



Survey of Financial Information

Leases reporting guidance

- Additional questions have been added to the survey from December 2019.
- These new questions are due to changes introduced by AASB 16 Leases.
- In general, please report according to AASB 16 but also report 'of which' items for operating leases.
- This document provides guidance on how to report these new questions.

Please refer to AASB 16 Leases (www.aasb.gov.au/admin/file/content105/c9/AASB16_02-16.pdf). When reporting on the *Survey of Financial Information*, leases are to be recorded consistent with AASB 16, unless otherwise specified on your survey form or in this guidance.

Background

The Australian Accounting Standards Board implemented changes to accounting for leases under AASB 16 Leases. This standard requires operating leases to be capitalised on the lessee's balance sheet as a right-of-use asset equal to the value of the underlying leased asset (less accumulated depreciation) over the lease period. The lessee will also record a corresponding lease liability equal to the net present value of the future lease payments.

This AASB 16 treatment of lessees' capitalising operating leases differs from the economic measurement of asset ownership under the Australian System of National Accounts (www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/5216.0Main+Features12015?OpenDocument). The data provided to the *Survey of Financial Information* is an input to the Australian National Accounts: Finance and Wealth (www.abs.gov.au/ausstats/abs@.nsf/mf/5232.0), and as consequence of the introduction of AASB 16, the ABS has updated the *Survey of Financial Information* to include separate questions to capture the **operating lease** activity of lessees.

Reporting guidance

This guidance uses the AASB 16 definition of **operating leases**.

For lessors, leases are to be recorded consistent with AASB 16 on the *Survey of Financial Information*. AASB 16 has seen no changes for lessors in accounting for leases. Consequently, no changes have been made to the *Survey of Financial Information* for lessors' accounting, and lessor reporting under AASB 16 does not require the ABS to separately collect 'of which' items for operating leases.

For lessees, under AASB 16, lessees are to recognise all right-of-use assets and liabilities on their financial statements, other than where recognition exceptions apply under the standard. However, the ABS requires 'of which' items for lessees' **operating lease** activities.

When reporting on the *Survey of Financial Information*, please use the AASB 16 definition for operating leases when reporting against the following newly inserted survey items:

Of which: right-of-use assets arising from operating leases, and

Of which: lease liabilities arising from operating leases.

Where the *Survey of Financial Information* has an income and expense section, please also report:

Of which: depreciation expense on right-of-use assets arising from operating leases, and

Of which: interest expense on right-of-use assets arising from operating leases.

For all the above ‘of which’ items, please only provide financial information arising from lessees’ operating leases (by using the AASB 16 definition of operating leases). At these ‘of which’ items do not include financial information arising from finance leases.

Assets

Non-resident assets

The description of non-resident assets on the *Survey of Financial Information* instructs providers to exclude non-resident right-of-use assets arising from operating leases.

If your business has right-of-use assets outside Australia arising from an operating lease, please do not capitalise these non-resident assets when reporting non-resident asset items. Excluding these non-resident right-of-use assets and including both resident and non-resident liabilities arising from operating leases (refer to Liabilities below) may result in an imbalance between Total Assets and Total Liabilities. This is consistent with the design of the survey form.

Resident assets

If your business has right-of-use assets within Australia arising from an operating lease, please include these assets at the appropriate asset item, but also report right-of-use assets arising from operating leases at the ‘of which’ items.

Liabilities

Non-resident liabilities

Non-resident liabilities arising from operating leases represent a lessee’s liability arising from a right-of-use asset where the counterparty to the liability is ordinarily domiciled in a country other than Australia. Please report these at the ‘of which’ item for non-resident liabilities.

Resident liabilities

At the ‘of which’ item for resident liabilities please report liabilities arising from lessee operating lease liabilities where the counterparty to the liability is ordinarily domiciled in Australia.

Expenses arising from operating leases

Please report lessee depreciation and interest expenses on right-of-use assets arising from operating leases at the appropriate ‘of which’ item.