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Purpose

1. The purpose of this paper is to discuss disclosure requirements for a lessor in the final leases standard.

2. This paper starts from the premise that, at a minimum, the Boards would want to retain substantially all of the existing lessor disclosure requirements in IFRS and U.S. GAAP. In addition, this paper does not ask the Boards to change any of the disclosure requirements of other IFRS or Topics (U.S. GAAP). Although at the March 2014 joint meeting the Boards tentatively decided to retain a lessor accounting model that is similar to the lessor accounting model in existing IFRS and U.S. GAAP, the staff think that, in issuing the new leases standard, the Boards should consider enhancing existing lessor disclosures to enable investors and analysts (users) to better evaluate the amount, timing and uncertainty of cash flows arising from a lessor's leases. Accordingly, this paper focuses on analysing additional disclosure requirements for the Boards to consider when compared to the disclosure requirements in existing IFRS and U.S. GAAP. Lessor disclosure requirements under existing IFRS and U.S. GAAP are included in Appendix A.

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3. This paper is structured as follows:

   (a) Summary of staff recommendations

   (b) Background

   (c) Staff analysis

      (i) General information and table of lease income

      (ii) Residual value risk

      (iii) Maturity analysis disclosures

      (iv) Reconciliation of the opening and closing balance of the lessor's lease receivables and residual assets – Type A leases

   (d) Appendix A – Existing lessor disclosure requirements, proposals in the 2013 ED and staff recommendations

   (e) Appendix B – Disclosure requirements for investment property under IFRS

   (f) Appendix C – Disclosure requirements for property, plant and equipment under IFRS and U.S. GAAP

Summary of staff recommendations

4. The staff recommend the following with respect to lessor disclosures:

   (a) A lessor should disclose information about the nature of its leases, as well as information about significant assumptions and judgements made in applying the leases requirements in substantially the same manner as was proposed in the 2013 ED.

   (b) A lessor should disclose a table of lease income recognised in the reporting period (consistent with the 2013 ED, with minor modifications to align with the tentative decisions reached in redeliberations to date):

      (i) For Type A leases: any profit or loss recognised at lease commencement (gross or net, consistent with the lessor's business

model), as well as interest income earned on the net investment in the lease;

(ii) For Type B leases: lease income related to *lease payments*; and

(iii) Lease income from variable lease payments.

(c) A lessor should disclose information about how it manages its risk associated with the residual value of its leased assets to enable users to evaluate the uncertainty of cash flows arising from a lessor's leases (broadly consistent with the 2013 ED proposals).

(d) A lessor should treat assets under Type B leases, further distinguished by significant classes of underlying assets (eg leased automobiles, leased buildings, or leased IT equipment), as a class (or classes) of property, plant and equipment (IFRS) or a major class (or major classes) of depreciable assets (U.S. GAAP). Accordingly, a lessor should provide the property, plant and equipment disclosures required by IAS 16 *Property, Plant and Equipment* and Topic 360 *Property, Plant, and Equipment* for assets under Type B leases separately from owned assets held and used by the lessor (this proposal would be incremental to the proposed requirements in the 2013 ED).

(e) A lessor should disclose a maturity analysis of the undiscounted cash flows that comprise the lessor's lease receivable (for Type A leases) and a maturity analysis of the undiscounted lease payments to be received for Type B leases, separately from each other, for each of the first five years following the reporting date and a total of the amounts for the remaining years thereafter. For Type A leases only, a lessor should reconcile the undiscounted future cash flows that comprise the lessor's lease receivables to the lease receivables recognised on the balance sheet (as proposed in the 2013 ED).

(f) For Type A leases a lessor should provide an explanation of the significant changes in the balance of its net investment in leases (or lease receivables and residual assets if presented separately in the balance sheet) during the

reporting period (which represents a simplification as compared to the proposals included in the 2013 ED by eliminating the reconciliation requirements proposed with respect to the lease receivable and residual asset components of the net investment in the lease).

Background

5. Academic research, outreach performed and feedback received throughout the project highlight that the main issue associated with existing lessor accounting is the lack of information about a lessor's exposure to credit risk (associated with the receivable from the lessee) and asset risk (associated with the residual interest in the underlying asset). In particular, the main concern of users is the lack of transparency about the residual values of equipment and vehicles that are subject to operating leases.
6. To address this issue, the 2013 ED proposed that a lessor should account for its residual interest (which included both the guaranteed and unguaranteed portions of the residual value) in the underlying asset separately from its lease receivable (which included only the *lease payments*) on its balance sheet. A lessor would apply this receivable and residual approach to all leases (except short-term leases), excluding most leases of property for which a lessor would apply an approach similar to existing operating lease accounting.
7. Most users that provided feedback to the 2013 ED agree that better information about a lessor's exposure to credit risk and asset risk would be beneficial for most leases other than property. However, some of these constituents were indifferent as to whether they receive that information in disclosures or on the balance sheet, while others would prefer it within the disclosures. In addition, the 2013 ED proposed enhanced disclosures for lessor accounting as illustrated in the staff analysis section of this paper and detailed in Appendix A.
8. In light of the feedback received on the 2013 ED, at the March 2014 joint meeting the Boards tentatively decided to eliminate the receivable and residual approach proposed in the 2013 ED for Type A leases. Instead, a lessor would be required to

apply an approach substantially equivalent to existing IFRS finance lease accounting (which is also substantially the same as U.S. GAAP accounting for sales-type/direct-financing leases) to all Type A leases. This would mean, consistent with existing guidance for lessors, a lessor would recognise a net investment in the lease comprising:

(a) The lease receivable that is equal to the *lease payments* and any guaranteed residual value. The lease receivable is a financial asset, reflecting the portion of the underlying asset for which the remaining risk is solely credit risk, and differs from the 2013 ED definition of a lease receivable because it includes any guaranteed residual value;

(b) The unguaranteed residual value of the underlying asset; and

(c) For U.S. GAAP lessors only, any deferred selling profit on Type A leases that do not transfer control of the underlying asset to the lessee.

The Boards previously tentatively decided that a lessor would present these amounts separately in the balance sheet or disclose them separately in the notes.

