

**Au, Patricia**

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**Subject:** FW: AASB Exposure Draft ED 286

**To:** Australian Accounting Standards Board <[enquiries@asb.gov.au](mailto:enquiries@asb.gov.au)>

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I recently participated in a training session presented by Carmen Ridley who outlined the proposed amendments in ED286. I would like to provide some feedback to the AASB with regards to the proposed amendments.

Firstly, I would like to congratulate the AASB on what appears to be the process of listening to practitioners about the practical implications with implementing AASB1058, specifically for peppercorn leases.

In specific response to the questions asked in ED286:

1. Yes, I agree with the proposal to allow NFP entities the option to record the value of the lease at cost, rather than fair value.
2. I disagree with the option being a temporary option for NFP entities and I think that this should be a permanent option.
3. The proposed disclosures appear reasonable to provide additional information to readers of the financial report. In practice, a number of NFP's that I deal with already voluntarily include this information in the notes to the financial report.
4. Undecided.
5. Not aware of any.
6. I believe that the proposed changes will result in more useful financial reports for users. The recognition of a "book" revenue item for the fair value of the peppercorn lease would be misleading to users. The creation of the increased value of the right to use asset would potentially distort the actual income of the entity. With another unintended consequence of potentially pushing NFP's into a higher reporting threshold for financial reporting purposes i.e. taking the income over \$1m to now require an audit instead of a review. Having the lease information disclosed in a note will still provide the reader with sufficient information to understand that there is a below market rental arrangement in place.
7. I believe these proposals are in the best interests of the Australian economy as it is not distorting the actual income received by NFP entities.
8. Without specifically quantifying the financial effect, my estimate would be that the ability for a NFP to use cost instead of fair value for calculating the lease liabilities will ensure there are no additional financial burdens on the NFP entities, which are generally already stretched for financial reporting resources.

Kind regards,

Lyndal

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