



Australian Government

Department of Finance

AASB 16 *Leases*

Vincent Padgham

Accounting Policy & Advice Section

Accounting & Frameworks Branch

Financial Analysis, Reporting & Management Division



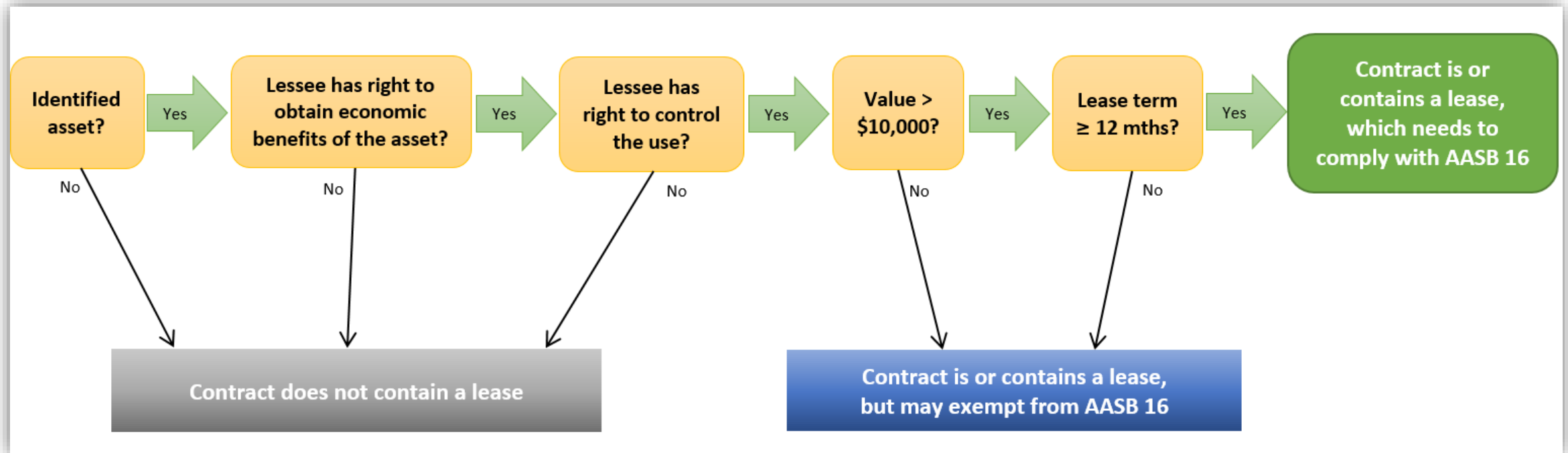
AASB 16 Leases - Overview

- for most Commonwealth entities, effective on **1 July 2019** (2019-20 FY)
- replace AASB 117 *Leases* and related interpretations
- remove the distinction between **Operating** and **Finance Leases** for lessees, and require recognition of **right-of-use (ROU) asset** and **lease liability** on the **balance sheet** for most leasing arrangements
- Lessees face major changes, requirements for lessors are substantially unchanged



AASB 16 Leases – Decision Tree to Identify a Lease

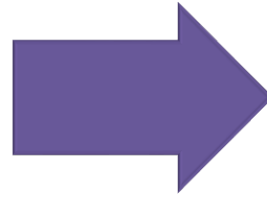
AASB 16 defines a lease as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’.



AASB 16 Leases - What will change?

Old treatment for lessees (AASB 117)

- Operating leases off Balance Sheet
- Finance leases on Balance Sheet



New treatment for lessees (AASB 16)

- All leases on Balance Sheet, except for
- Short-term leases (≤ 12 months) & low-value asset leases ($\leq \text{AU\$}10,000$)



AASB 16 *Leases* – Lessee Accounting Presentation

Balance Sheet

- **Asset**
= *ROU asset*
- **Liability**
= *Obligation to make lease payments*

Income Statement

- **Lease Expense*** =
*Depreciation of leased assets
+ Interest expense for lease liabilities*
(Generally front loaded expense for an individual lease)*