9. The Boards also tentatively decided to fundamentally retain existing guidance for lessor lease classification (Type A versus Type B). Therefore, based on the Boards' tentative decisions, a lessor would apply:

(a) An approach substantially equivalent to existing IFRS finance lease accounting (Type A accounting) to leases in which the lessor transfers substantially all the risks and rewards incidental to ownership of the underlying asset (and, therefore, the lease is effectively a sale or a financing); and

(b) Existing operating lease accounting (Type B accounting) to all other leases.

10. In addition, the Boards' tentative decisions with respect to lessor accounting mean that *lessors* should not distinguish short-term leases from other leases. Accordingly, all leases, including those that meet the definition of short-term leases, will either be classified as Type A or Type B. A lessor would be expected

to classify virtually all, if not all, leases that would meet the definition of short-term leases as Type B leases. The accounting for Type B leases for a lessor is exactly the same as was proposed in the 2013 ED for short-term leases. Consequently, from a lessor's perspective, there is no longer any reason to distinguish short-term leases from other leases in light of the changes to the lessor accounting requirements made during redeliberations.

11. The following sections discuss the disclosure requirements for a lessor in the final leases standard.

Staff analysis

General information and table of lease income

Proposals in the 2013 ED and feedback received

12. The 2013 ED proposed that a lessor provide information about its leases, as well as information about significant assumptions and judgements in applying the proposed lessor requirements. The proposed disclosures on the nature of a lessor's leases included:

    (a) A general description of the lessor's leases;

    (b) The basis, and terms and conditions, on which variable lease payments are determined;

    (c) The existence, and terms and conditions, of options to extend or terminate the lease; and

    (d) The existence, and terms and conditions, of options for a lessee to purchase the underlying asset.

13. The proposed disclosures on significant assumptions and judgements included information about:

    (a) The determination of whether a contract is or contains a lease;

(b) The allocation of consideration in the contract between lease and non-lease components; and

(c) The initial measurement of the residual asset.

14. Most constituents did not comment on these lessor disclosure proposals. However, of those constituents that did comment, most supported the proposed qualitative disclosures for lessors, which provide information about the nature of leases, and significant assumptions and judgements made when applying the proposed requirements. These constituents assert that this information would enable users to better understand the analysis performed by a lessor on its leases.

15. The 2013 ED also proposed that a lessor should disclose a table of lease income recognised in the reporting period including the following items:

(a) For Type A leases: (i) any profit or loss recognised at lease commencement, (ii) unwinding of the discount on the lease receivable, and (iii) unwinding of the discount on the gross residual asset;

(b) For Type B leases, lease income relating to *lease payments*;

(c) Lease income relating to variable lease payments; and

(d) Lease income relating to short-term leases.

16. Some constituents commented that the proposed tabular disclosure of lease income would be difficult to prepare. Moreover, they commented that the disclosure of profit or loss for Type A leases seems to be inconsistent with other disclosure requirements (eg for other products sold). Some of these constituents think that a separate disclosure of lease income may be more useful if required only for an entity whose primary business model is to enter into lease arrangements as a lessor, and therefore leasing is a significant activity for the entity.

Staff analysis and recommendations

17. The staff continue to think all of these proposed disclosures are useful and relevant to users, while not being cost prohibitive to preparers. This is because preparers should use judgement when determining the level of detail required to

satisfy the disclosure requirements (eg if leasing is an insignificant activity for the entity, then an entity may conclude that the tabular disclosure of lease income is not required). As a result, the staff recommend that the Boards reaffirm these disclosures for inclusion in the final leases standard, subject to one adjustment resulting from the Boards' previous tentative decisions. That adjustment would be to allow lessors to disclose interest income (or unwinding of the discount) on the lessor's net investment in Type A leases *either* in aggregate (eg combining interest income on the components of the net investment in the lease) or separately for each component of the net investment in the lease. The staff do not think that *requiring* disclosure of these amounts separately in the table provides any incremental benefit to users since these amounts are accreted using the same discount rate over the same period of time.

18. The staff also note that the table of lease income would not include separate disclosure of lease income arising from short-term leases. This is because, as noted in the Background section above, the concept of short-term leases would no longer exist for lessors in light of the Boards' decisions regarding the lessor accounting model in March 2014.

Residual value risk

Proposals in the 2013 ED and feedback received

19. According to the Basis for Conclusions to the 2013 ED, some users of financial statements informed the Boards that there is currently a lack of transparency in a lessor's financial statements about how the lessor manages its exposure to residual value risk. Particularly for leases that are currently classified as operating leases, a lessor can retain significant residual value risk and very little, if any, information is available about exposure to that risk in the financial statements and how it is managed.

20. Accordingly, for Type A leases, the 2013 ED proposed that a lessor should disclose information about how it manages its risk associated with the residual value of its leased assets (eg its risk management strategy, the existence of

residual value guarantees—excluding guarantees considered to be lease payments for the lessor, and any other means the lessor takes to reduce residual value risk).

21. Under the proposals in the 2013 ED, the Boards expected lessors to classify most existing operating leases of equipment and vehicles as Type A leases. Therefore, in the 2013 ED, disclosure of risks associated with the residual value of a lessor's leased assets was proposed for Type A leases only. This is because disclosures related to residual value risk are generally less applicable to those leases that would have been classified as Type B under the 2013 ED proposals (that is, most leases of land or buildings). This is because land and buildings are typically long-lived assets, the value of which can increase over the lease term as well as decrease. A lessor of land and buildings would typically recover its investment in the land or buildings over a period longer than any individual lease term. In contrast, equipment and vehicles are depreciating assets, the value of which often declines more rapidly in the early years of the asset's life, and for which a lessor would typically actively manage its exposure to residual asset risk.

22. Constituents that provided feedback on the above-proposed disclosures expressed mixed views. Some constituents agreed that a lessor should include in its disclosure how it manages the risk associated with residual values. Other constituents thought that the information does not add value and that the costs outweigh the benefits. This is because, for existing operating leases, the property, plant and equipment guidance does not require such extensive disclosures about the associated risks.

23. Regarding disclosures for property, plant and equipment subject to operating leases, accounting firms and some users suggested requiring a lessor to disclose the amount of assets reported on the balance sheet as property, plant and equipment that are subject to Type B leases. This would enable users to clearly see (a) which of the lessor's owned fixed assets are currently being used by the lessor in its operations and (b) which are leased to lessees. This would ultimately provide better information about the lessor's exposure to the risk of recoverability of the residual value of assets under existing operating leases.

