees shall, in addition to meeting the requirements of AASB 7 Financial Instruments: Disclosures, make the following disclosures for finance leases:</p> <ul style="list-style-type: none"> (a) for each class of asset, the net carrying amount at the reporting date; (b) a reconciliation between the total of future minimum lease payments at the reporting date, and their present value. In addition, an entity shall disclose the total of future minimum lease payments at the reporting date, and their present value, for each of the following periods: <ul style="list-style-type: none"> (i) not later than one year; (ii) later than one year and not later than five years; (iii) later than five years; (c) contingent rents recognised as an expense in the period; (d) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the reporting date; and (e) a general description of the lessee’s material leasing arrangements including, but not limited to, the following: <ul style="list-style-type: none"> (i) the basis on which contingent rent payable is determined; (ii) the existence and terms of renewal or 	<p>20.13 A lessee shall make the following disclosures for finance leases:</p> <ul style="list-style-type: none"> (a) for each class of asset, the net carrying amount at the end of the reporting period. (b) the total of future minimum lease payments at the end of the reporting period, for each of the following periods: <ul style="list-style-type: none"> (i) not later than one year; (ii) later than one year and not later than five years; and (iii) later than five years. (c) a general description of the lessee’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. 	<p>Paragraphs 31(a) and 31(e) and paragraphs 20.13(a) and 20.13 (c) of the <i>IFRS for SMEs</i> correspond. Paragraphs 31(a) and 31(e) should be retained in the RDR.</p> <p>Paragraphs 31(c) and 31(d) have no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p> <p>The first clause of paragraph 31(b) has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR. The second clause of clause of paragraph 31(b), except for disclosure of present value, and paragraph 20.3 of the <i>IFRS for SMES</i> correspond. The second clause should be retained in the RDR but the disclosure of present value should be excluded from the RDR.</p>

Text in AASB 117 Leases	Text in IFRS for SMEs Section 20 Leases	Comment
<p style="text-align: center;">purchase options and escalation clauses; and</p> <p>(iii) restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.</p>		
<p>32. In addition, the requirements for disclosure in accordance with AASB 116, AASB 136, AASB 138, AASB 140 and AASB 141 apply to lessees for assets leased under finance leases.</p>	<p>20.14 In addition, the requirements for disclosure about assets in accordance with Sections 17, 18, 27 and 34 apply to lessees for assets leased under finance leases.</p>	<p>Paragraph 32 and paragraph 20.14 of the <i>IFRS for SMEs</i> correspond. Paragraph 32 should be retained in the RDR.</p>
<p>Operating Leases</p> <p>35. Lessees shall, in addition to meeting the requirements of AASB 7, make the following disclosures for operating leases:</p> <p>(a) the total of future minimum lease payments under noncancellable operating leases for each of the following periods:</p> <p style="margin-left: 20px;">(i) not later than one year;</p> <p style="margin-left: 20px;">(ii) later than one year and not later than five years;</p> <p style="margin-left: 20px;">(iii) later than five years;</p> <p>(b) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the reporting date;</p> <p>(c) lease and sublease payments recognised as an expense in the period, with separate amounts for minimum lease payments, contingent rents, and sublease payments;</p> <p>(d) a general description of the lessee’s significant leasing arrangements including, but not limited to,</p>	<p>20.16 A lessee shall make the following disclosures for operating leases:</p> <p>(a) the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:</p> <p style="margin-left: 20px;">(i) not later than one year;</p> <p style="margin-left: 20px;">(ii) later than one year and not later than five years; and</p> <p style="margin-left: 20px;">(iii) later than five years.</p> <p>(b) lease payments recognised as an expense.</p> <p>(c) a general description of the lessee’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.</p>	<p>Paragraphs 35(a) and 35(d) and paragraphs 20.16(a) and 20.16(c) of the <i>IFRS for SMEs</i> correspond. Paragraphs 35(a) and 35(d) should be retained in the RDR.</p> <p>Paragraph 35(b) has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p> <p>Paragraph 35(c) and paragraph 20.16(b) of <i>IFRS for SMEs</i> correspond, except that paragraph 35(c) also requires separate disclosure of minimum lease payments, contingent rents, and sublease payments. Paragraph 35(c) other than separate disclosure of minimum lease payments, contingent rents, and sublease payments should be retained in the RDR. However, separate disclosure of minimum lease payments, contingent rents, and sublease payments should be excluded from the RDR, based on the reasoning in paragraph IN3 of this Appendix.</p>

