

Willoughby City Council comments on Exposure Draft 286

Specific Matters for Comment:

1. Agree with the proposed option for not for profit entities to not measure peppercorn leases at initial recognition at fair value.
 - Willoughby City Council strongly agree with the option proposed in the Exposure Draft (ED286) for not for profit entities to measure peppercorn leases at cost instead of fair value at initial recognition.
 - Furthermore, Willoughby City Council strongly believe the temporary relief provided by ED286 should be made permanent for all not for profit entities.
 - A permanent option to measure peppercorn leases at cost instead of fair value at initial recognition should apply to all not for profit entities. Local governments are lessees in numerous peppercorn leases and measurement at fair value would lead to material (and incomprehensible) changes to comprehensive income and balance sheet positions.
 - A primary concern with measuring peppercorn leases at fair value is the capacity to obtain valid and accurate fair value estimates given the nature of the assets and/or various restrictions related to the land (or in some cases waterways) in which councils are lessees.
 - These changes would lead to confusion among users of the financial statements and would not be useful to users.