Staff analysis - Disclosure about residual value risk

24. The staff think that a lessor should be required to disclose information about the risk associated with residual values for *all* leases (which would be consistent with the requirements proposed in the 2013 ED for Type A leases only) for the following reasons:

    (a) The Boards previously concluded that residual value risk cannot be fully assessed by users only on the basis of the amounts recognised on a lessor's balance sheet and income statement in accordance with existing lessor accounting guidance.

    (b) The staff think that a lessor should disclose how it manages its residual value risk to enable users to evaluate the uncertainty of cash flows arising from a lessor's leases and from its leased assets. Uncertainty about the residual value of the underlying asset at the end of the lease is a lessor's primary risk, particularly for a lessor of equipment and vehicles. This is because a decline in the market value of leased equipment and vehicles at a rate greater than the rate the lessor projected (on the basis of its policy on residual value measurement) would adversely affect the profitability of the lease. Residual value realisation at the end of the lease term might be affected by several factors (eg rapid technological or economic obsolescence, unusual wear and tear, excess use, manufacturer's warranties).

    (c) Generally, existing finance/capital leases (Type A leases) bear the least residual value risk because the lease payments cover a significant portion of the underlying asset's fair value at lease commencement. In contrast, existing operating leases (Type B leases) typically have a higher degree of residual value risk because lease payments cover a smaller percentage of the underlying asset's cost (and fair value) at lease commencement. As mentioned above, disclosure of information about how a lessor manages its risk associated with the residual value of the assets was not proposed in the 2013 ED for Type B leases because the Boards expected lessors to

classify most existing leases of equipment and vehicles as Type A leases. However, this will no longer be the case based on the Boards' tentative decisions to fundamentally retain existing lessor accounting. The result is that many more leases of equipment and vehicles will be classified as Type B leases than under the proposal in the 2013 ED. Therefore, the staff think that the residual asset risk disclosure requirements should apply to both Type A and Type B leases.

25. The staff acknowledge that residual value risk might not be a primary risk for many lessors of property (that is, land or buildings in this context) because of the combination of the long-lived nature of those assets and the propensity for these assets to *appreciate* in value over time in many cases. In such cases, the staff think that a lessor could simply provide brief narrative disclosures without incurring significant costs. In addition, the staff note that under IFRS most property (land or building) assets that are the subject of a lease meet the definition of "investment property", which means that a lessor either measures the investment property at fair value or discloses information about the fair value in its financial statements. Therefore, the staff expect that an IFRS lessor would rely on that disclosure to provide information about any residual value risk with respect to those assets. Investment property does not, however, encompass other long-lived assets that would typically be subject to Type B leases (eg telecommunications towers, ships, pipelines, storage containers, railcars, or airplanes).

26. Appendix B includes the existing disclosure requirements for investment property under IFRS.

Staff analysis - Disclosure for PP&E under Type B leases

27. A lessor often accounts for leased assets under Type B leases similarly to owned assets that are held and used (eg in the lessor's operations). Nonetheless, the leased assets might be subject to different risks than owned assets that are held and used. This is because, for example, the decrease in the value of the underlying

asset in a lease could be due to several factors that are not within the control of the lessor (eg excessive use of the asset).

28. For that reason, the staff think that a lessor should treat assets under Type B leases, further distinguished by significant classes of underlying assets (eg leased automobiles, leased buildings, or leased IT equipment), as a class (or classes) of property, plant and equipment (IFRS) or as a major class (or major classes) of depreciable assets (U.S. GAAP). Accordingly, a lessor should provide the property, plant and equipment disclosures required by IAS 16 and Topic 360 separately for assets under Type B leases from owned assets that are held and used by the lessor. Those disclosures include, for example, the following:

    (a) A general description of depreciation methods used (including the useful lives or the depreciation rates used); and

    (b) The gross carrying amount and the accumulated depreciation.

29. In applying this requirement, the staff think that, for example, a lessor might disclose information about the estimated residual value of assets subject to Type B leases at the end of their useful lives (eg engines subject to Type B leases are depreciated on a straight-line basis over 15 years to a 30% residual value).

30. Appendix C provides the existing disclosure requirements for property, plant and equipment under IFRS and U.S. GAAP.

31. The staff expect that the level of aggregation of this disclosure would depend on a lessor's business model. For example a real estate and equipment lessor would provide disclosures for buildings under Type B leases separately from disclosures about equipment under Type B leases. Conversely, a lessor leasing only a single significant class of underlying asset might provide disclosures for its Type B leased assets as a whole.

Staff recommendations

32. Given the decisions made in the March 2014 joint Board meeting, which included a requirement for a lessor of Type A leases to present separately on the balance sheet (or disclose in the notes) the applicable components of the lessor's net

investment in the lease (ie the lease receivable, which would include the present value of the sum of the *lease payments* and any guaranteed residual value; the unguaranteed residual asset; and for U.S. GAAP, any deferred selling profit), the staff recommend the following:

(a) A lessor should disclose information about how it manages its risk associated with the residual value of its leased assets to enable users to evaluate the uncertainty of cash flows arising from the lessor's leases. The staff do not recommend including a list of specific disclosures in the leases standard as that list might not be exhaustive and might result in unnecessary cost for preparers. The staff recommend providing examples of information that could be disclosed. This would enable lessors to exercise judgment in determining which information is significant and useful to meet the objectives of users. For example, to meet this disclosure requirement a lessor would likely disclose:

  (i) whether, and what proportion of, its expected residual values are guaranteed or unguaranteed; and

  (ii) the presence and extent of any buy-back agreements or other third party residual value guarantees, and/or variable lease payments for use of the leased asset in excess of specified limits.

(b) A lessor should treat assets under Type B leases, further distinguished by significant classes of underlying assets (eg leased automobiles, leased buildings, or leased IT equipment), as a class (or classes) of property, plant and equipment (IFRS) or as a major class (or major classes) of depreciable assets (U.S. GAAP). Accordingly, a lessor should provide the property, plant and equipment disclosures required by IAS 16 and Topic 360 for assets under Type B leases separately from owned assets held and used by the lessor.

