

1 May 2020

Ms Kris Peach  
Chair and CEO  
Australian Accounting Standards Board  
Podium Level  
Level 14, 530 Collins Street  
Melbourne VIC 3000

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**AASB Exposure Draft 300 'Covid-19-Related Rent Concessions' ('ED 300')  
Proposed amendments to AASB 16**

Dear Ms Peach

We welcome the opportunity to provide our comments to the AASB in relation to ED 300. Although the comment period is exceptionally short, we understand the urgency required to deal with the impact on lease arrangements as a result of Covid-19 and appreciate the efforts of the IASB and AASB for their work on this unexpected situation.

As specialists in preparing financial statements, we are supportive of the proposed amendments and we believe that entities will appreciate having the ability to apply the practical expedient proposed in ED 300.

There are two issues we would like to bring to the AASB's attention. The first issue is that there needs to be more clarity around what is meant by a 'covid-19 related rent concession', as referred to in paragraph 46A of ED 300. For example, is it presumed that any rent concession provided during the 2020 calendar year is due to covid-19? Alternatively, does there need to be a contractual statement that refers to covid-19? We consider that providing clarity of this term will minimise any uncertainty and help ensure that the relief is applied as intended.

The second issue we would like to raise is in relation to what is meant by 'substantially the same', as referred to in paragraph 46B of ED 300. We note that this term has been used in other standards (for example IFRS 9 and IFRS 15), so we consider there should be some clarity provided as to whether it is intended that this term means the same as used in those standards. Alternatively, does there need to be explicit guidance about it in the context of the proposed amendments? Providing clarity, especially in these uncertain times, would be the best approach to assist stakeholders in understanding the requirements and to minimise any unintended consequences.



The appendix attached contains our responses to your specific matters.

Should you wish to discuss any aspects of our submission, kindly contact either:

- Vik Bhandari on 0411 091 263 or by email at [vik.bhandari@frs.com.au](mailto:vik.bhandari@frs.com.au)
- Rob Mackay on 0412 824 087 or by email at [rob.mackay@frs.com.au](mailto:rob.mackay@frs.com.au)

Yours faithfully

Financial Reporting Specialists

### **Financial Reporting Specialists**

#### ***About Financial Reporting Specialists ('FRS')***

*FRS are a firm of chartered accountants that are specialists in compiling financial statements, both directly to our clients and indirectly via auditor outsourcing arrangements. We have significant experience in compiling GPFS Tier 1, GPFS Tier 2 (RDR) and SPFS as well as providing technical accounting guidance to our clients. Our clients range from ASX multinationals to NFP charities.*

## Appendix

### IASB Matters for Comments

- 1. Do you agree that this practical expedient would provide lessees with practical relief while enabling them to continue providing useful information about their leases to users of financial statements? Why or why not? If you disagree with the proposal, please explain what you propose and why.***

#### Response 1

We agree that the proposed practical expedient will provide lessees with practical relief and will allow them to provide useful information. The current situation is extremely unique and so we believe that specific relief, such as the proposals in ED 300, should be made available to entities to account for this impact. Entities are experiencing many new challenges as a result of the Covid-19 pandemic, so any guidance available that will assist them in preparing their financial statements under such circumstances is welcomed and, in our opinion, needed.

In addition to the amendments proposed in ED 300, we have the following suggestions.

Firstly, we suggest providing further clarity in relation to 'covid-19 related rent concession' (as referred to in paragraph 46A). It is unclear whether it is presumed that any rent concession provided during the 2020 calendar year relates to covid-19 or whether there needs to be reference to 'covid-19' in a contractual document.

Secondly, we suggest providing further clarity in relation to 'substantially the same' (as referred to in paragraph 46B). Once again, we think it is unclear whether it is presumed to have the same meaning as per other standards or whether explicit guidance directly relating to the proposed amendments is required.

We believe that both issues require the IASB's attention in order to minimise any uncertainty and to help ensure that the relief is applied as intended.

- 2. Do you agree with this proposal [in relation to the effective date and transition requirements]? Why or why not? If you disagree with the proposal, please explain what you propose and why.***

#### Response 2

We agree with the proposals in relation to the effective date and transition requirements.

## AASB Specific Matters for Comment

- 1. Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to not-for-profit entities and public sector entities, including GAAP/GFS implications?***

### **Response 3**

We are not aware of any regulatory or other issues.

- 2. Whether the proposals create any auditing or assurance challenges?***

### **Response 4**

We are not aware of any additional auditing or assurance challenges that might be created by the proposals. We believe this would be a positive move to assist auditors with their work.

- 3. Whether, overall, the proposals would result in financial statements that would be useful to users?***

### **Response 5**

We consider that the proposals would result in useful financial statements.

- 4. Whether the proposals are in the best interests of the Australian economy?***

### **Response 6**

We believe that the proposals are in the best interests of the Australian economy.

- 5. Unless already provided in response to specific matters for comment above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.***

### **Response 7**

Based on our experience of assisting entities in implementing AASB 16, the amount of hours required to assess and account for a lease modification would have increased by at least 2.5 hours per lease. Given that it is common for entities to have many leases, there is a significant benefit and cost saving for entities to apply the practical expedient and the resulting savings for auditors to audit the modifications.