

New Accounting Standard: AASB 16 Leases

Overview

A new leasing standard is coming into effect for accounting periods that begin after 1 January 2019. The first year of effect is financial years ending 31 December 2019/30 June 2020.

However, the year ending 30 June 2019 will be the comparative year. Due to this, it is important to start thinking about this standard now.

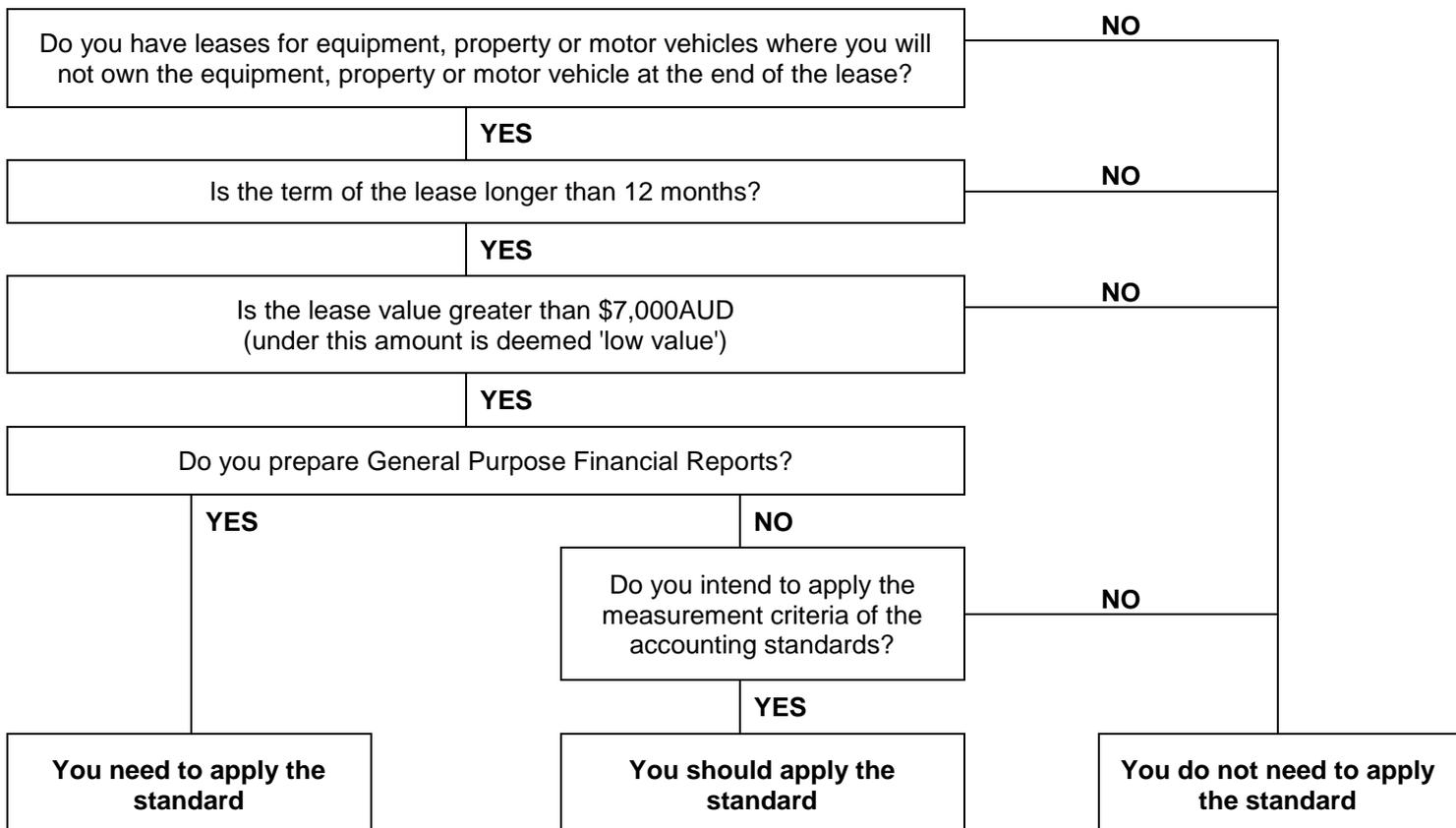
The main impact will relate to how operating leases are treated.

Operating leases will now need to appear on the balance sheet as both an asset (right to use asset), and also as a lease liability. The initial measurement of these items is not the same. These will both be released to the profit and loss over the term of the lease.

Bank Borrowings

As there will be a 'current' lease aspect, application of this standard will affect current ratios, which in turn could effect bank covenants. This should be discussed with your bank as soon as possible.

Assessment



If you would like further information on this standard, or assistance in preparing for the introduction of this standard, please contact us.

Peppercorn Leases

Peppercorn leases have currently been deferred indefinitely, and therefore not required to be included on the balance sheet.