Maturity analysis disclosures

Proposals in the 2013 ED and feedback received

33. For Type A leases, the 2013 ED proposed that a lessor should:

    (a) Disclose a maturity analysis of its lease receivables (that is, the *lease payments*), showing the undiscounted cash flows to be received on an annual basis for a minimum of each of the first five years following the reporting date and a total of the amounts for the remaining years; and

    (b) Reconcile the undiscounted cash flows to its lease receivables recognised (that is, lease payments) on the balance sheet.

34. Similarly, for Type B leases, the 2013 ED proposed that a lessor should disclose a maturity analysis of lease payments, showing the undiscounted cash flows to be received on an annual basis for a minimum of each of the first five years following the reporting date and a total of the amounts for the remaining years. A lessor would present this maturity analysis separately from the proposed maturity analysis for the lease receivable related to Type A leases.

35. The maturity analysis proposed in the 2013 ED is similar to the maturity analysis required by existing U.S. GAAP, but is more detailed than the maturity analysis required by existing IFRS. As detailed in Appendix A of this paper, under existing IFRS, a lessor must disclose the future cash flows to be received from the minimum lease payments (as that term is defined in existing guidance) for each of the following periods: not later than one year, later than one year and not later than five years and later than five years.

36. Users commented that the more granular (for IFRS) proposed maturity analysis would facilitate their forecast of a lessor's future cash flows. Nonetheless, many IFRS preparers that provided feedback thought that the more granular proposed maturity analyses would be costly to provide.

37. Some IFRS preparers indicated that the proposed maturity analysis of its lease receivables would be inconsistent with the disclosure requirements related to loans and other financial assets. This is because IFRS 7 *Financial Instruments:*

Disclosures, which is applicable only for Type A leases, requires disclosure of that information in some circumstances. In fact, the existing IFRS 7 requires an entity to:

(a) Disclose a maturity analysis for financial assets it holds for managing liquidity risk (for example, financial assets that are readily saleable or expected to generate cash inflows to meet cash outflows on financial liabilities) if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk; and

(b) Use its judgement to determine an appropriate number of time bands to provide that maturity analysis.

The existing U.S. GAAP financial instruments guidance does not require a similar disclosure.

Staff analysis

38. The staff continue to think that it is appropriate to require a lessor to disclose a maturity analysis of the (a) undiscounted cash flows comprising the lessor's lease receivables (for Type A leases) and (b) undiscounted future *lease payments* (for Type B leases), segregated by their expected maturities as proposed in the 2013 ED. However, the staff note that, as a consequence of the Boards' tentative lessor accounting decisions to date, the undiscounted cash flows that comprise the lessor's lease receivables would include expected cash flows from the *lease payments* <u>and</u> any guaranteed residual amounts.

39. For U.S. GAAP lessors, the staff proposal is effectively the same as that under existing lessor accounting (the inclusion of guaranteed residual values in this analysis more closely aligns the proposal to existing U.S. GAAP, where the maturity analysis includes all amounts defined as *minimum lease payments*). Therefore, the staff do not think the proposal carries any incremental costs to U.S. preparers. With respect to benefits, users of lessor financial statements have generally expressed the view that they would like to continue to receive the information that they currently receive. As a result, the staff see no compelling reason to eliminate these two maturity analysis disclosures (Type A and Type B).

40. The staff recommend including the lessor maturity analysis disclosures for Type A and Type B leases for IFRS preparers for the following reasons:

    (a) For IFRS lessors, the proposed enhanced disclosure would typically provide more information about a lessor's liquidity risk than existing IAS 17 *Leases* requirements. A more detailed maturity analysis would enable investors and analysts to more accurately estimate liquidity risk.

    (b) The staff think that the incremental cost (as compared to IAS 17 requirements) that IFRS lessors would incur to implement the proposal will not be significant because a lessor typically already has the information available for each year. In fact, some IFRS lessors already disclose more detailed information relating to the maturity of their undiscounted future cash flows that comprise their lease receivables than the minimum required by existing IFRS (eg some lessors disclose also the future cash flows to be received later than one year and not later than three years).

41. In the staff's view, for IFRS lessors, the incremental costs to comply with the maturity analysis disclosure proposals would be mainly related to presenting the information currently required in a different format, and would not be significant. For U.S. GAAP lessors, there would be, effectively, no incremental cost as compared to existing requirements. The staff think that this disclosure would provide useful information to users with which to forecast future lease cash flows.

Staff recommendations

42. The staff recommend that lessors provide a maturity analysis of the undiscounted future cash flows that comprise the lessor's lease receivables (for Type A leases) and the undiscounted future *lease payments* (for Type B leases) for each of the first five years and a total of the amounts for the remaining years, by type of lease (Type A versus Type B) and, for Type A leases only, a reconciliation of the undiscounted cash flows that comprise the lessor's lease receivables to the lease receivables recognised in the balance sheet (or disclosed separately in the notes).

Reconciliation of the opening and closing balances of the lessor's lease receivables and residual assets – Type A leases

Proposals in the 2013 ED and feedback received

43. The 2013 ED proposed that a lessor should provide a reconciliation of the opening and closing balances of its lease receivables and its residual assets. The reconciliation would include items that are useful in understanding the change in the carrying amount of the lessor's lease receivables (eg additions due to leases commencing or being extended, reductions for cash received and changes to the loss allowance) and residual assets (eg additions due to leases commencing, reductions due to leases extending, reclassifications resulting from lease expiry or termination).

44. Most users, as well as some academics and regulators, supported the proposal because those reconciliations would provide valuable information when analysing the changes that occurred during the reporting period. Conversely, preparers generally thought that the proposed reconciliation would be onerous and create 'information overload'.

Staff analysis

45. The reconciliation of the lessor's lease receivables and residual assets proposed in the 2013 ED is not required by existing leases or financial instruments guidance under IFRS or U.S. GAAP. However, the staff note that a lessor is required to disclose a reconciliation of changes in the loss allowance for leases under the financial instruments guidance.

46. Information about changes in assets and liabilities are part of existing IFRS and U.S. GAAP and the level of detail of the disclosures required varies in the context of each IFRS or codification topic. For example, IAS 16 requires a reconciliation of the opening and closing carrying amounts for each class of property, plant and equipment and this applies also to a lessor's assets leased under operating leases. However, Topic 360 has no equivalent disclosure requirement. Conversely, the new revenue recognition standard requires an entity to provide only an

explanation of the significant changes in its contract assets and contract liabilities during the reporting period.

