



<b>Project:</b>	<b>Leases</b>	<b>Meeting</b>	AASB February 2016 (M150)
<b>Topic:</b>	<b>Issuance of AASB 16</b>	<b>Agenda Item:</b>	6.1
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		<b>Project Priority:</b>	High
		<b>Decision-Making:</b>	High
		<b>Project Status:</b>	Issuance of Standard

## Introduction and objective of this paper

- 1 The objective of this paper is to obtain Board member decisions on the ballot draft of AASB 16 *Leases* and its consequential amendments to other pronouncements.

## Link to project summary

[http://www.aasb.gov.au/admin/file/content102/c3/Leases\\_Project\\_Summary.pdf](http://www.aasb.gov.au/admin/file/content102/c3/Leases_Project_Summary.pdf)

## Attachments

- Agenda Paper 6.2 [Draft] AASB 16 *Leases*
- Agenda Paper 6.3 Letter to Office of Best Practice Regulation regarding Certified Independent Review of AASB 16 [Board Only]
- Agenda Paper 6.4 Cross-reference of IASB Basis for Conclusions to seven RIS questions [Board Only]

## Summary of staff recommendations

- 2 The staff recommend the Board vote in favour of making [draft] AASB 16 *Leases*.

## Overview

- 3 The International Accounting Standards Board (IASB) issued International Financial Reporting Standard IFRS 16 *Leases* on 13 January 2016. IFRS 16 has a mandatory effective date for annual reporting periods beginning on or after 1 January 2019.
- 4 IFRS 16 has not been substantially modified since the December 2015 AASB meeting where the Board received a technical update for the main requirements of the new *Leases* standard.

- 5 In order to incorporate IFRS 16 into an Australian equivalent Standard the AASB is required either to complete a Regulation Impact Statement (RIS) or the chief executive of the agency may certify that an independent review, or other similar mechanism, has been undertaken and addressed the seven RIS questions.
- 6 At the December 2015 AASB meeting, staff presented the Board with an overview of the seven RIS questions. Agenda Paper 6.4 cross-references the IASB Basis for Conclusions to IFRS 16 to the seven RIS questions in order to demonstrate that the process and analysis followed to issue IFRS 16 was similar to a RIS process.
- 7 In addition, and regardless of whether an agency completes a full RIS or submits a certified independent review, the agency must estimate a regulatory burden measure. This measure is an estimation of the average incremental cost to the private sector over the next ten years of transitioning to, and continuing to apply, any new regulation. As part of estimating this measure, AASB staff consulted with a representative sample of the industries that will be impacted by the new Leases standard. This estimation was agreed with the Office of Best Practice Regulation (OBPR) in January 2016.
- 8 The certified independent review letter, attached as Agenda Paper 6.3, was subsequently submitted to OBPR in February 2016 (prior to the Board meeting) as the final step in fulfilment of best practice requirements for making new regulations.

#### **Overview of Agenda Paper 6.2 – [Draft] AASB 16**

- 9 Consistent with the Board’s aim to incorporate IFRSs into Australian Accounting Standards with as few alterations as possible, [draft] AASB 16 contains both the standard-proper as well as Appendix D, which makes all consequential amendments as a result of the issuance of [draft] AASB 16.
- 10 Consequently, and differing from previous new IFRSs as incorporated into Australian Accounting Standards, consequential amendments resulting from the issuance of [draft] AASB 16 will be made in the one legislative instrument as opposed to issuing a separate amending standard that contains the consequential amendments.

#### Specific AASB staff amendment proposals

- 11 Given that Australian Accounting Standards are legislative instruments, AASB staff propose alterations to the IFRS as issued by the IASB in order to make the Standard a valid legislative instrument in the Australian legal framework.
- 12 In Appendix C *Effective Date and Transition* AASB staff have deleted paragraph C21 and inserted a new heading ‘Withdrawal of AASB pronouncements’ accompanied by paragraphs AusC21.1 – AusC21.2. These paragraphs conform to wording provided by the Office of Parliamentary Counsel in order to ensure the proper repeal of superseded pronouncements.
- 13 In Appendix D *Amendments to other Standards* AASB staff have edited the preamble for consistency with the recent reissue of new Australian principal versions of Standards. In particular, staff have revised the wordings in the preamble to note that the consequential amendments are made to the most recently issued principal versions of the affected standards. However, the preamble also notes that for entities applying

[draft] AASB 16 early, the consequential amendments are also made to the principal versions of affected standards that are in effect at that time of early application.

- 14 For example, consequential amendments are made to the August 2015 principal version of AASB 7 *Financial Instruments: Disclosures*, which is mandatorily applicable from 1 January 2018. If an entity were to early adopt [draft] AASB 16 (within the provisions set out in Appendix C) as at 30 June 2016 that entity would be applying the August 2005 principal version of AASB 7 at that time. The revisions to the preamble noted in paragraph 13 would have the effect that the August 2005 principal version of AASB 7 is consequentially amended for the issuance of AASB 16 even though the consequential amendments do not specifically refer to that August 2005 version.
- 15 The scope of AASB 1023 *General Insurance Contracts* substantially mirrors that of AASB 4 *Insurance Contracts*, which is included in a consequential amendment in AASB 16. Accordingly, staff propose making the same consequential amendment to AASB 1023.
- 16 Other than the above alterations and other mechanical adjustments (for example, updating references to IASs to their AASB equivalents), AASB staff do not propose any other substantial changes to the IASB's consequential amendments.

#### **Staff recommendation**

- 17 The staff recommend that Board vote in favour of making [draft] AASB 16 *Leases*.

#### **Question for Board members**

- Q1 Do Board members approve the making of [draft] AASB 16 *Leases*?