Text in AASB 117 <i>Leases</i>	Text in <i>IFRS for SMEs</i> Section 20 <i>Leases</i>	Comment
<p>the following:</p> <ul style="list-style-type: none"> (i) the basis on which contingent rent payable is determined; (ii) the existence and terms of renewal or purchase options and escalation clauses; and (iii) restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing. 		
<p>Leases in the Financial Statements of Lessors</p> <p>Finance Leases</p> <p>47. Lessors shall, in addition to meeting the requirements in AASB 7, disclose the following for finance leases:</p> <ul style="list-style-type: none"> (a) a reconciliation between the gross investment in the lease at the reporting date, and the present value of minimum lease payments receivable at the reporting date. In addition, an entity shall disclose the gross investment in the lease and the present value of minimum lease payments receivable at the reporting date, for each of the following periods: <ul style="list-style-type: none"> (i) not later than one year; (ii) later than one year and not later than five years; (iii) later than five years; (b) unearned finance income; (c) the unguaranteed residual values accruing to the benefit of the lessor; (d) the accumulated allowance for uncollectible 	<p>20.23 A lessor shall make the following disclosures for finance leases:</p> <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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 	<p>Paragraph 47 and paragraph 20.23 of the <i>IFRS for SMEs</i> correspond. Paragraph 47 should be retained in the RDR.</p>

Text in AASB 117 Leases	Text in IFRS for SMEs Section 20 Leases	Comment
<p>minimum lease payments receivable;</p> <p>(e) contingent rents recognised as income in the period; and</p> <p>(f) a general description of the lessor’s material leasing arrangements.</p>	<p>the benefit of the lessor.</p> <p>(d) the accumulated allowance for uncollectible minimum lease payments receivable.</p> <p>(e) contingent rents recognised as income in the period.</p> <p>(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.</p>	
<p>48. As an indicator of growth it is often useful also to disclose the gross investment less unearned income in new business added during the period, after deducting the relevant amounts for cancelled leases.</p>		<p>Paragraph 48 has no equivalent in the <i>IFRS for SMEs</i>. It is encouraged disclosure and, based on paragraph IN8 of the Appendix, should be excluded from the RDR.</p>
<p>Operating Leases</p> <p>56. Lessors shall, in addition to meeting the requirements of AASB 7, disclose the following for operating leases:</p> <p>(a) the future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods:</p> <p>(i) not later than one year;</p> <p>(ii) later than one year and not later than five years;</p> <p>(iii) later than five years;</p> <p>(b) total contingent rents recognised as income in the period; and</p>	<p>20.30 A lessor shall disclose the following for operating leases:</p> <p>(a) the future minimum lease payments under non-cancellable operating leases for each of the following periods:</p> <p>(i) not later than one year; and</p> <p>(ii) later than one year and not later than five years; and</p> <p>(iii) later than five years.</p> <p>(b) total contingent rents recognised as income.</p> <p>(c) a general description of the lessor’s</p>	<p>Paragraph 56 and paragraph 20.30 of the <i>IFRS for SMEs</i> correspond, except that paragraph 56(a) also requires the disclosure of minimum lease payments under noncancellable operating leases in the aggregate. Paragraph 56 other than the disclosure of minimum lease payments under noncancellable operating leases in the aggregate, should be retained in the RDR. However, based on the reasoning in paragraph IN3 of this Appendix, the disclosure of minimum lease payments under noncancellable operating leases in the aggregate should be excluded from the RDR.</p>

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(c) a general description of the lessor’s leasing arrangements.	significant leasing arrangements, including, for example, information about contingent rent, renewal or purchase options and escalation clauses, and restrictions imposed by lease arrangements.	
57. In addition, the disclosure requirements in AASB 116, AASB 136, AASB 138, AASB 140 and AASB 141 apply to lessors for assets provided under 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 57 and paragraph 20.31 of the <i>IFRS for SMEs</i> correspond. Paragraph 57 should be retained in the RDR.
65. Disclosure requirements for lessees and lessors apply equally to sale and leaseback transactions. The required description of material leasing arrangements leads to disclosure of unique or unusual provisions of the agreement or terms of the sale and leaseback 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 65 and paragraph 20.35 of the <i>IFRS for SMEs</i> correspond. Paragraph 65 should be retained in the RDR.
66. Sale and leaseback transactions may trigger the separate disclosure criteria in AASB 101 <i>Presentation of Financial Statements</i> . (Commentary)		Paragraph 66 has no equivalent in the <i>IFRS for SMEs</i> but is in the nature of guidance. Based on the reasoning in paragraph IN7 of this Appendix, paragraph 66 should be retained in the RDR.