47. Existing IFRS disclosure guidance for finance leases further points out that, as an indicator of growth, for a lessor it is often useful to disclose the gross investment less unearned income in new business added during the period, after deducting the relevant amounts for cancelled leases.

48. The staff continue to think that it is appropriate to require a lessor to disclose some level of information about changes to its net investment in leases (or components thereof, if presented separately in the balance sheet), providing information that is sufficiently disaggregated to allow users to understand significant changes. This is because that information, useful for users, might not be available otherwise. However, for the following reasons, the staff think that the reconciliation disclosures proposed in the 2013 ED should not be retained in the final leases standard:

    (a) First, the significance of lessors' net investment in leases (including the balance of the components thereto) will be far less based on the Boards' tentative lessor accounting model decisions than would have been the case under the proposals in the 2013 ED. Under the 2013 ED proposals, most leases of assets other than property would have been Type A leases. Based on the Boards' tentative lessor accounting decisions, only those leases currently classified as finance/capital leases will likely be Type A leases. Therefore, the staff expect lessors' lease assets resulting from Type A leases to be far less significant based on the Boards' tentative decisions than would have been the result from the proposals in the 2013 ED.

    (b) Second, these reconciliation requirements would likely involve substantial incremental cost as compared to existing disclosure requirements.

Staff recommendations

49. The staff recommend eliminating the reconciliation requirements proposed in the 2013 ED and instead requiring a lessor provide an explanation of the significant changes in the balance of its net investment in leases (or the components thereof,

if those amounts are presented separately in the balance sheet) during the reporting period. The staff would propose that the Boards not specify the form of that explanation. This would allow lessors to meet the disclosure requirement narratively or through a reconciliation that would include those items that are useful in understanding the change in the carrying amount of the lessor's net investment in leases. The staff think that the reconciliations would be costly to prepare in many cases, while the benefit of these reconciliations has been diminished by the Boards' current decisions with respect to lessor accounting.

50. The staff think that the remaining qualitative disclosure requirement would balance the needs of users with preparers' concerns about costs. The staff note that this type of disclosure would also be consistent with the disclosure requirements in the new revenue recognition standard for changes in the balance of the entity's contract assets and contract liabilities.

Questions: Lessor disclosure requirements

Question 1 – Do the Boards agree that, consistently with the 2013 ED proposals, a lessor should disclose: (a) information about the nature of its leases; (b) information about significant assumptions and judgements made in applying the leases requirements; and (c) a table of lease income during the reporting period? If not, what do the Boards prefer?

Question 2 – Do the Boards agree that a lessor should disclose information about how it manages its risk associated with residual value of the leased assets to enable users to evaluate the uncertainty of cash flows arising from a lessor's leases? If not, what do the Boards prefer?

Question 3 – Do the Boards agree that a lessor should treat assets under Type B leases, further distinguished by significant classes of underlying assets (eg leased automobiles, leased buildings, or leased IT equipment), as a class (or classes) of property, plant and equipment (IFRS) or a major class (or major classes) of depreciable assets (U.S. GAAP) and that, accordingly, a lessor should provide the disclosures required by IAS 16 and Topic 360 for assets under Type B leases separately from owned assets held and used by the lessor? If not, what do the Boards prefer?

Question 4 – Do the Boards agree that a lessor should disclose a maturity analysis of the undiscounted future cash flows that comprise the lessor's lease receivables for Type A leases for each of the first five years and a total amount for the remaining years, reconciled to the balance of lease receivables in the balance sheet (or if not presented separately, disclosed separately in the notes)? If not, what do the Boards prefer?

Question 5 – Do the Boards agree that a lessor should disclose a maturity analysis of the undiscounted future lease payments to be received for each of the first five years and a total amount for the remaining years for the lessor's Type B leases? If not, what do the Boards prefer?

Question 6 – Do the Boards agree to eliminate the lease receivables and residual assets reconciliation proposed in the 2013 ED, and instead that a lessor should provide an explanation of the significant changes in its net investment in leases during the reporting period? If not, what do the Boards prefer?

Appendix A – Existing lessor disclosure requirements, proposals in the 2013 ED and staff recommendations

A1. This appendix summarises the existing lessor disclosure requirements under IFRS and U.S. GAAP, the lessor disclosure requirements proposed in the 2013 ED and the staff recommendations in this paper.

IAS 17	Topic 840	2013 ED	Staff recommendations
Finance leases **47** Lessors shall, in addition to meeting the requirements in IFRS 7, disclose the following for finance leases: (b) Unearned finance income.	**Capital leases** **30-50-4(a)** If leasing, exclusive of leveraged leasing, is a significant part of the lessor's business activities in terms of revenue, net income, or assets, all of the following information with respect to sales-type and direct financing leases shall be disclosed in the financial statements or footnotes: a. All of the following components of the net investment in sales-type and direct financing leases as of the date of each balance sheet presented: 1. Future minimum lease payments to be received, with separate deductions for (i) amounts representing executory costs and (ii) the accumulated allowance for uncollectible minimum lease payments receivable. 3. For direct financing leases only, initial direct costs 4. Unearned income (see paragraphs 840-30-30-9 and 840-30-30-13).	No equivalent paragraph in the 2013 ED. Paragraphs 103-104 would have provided separate disclosure of the lessor's lease receivables and residual assets as part of the proposed reconciliations.	Lessors will separately present, or disclose separately in the notes, the components of the lessor's net investment in Type A leases, including: (a) The lease receivable (b) Unguaranteed residual value (c) Deferred selling profit (FASB only)

IAS 17	Topic 840	2013 ED	Staff recommendations
No general paragraph equivalent to that in the 2013 ED.	No general paragraph equivalent to that in the 2013 ED.	**98** The objective of the disclosure requirements is to enable users of financial statements to understand the amount, timing and uncertainty of cash flows arising from leases. To achieve that objective, a lessor shall disclose qualitative and quantitative information about all of the following: (a) its leases (as described in paragraph 100(a)); (b) the significant judgements made in applying the [draft] Standard to those leases (as described in paragraph 100(b)); and (c) the amounts recognised in the financial statements relating to those leases (as described in paragraphs 101-109).	No significant changes from the 2013 ED anticipated.
No general paragraph equivalent to that in the 2013 ED.	No general paragraph equivalent to that in the 2013 ED.	**99** A lessor shall consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the various requirements. A lessor shall aggregate or disaggregate disclosures so that useful information is not obscured by including a large amount of insignificant detail or by aggregating items that have different characteristics.	No significant changes from the 2013 ED anticipated.
Finance leases **47** Lessors shall, in addition to meeting the requirements in IFRS 7, disclose the following	**10-50-4** If leasing, exclusive of leveraged leasing, is a significant part of the lessor's business activities in	**100** A lessor shall disclose the following: (a) information about the nature of its leases, including:	No significant changes from the 2013 ED anticipated.