AASB 16 Leases – Lessee Accounting Recognition & Measurement

Initial Recognition & Measurement

Measure ROU asset and lease liability at present value of lease payments



Subsequent Measurement

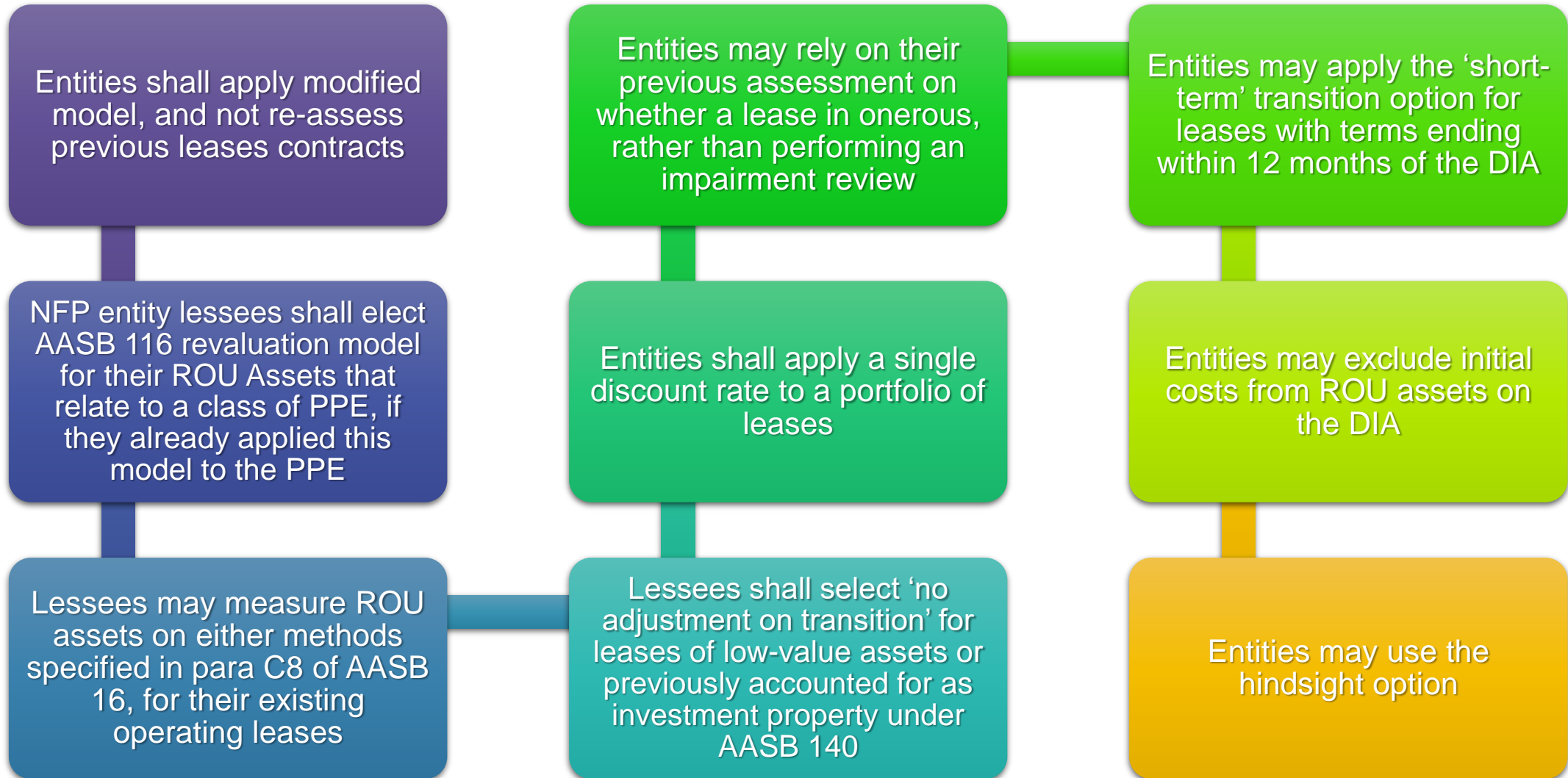
ROU Asset

- Depreciate ROU asset under AASB 16, or use alternative measurement basis under AASB 16 and AASB 140 *Investment Property*.

Liability

- Accrete liability based on interest method, using a discount rate determined at lease commencement;
- Reduce the liability by payments made.

Recap: Finance Positions on Implementation Options for AASB 16



Vincent Padgham

Tel: (02) 6215 1927

Email: Vincent.Padgham@finance.gov.au