3. AASB 117 Leases: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 117 *Leases*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

Leases in the Financial Statements of Lessees

Finance Leases

- 31. Lessees shall, in addition to meeting the requirements of AASB 7 *Financial Instruments: Disclosures*, make the following disclosures for finance leases:**
- (a) for each class of asset, the net carrying amount at the reporting date;**
 - (b) a reconciliation between the total of future minimum lease payments at the reporting date, and their present value. In addition, an entity shall disclose the total of future minimum lease payments at the reporting date, and their present value, for each of the following periods:**
 - (i) not later than one year;**
 - (ii) later than one year and not later than five years;**
 - (iii) later than five years;**
 - (c) contingent rents recognised as an expense in the period;**
 - (d) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the reporting date; and**
 - (e) a general description of the lessee's material leasing arrangements including, but not limited to, the following:**
 - (i) the basis on which contingent rent payable is determined;**
 - (ii) the existence and terms of renewal or purchase options and escalation clauses; and**
 - (iii) restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.**
- 32. In addition, the requirements for disclosure in accordance with AASB 116, AASB 136, AASB 138, AASB 140 and AASB 141 apply to lessees for assets leased under finance leases.**

Operating Leases

- 35. Lessees shall, in addition to meeting the requirements of AASB 7, make the following disclosures for operating leases:**
- (a) the total of future minimum lease payments under noncancellable operating leases for each of the following periods:**
 - (i) not later than one year;**
 - (ii) later than one year and not later than five years;**
 - (iii) later than five years;**
 - (b) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the reporting date;**

- (c) **lease and sublease payments recognised as an expense in the period, with separate amounts for minimum lease payments, contingent rents, and sublease payments;**
- (d) **a general description of the lessee's significant leasing arrangements including, but not limited to, the following:**
 - (i) **the basis on which contingent rent payable is determined;**
 - (ii) **the existence and terms of renewal or purchase options and escalation clauses; and**
 - (iii) **restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.**

Leases in the Financial Statements of Lessors

Finance Leases

- 47. Lessors shall, in addition to meeting the requirements in AASB 7, disclose the following for finance leases:**
- (a) **a reconciliation between the gross investment in the lease at the reporting date, and the present value of minimum lease payments receivable at the reporting date. In addition, an entity shall disclose the gross investment in the lease and the present value of minimum lease payments receivable at the reporting date, for each of the following periods:**
 - (i) **not later than one year;**
 - (ii) **later than one year and not later than five years;**
 - (iii) **later than five years;**
 - (b) **unearned finance income;**
 - (c) **the unguaranteed residual values accruing to the benefit of the lessor;**
 - (d) **the accumulated allowance for uncollectible minimum lease payments receivable;**
 - (e) **contingent rents recognised as income in the period; and**
 - (f) **a general description of the lessor's material leasing arrangements.**
- 48. As an indicator of growth it is often useful also to disclose the gross investment less unearned income in new business added during the period, after deducting the relevant amounts for cancelled leases.**

Operating Leases

- 56. Lessors shall, in addition to meeting the requirements of AASB 7, disclose the following for operating leases:**
- (a) **the future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods:**
 - (i) **not later than one year;**
 - (ii) **later than one year and not later than five years;**
 - (iii) **later than five years;**
 - (b) **total contingent rents recognised as income in the period; and**

(c) a general description of the lessor's leasing arrangements.

57. In addition, the disclosure requirements in AASB 116, AASB 136, AASB 138, AASB 140 and AASB 141 apply to lessors for assets provided under operating leases.
65. Disclosure requirements for lessees and lessors apply equally to sale and leaseback transactions. The required description of material leasing arrangements leads to disclosure of unique or unusual provisions of the agreement or terms of the sale and leaseback transactions.
66. Sale and leaseback transactions may trigger the separate disclosure criteria in AASB 101 *Presentation of Financial Statements*.