IAS 17	Topic 840	2013 ED	Staff recommendations
for finance leases: (f) A general description of the lessor's material leasing arrangements. **Operating leases** **56** Lessors shall, in addition to meeting the requirements of IFRS 7, disclose the following for operating leases: (c) A general description of the lessor's leasing arrangements.	terms of revenue, net income, or assets, a lessor shall disclose in the financial statements or footnotes thereto a general description of the lessor's leasing arrangements. **10-50-5** The lessor shall disclose its accounting policy for contingent rental income. If a lessor accrues contingent rental income before the lessee's achievement of the specified target (provided achievement of that target is considered probable), disclosure of the impact on rental income shall be made as if the lessor's accounting policy was to defer contingent rental income until the specified target is met.	(i) a general description of those leases; (ii) the basis, and terms and conditions, on which variable lease payments are determined; (iii) the existence, and terms and conditions, of options to extend or terminate the lease; and (iv) the existence, and terms and conditions, of options for a lessee to purchase the underlying asset	
No general paragraph equivalent to that in the 2013 ED.	No general paragraph equivalent to that in the 2013 ED.	**100** A lessor shall disclose the following: (b) information about significant assumptions and judgments made in applying the [draft] Standard, which may include: (i) the determination of whether a contract contains a lease; (ii) the allocation of the consideration in the contract between lease and non-lease components; and (iii) the initial measurement of the residual asset	No significant changes from the 2013 ED anticipated.
Finance leases **47** Lessors shall, in	**20-50-4** If leasing, exclusive of leveraged	**101** A lessor shall disclose lease income	No significant changes to the 2013 ED anticipated

IAS 17	Topic 840	2013 ED	Staff recommendations
addition to meeting the requirements in IFRS 7, disclose the following for finance leases: (e) Contingent rents recognised as income in the period. **Operating leases** **56** Lessors shall, in addition to meeting the requirements of IFRS 7, disclose the following for operating leases: (b) Total contingent rents recognised as income in the period.	leasing, is a significant part of the lessor's business activities in terms of revenue, net income, or assets, all of the following information with respect to **operating leases** shall be disclosed in the financial statements or footnotes thereto: (c) Total contingent rentals included in income for each period for which an income statement is presented **30-50-4** If leasing, exclusive of leveraged leasing, is a significant part of the lessor's business activities in terms of revenue, net income, or assets, all of the following information with respect to **sales-type and direct financing leases** shall be disclosed in the financial statements or footnotes thereto: (c) Total contingent rentals included in income for each period for which an income statement is presented.	recognised in the reporting period, in a tabular format, to include the following: (a) for Type A leases: (i) profit or loss recognised at the commencement date; (ii) the unwinding of the discount on the lease receivable; and (iii) the unwinding of the discount on the gross residual asset; (b) for Type B leases, lease income relating to lease payments; (c) lease income relating to variable lease payments not included in the measurement of the lease receivable; and (d) short-term lease income.	other than to: (a) allow a lessor to disclose interest income (or unwinding of the discount) on the lessor's net investment in the lease either in aggregate or separated by component of the net investment in the lease; (b) remove the separate disclosure requirement for short-term lease income (income from short-term leases will be included in the Type A and Type B line items).
Disclosures relating to Type A leases			
N/A.	N/A.	**102** In addition to the disclosures required by paragraphs 100-101, a lessor shall also provide the disclosures in paragraphs 103-107 for Type A leases.	No significant changes from the 2013 ED anticipated.
No substantially equivalent reconciliation requirement to that in the 2013 ED. **48** As an indicator of growth it is often it is often useful also to	No equivalent reconciliation requirement to that in the 2013 ED.	**103** A lessor shall disclose a reconciliation of the opening and closing balances of the lease receivable. The reconciliation shall include items that are useful in understanding	Remove the reconciliation requirements and instead require a lessor provide an explanation of the significant changes in the balance of its net investment in leases (or the components thereof, if

IAS 17	Topic 840	2013 ED	Staff recommendations
disclose the gross investment less unearned income in new business added during the period, after deducting the relevant amounts for cancelled leases.		the change in the carrying amount of the lease receivable, for example, the following: (a) additions due to leases commencing or being extended; (b) receivables derecognised due to leases being terminated; (c) cash received; (d) the unwinding of the discount on the lease receivable; (e) foreign currency exchange differences; (f) effects of business combinations; and (g) changes to the loss allowance. **104** A lessor shall disclose a reconciliation of the opening and closing balances of the residual asset. The reconciliation shall include items that are useful in understanding the change in the carrying amount of the residual asset, for example, the following: (a) additions due to leases commencing; (b) reductions due to leases being extended; (c) reclassifications at expiry or termination of a lease; (d) the unwinding of the discount on the gross residual asset; (e) effects of business combinations; and (f) impairment.	those amounts are presented separately on the balance sheet).
		IASB only **105** Except as described in paragraph 106, a lessor shall disclose information relating to risks arising	No significant changes from the 2013 ED anticipated.

