



INSTITUTE OF  
**PUBLIC  
ACCOUNTANTS®**

# **Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities**

**20 December 2018**

20 December 2018

Ms K Peach  
The Chairperson  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West Victoria 8007  
Australia

By E-mail: standard@asb.gov.au

Dear Kris

## **Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities**

Thank you for the opportunity to comment on ED 286 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities*.

The IPA *supports* the proposed amending standard for reasons stated in the exposure draft.

It is unfortunate that the proposed amendments were considered necessary so close to the operative dates of AASB 17 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*. Many not-for-profits have invested scarce resources in preparing to fair value right-of-use assets including incurring valuation costs.

The comment period for the exposure draft is extremely short. This is also disappointing.

In relation to the issues on which the AASB has sought comment, we respond as follows:

### **Specific questions**

1. We agree with the proposed temporary option for not-for-profit entities to *not* measure right-of-use assets at initial recognition at fair value for leases with significantly below-market terms and conditions principally to enable the entity to further its objectives. We believe that the AASB should at least give an indication as how long this temporary option is likely to apply as this will give some certainty to users, preparers and auditors. Alternatively, a formal expiry date of three years should be set. This should also allow the AASB sufficient time to resolve the issues.
2. Not applicable as we support one above.
3. We support the additional disclosures proposed. Aus59.2 refers to ‘material’ leases, material can be deleted as materiality is self-evident. The disclosures should address the situations where the lease terms have expired but the NFP entity still benefits from the lease. We are aware that this not unusual, in essence that lease has been ‘forgotten’ by both parties.

### **General questions**

1. Yes.
2. None that we are aware.
3. As an interim measure, yes.
4. As an interim measure, yes.
5. The costs would be less in the short-term as fair value determinations by a valuer of ROU asset have been deferred.

If you would like to discuss our comments, please contact me or our technical advisers Mr Colin Parker ([colin@gaap.com.au](mailto:colin@gaap.com.au)) (a former member of the AASB) or Mr Stephen LaGreca ([stephenlagreca@aol.com](mailto:stephenlagreca@aol.com)) or GAAP Consulting.

Yours sincerely

Vicki Stylianou  
Executive General Manager, Advocacy & Technical  
Institute of Public Accountants

### **About the IPA**

The IPA is a professional organisation for accountants recognised for their practical, hands-on skills and a broad understanding of the total business environment. Representing more than 35,000 members in Australia and in over 65 countries, the IPA represents members and students working in industry, commerce, government, academia and private practice. Through representation on special interest groups, the IPA ensures the views of its members are voiced with government and key industry sectors and makes representations to Government including the Australian Tax Office (ATO), Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA) on issues affecting our members, the profession and the public interest. The IPA recently merged with the Institute of Financial Accountants of the UK, making the new IPA Group the largest accounting body in the SMP/SME sector in the world.