IAS 17	Topic 840	2013 ED	Staff recommendations
		from leases required by paragraphs 31-42H of IFRS 7.	
Finance leases **47** Lessors shall, in addition to meeting the requirements in IFRS 7, disclose the following for finance leases: (a) A reconciliation between the gross investment in the lease at the end of the reporting period, and the present value of minimum lease payment receivable at the end of the reporting period. In addition, an entity shall disclose the gross investment in the lease and the present value of minimum lease payments receivable at the end of the reporting period, for each of the following periods: (i) Not later than one year; (ii) Later than one year and not later than five years; (iii) Later than five years. (b) Unearned finance income. (d) The accumulated allowance for uncollectible minimum lease payments receivable.	**Capital leases** **30-50-4** If leasing, exclusive of leveraged leasing, is a significant part of the lessor's business activities in terms of revenue, net income, or assets, all of the following information with respect to sales-type and direct financing leases shall be disclosed in the financial statements or footnotes: (a) All of the following components of the net investment in sales-type and direct financing leases as of the date of each balance sheet presented: 1. Future minimum lease payments to be received, with separate deductions for (i) amounts representing executory costs and (ii) the accumulated allowance for uncollectible minimum lease payments receivable. 3. For direct financing leases only, initial direct costs 4. Unearned income (see paragraphs 840-30-30-9 and 840-30-30-13). (b) Future minimum lease payments to be received for each of the five succeeding fiscal years as of the date of the latest balance sheet presented.	**106 [**In place of the maturity analyses required by paragraph 37(a) of IFRS 7], a lessor shall disclose a maturity analysis of the lease receivable, showing the undiscounted cash flows to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years. A lessor shall reconcile the undiscounted cash flows to the lease receivable recognised in the statement of financial position.	No significant changes from the 2013 ED other than with respect to what is included in the lease receivable and clarifying that the lessor's lease receivables may be only *disclosed* separately. In the 2013 ED the lease receivable included only the *lease payments*. Subsequent to the Boards' tentative lessor accounting decisions, the lease receivable will include the *lease payments* plus any guaranteed residual value. A lessor would provide the information about the unearned income and the allowance for uncollectible lease payments receivable through the reconciliation between the undiscounted cash flows and the lease receivables recognised on the balance sheet (or disclosed separately).

<table>
<tr><th><u>IAS 17</u></th><th><u>Topic 840</u></th><th><u>2013 ED</u></th><th><u>Staff recommendations</u></th></tr>
<tr><td>Finance leases
47 Lessors shall, in addition to meeting the requirements in IFRS 7, disclose the following for finance leases:
(c) The unguaranteed residual values accruing to the benefit of the lessor.</td><td>Capital leases
30-50-4(a2)
If leasing, exclusive of leveraged leasing, is a significant part of the lessor's business activities in terms of revenue, net income, or assets, all of the following information with respect to sales-type and direct financing leases shall be disclosed in the financial statements or footnotes:
a. All of the following components of the net investment in sales-type and direct financing leases as of the date of each balance sheet presented:
2. The unguaranteed residual values accruing to the benefit of the lessor.</td><td>107 A lessor shall disclose information about how it manages its risk associated with residual assets. In particular, a lessor shall disclose all of the following:
(a) its risk management strategy for residual assets;
(b) the carrying amount of residual assets covered by residual value guarantees (excluding guarantees considered to be lease payments for the lessor, as described in paragraph 70(d)); and
(c) any other means by which the lessor reduces its residual asset risk (for example, buy-back agreements or variable lease payments for use in excess of specified limits).</td><td>Disclosure of information about how a lessor manages its risk with the residual value required for all leases (not only Type A leases). Include examples of the information that could be disclosed by a lessor.</td></tr>
<tr><td colspan="4">Disclosure relating to Type B leases</td></tr>
<tr><td>N/A.</td><td>N/A.</td><td>108 In addition to the disclosures required by paragraphs 100-101, a lessor shall also provide the disclosures in paragraph 109 for Type B leases.</td><td>No significant changes from the 2013 ED anticipated.</td></tr>
<tr><td>Operating leases
56 Lessors shall, in addition to meeting the requirements of IFRS 7, disclose the following for operating leases:
(a) The future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods:
(i) Not later than one year;
(ii) Later than one year</td><td>Operating leases
20-50-4(b)
If leasing, exclusive of leveraged leasing, is a significant part of the lessor's business activities in terms of revenue, net income, or assets, all of the following information with respect to operating leases shall be disclosed in the financial statements or footnotes thereto:
b. Minimum future</td><td>109 A lessor shall disclose a maturity analysis of lease payments, showing the undiscounted cash flows to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years. A lessor shall present that maturity analysis separately from the maturity analysis required by paragraph</td><td>No significant changes from the 2013 ED anticipated.</td></tr>
</table>

IAS 17	Topic 840	2013 ED	Staff recommendations
and not later than five years; (iii) Later than five years.	rentals on noncancelable leases as of the date of the latest balance sheet presented, in the aggregate and for each of the five succeeding fiscal years.	106 for Type A leases.	
Operating leases **57** In addition, the disclosure requirements in IAS 16, IAS 36, IAS 38, IAS 40 and IAS 41 apply to lessors for assets provided under operating leases.	**Operating leases** **20-50-4(a)** If leasing, exclusive of leveraged leasing, is a significant part of the lessor's business activities in terms of revenue, net income, or assets, all of the following information with respect to operating leases shall be disclosed in the financial statements or footnotes thereto: a. The cost and carrying amount, if different, of property on lease or held for leasing by major classes of property according to nature or function, and the amount of accumulated depreciation in total as of the date of the latest balance sheet presented.	No similar disclosure was proposed in the 2013 ED.	Require a lessor to provide disclosures required by IAS 16 and Topic 360 for property, plant and equipment separately for assets under Type B leases from owned assets that are held and used by the lessor.

Appendix B – Disclosure requirements for investment property under IFRS

B1. This appendix includes the disclosure requirements for investment property under existing IFRS. For a lessor those requirements apply to leased assets under existing operating leases (Type B leases) that meet the definition of investment property.

IAS 40 – Investment Property

Fair value model and cost model

74 The disclosures below apply in addition to those in IAS 17. In accordance with IAS 17, the owner of an investment property provides lessors' disclosures about leases into which it has entered. An entity that holds an investment property under a finance or operating lease provides lessees' disclosures for finance leases and lessors' disclosures for any operating leases into which it has entered.

75 An entity shall disclose:

(a) whether it applies the fair value model or the cost model.

(b) if it applies the fair value model, whether, and in what circumstances, property interests held under operating leases are classified and accounted for as investment property.

(c) when classification is difficult (see paragraph 14), the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business.

(d) [deleted]

(e) the extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. If

there has been no such valuation, that fact shall be disclosed.

(f) the amounts recognised in profit or loss for:

(i) rental income from investment property;

(ii) direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period;

(iii) direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period; and

(iv) the cumulative change in fair value recognised in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used (see paragraph 32C).

(g) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal.

(h) contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Fair value model

76 In addition to the disclosures required by paragraph 75, an entity that applies the fair value model in paragraphs 33–55 shall disclose a reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing the following:

(a) additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised in the carrying amount of an asset;

(b) additions resulting from acquisitions through business combinations;

(c) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;

(d) net gains or losses from fair value adjustments;

(e) the net exchange differences arising on the translation of the financial statements into a different presentation currency, and on translation of a foreign operation into the presentation currency of the reporting entity;

(f) transfers to and from inventories and owner-occupied property; and

(g) other changes.

77 When a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements, for example to avoid double-counting of assets or liabilities that are recognised as separate assets and liabilities as described in paragraph 50, the entity shall disclose a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements, showing separately the aggregate amount of any recognised lease obligations that have been added back, and any other significant adjustments.

78 In the exceptional cases referred to in paragraph 53, when an entity measures investment property using the cost model in IAS 16, the reconciliation required by paragraph 76 shall disclose amounts relating to that investment property separately from amounts relating to other investment property. In addition, an entity shall disclose:

(a) a description of the investment property;

(b) an explanation of why fair value cannot be measured reliably;

(c) if possible, the range of estimates within which fair value is highly likely to lie; and

(d) on disposal of investment property not carried at fair value:

(i) the fact that the entity has disposed of investment property not carried at fair value;

(ii) the carrying amount of that investment property at the time of sale; and

(iii) the amount of gain or loss recognised.

Cost model

79 In addition to the disclosures required by paragraph 75, an entity that applies the cost model in paragraph 56 shall disclose:

(a) the depreciation methods used;

(b) the useful lives or the depreciation rates used;

(c) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period;

(d) a reconciliation of the carrying amount of investment property at the beginning and end of the period, showing the following:

(i) additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised as an asset;

(ii) additions resulting from acquisitions through business combinations;

(iii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;

(iv) depreciation;

(v) the amount of impairment losses recognised, and the amount of impairment losses reversed, during the period in accordance with IAS 36;

(vi) the net exchange differences arising on the translation of the financial statements into a different presentation currency, and on

translation of a foreign operation into the presentation currency of the reporting entity;

(vii) transfers to and from inventories and owner-occupied property; and

(viii) other changes.

(e) the fair value of investment property. In the exceptional cases described in paragraph 53, when an entity cannot measure the fair value of the investment property reliably, it shall disclose:

(i) a description of the investment property;

(ii) an explanation of why fair value cannot be measured reliably; and

(iii) if possible, the range of estimates within which fair value is highly likely to lie.

Appendix C – Disclosure requirements for property, plant and equipment under IFRS and U.S. GAAP

C1. This appendix includes the disclosure requirements for property, plant and equipment under existing IFRS and U.S. GAAP. Those requirements apply to leased assets under existing operating leases (Type B leases).

IAS 16 – Property, Plant and Equipment

73 The financial statements shall disclose, for each class of property, plant and equipment:

- (a) the measurement bases used for determining the gross carrying amount;
- (b) the depreciation methods used;
- (c) the useful lives or the depreciation rates used;
- (d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and
- (e) a reconciliation of the carrying amount at the beginning and end of the period showing:
  - (i) additions;
  - (ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;
  - (iii) acquisitions through business combinations;
  - (iv) increases or decreases resulting from revaluations under paragraphs 31, 39 and 40 and from impairment losses recognised or reversed in other comprehensive income in accordance with IAS 36;
  - (v) impairment losses recognised in profit or loss in accordance with IAS 36;
  - (vi) impairment losses reversed in profit or loss in accordance with IAS 36;

(vii) depreciation;

(viii) the net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity; and

(ix) other changes.

74 The financial statements shall also disclose:

(a) the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities;

(b) the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction;

(c) the amount of contractual commitments for the acquisition of property, plant and equipment; and

(d) if it is not disclosed separately in the statement of comprehensive income, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit or loss.

75 Selection of the depreciation method and estimation of the useful life of assets are matters of judgement. Therefore, disclosure of the methods adopted and the estimated useful lives or depreciation rates provides users of financial statements with information that allows them to review the policies selected by management and enables comparisons to be made with other entities. For similar reasons, it is necessary to disclose:

(a) depreciation, whether recognised in profit or loss or as a part of the cost of other assets, during a period; and

(b) accumulated depreciation at the end of the period.

76 In accordance with IAS 8 an entity discloses the nature and effect of a change in an accounting estimate that has an effect in

the current period or is expected to have an effect in subsequent periods. For property, plant and equipment, such disclosure may arise from changes in estimates with respect to:

(a) residual values;

(b) the estimated costs of dismantling, removing or restoring items of property, plant and equipment;

(c) useful lives; and

(d) depreciation methods.

77 If items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed in addition to the disclosures required by IFRS 13:

(a) the effective date of the revaluation;

(b) whether an independent valuer was involved;

(c)–(d) [deleted]

(e) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and

(f) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

78 In accordance with IAS 36 an entity discloses information on impaired property, plant and equipment in addition to the information required by paragraph 73(e)(iv)–(vi).

79 Users of financial statements may also find the following information relevant to their needs:

(a) the carrying amount of temporarily idle property, plant and equipment;

(b) the gross carrying amount of any fully depreciated property, plant and equipment that is still in use;

(c) the carrying amount of property, plant and equipment retired from active use and not classified as held for sale in accordance with IFRS 5; and

(d) when the cost model is used, the fair value of property, plant and equipment when this is materially different from the carrying amount.

Therefore, entities are encouraged to disclose these amounts.

Topic 360 – Property, Plant and Equipment

360-10-50-1 Because of the significant effects on financial position and results of operations of the depreciation method or methods used, all of the following disclosures shall be made in the financial statements or in notes thereto:

(a) Depreciation expense for the period

(b) Balances of major classes of depreciable assets, by nature or function, at the balance sheet date

(c) Accumulated depreciation, either by major classes of depreciable assets or in total, at the balance sheet date

(d) A general description of the method or methods used in computing depreciation with respect to major classes of depreciable assets.