



## BDO'S IFRS ADVISORY TEAM HERE TO HELP

*Navigating the new lease accounting requirements for 2020 reporting dates  
Attention to all NZ IFRS reporters*

### THE CURRENT STATE OF PLAY

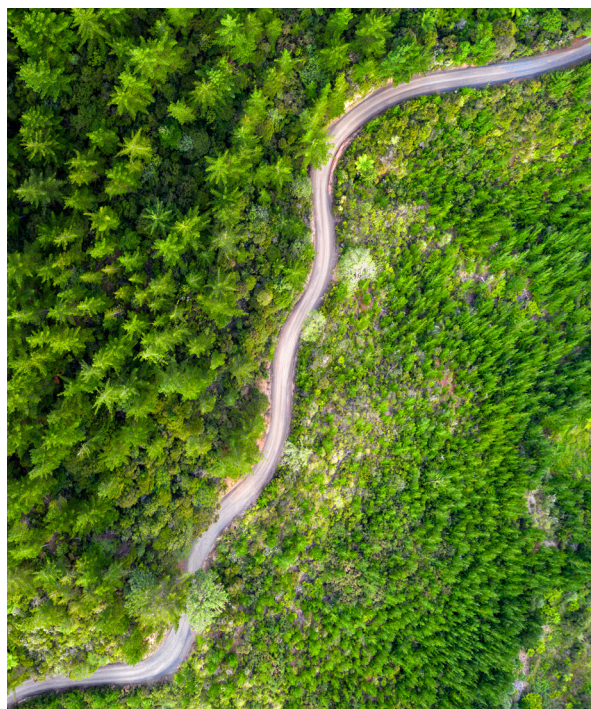
COVID-19 aside, entities reporting under NZ IFRS will be all too aware that there is a new accounting standard to be dealt with for 2020 year end reporting.

We are of course referring to the long awaited accounting standard on leases (NZ IFRS 16), a recurring feature of our [Cheat Sheet](#) series.

While it probably feels like we have been "banging this drum" for a while now, it is not without good reason, as the accounting can be tricky, and the adoption process convoluted.

For some entities, the adoption of NZ IFRS 16 in the 2020 year may have been, or is still, sitting on the backburner.

So as reporting deadlines loom, now is the time where the rubber needs to hit the road... and **BDO IFRS Advisory** is here to help.



### THE WAY BDO IFRS ADVISORY WORKS WITH ITS CLIENTS

BDO IFRS Advisory's approach with our clients is that:

*"We can be as engaged as you need us to be... let's first make use of the resources your entity has, and then we can fill in the gaps".*

Our existing clients appear to like this approach, as it:

Reduces the level of upfront committed spend by the entity.

Reserves the right to "flick the switch" and change the scale and scope of BDO's involvement if and when required.  
Because we are already involved, this is a seamless transition.

Provides a cost effective outcome, as an entity's resources can be utilised as much as possible.

In our opinion, this is how a true professional service relationship should work.

## HOW BDO IFRS ADVISORY CAN HELP WITH RESPECT TO NZ IFRS 16

Adopting NZ IFRS 16 is going to be a different experience for each entity.

The challenges that NZ IFRS 16 introduces are a function on the number and nature of the leases that an entity has, and these will vary case-to-case, entity-to-entity.

Typically, that nature of the assistance our clients adopting NZ IFRS 16 involves one (or more) of the following service offerings:

### (i) APPROACHES TO TACKLE THE ADOPTION

#### General advice and support

- ▶ Understanding and interpreting NZ IFRS 16.
- ▶ Understanding the adoption methods allowed.
- ▶ Understanding general scope-out options allowed.
- ▶ How to group lease into similar portfolios, so that single discount rates can be applied.
- ▶ Application to group structures, and inter-company leases.
- ▶ Reviewing lease agreements, and extracting key lease information required.

#### End-to-end project management

BDO IFRS Advisory formally project manages the adoption of NZ IFRS 16 on behalf of management, including:

- ▶ Project plan development
- ▶ Assigning roles and responsibilities
- ▶ Establishes Project Steering Committee (if required)
- ▶ Oversees roles and responsibilities assigned to BDO
- ▶ Ensures appropriate outputs and documentation is produced for management and external auditors.

### (ii) APPROACHES TO PROCESS THE REQUIRED ACCOUNTING

#### Spreadsheet based approaches

Compilation of lease accounting EXCEL workbooks from key lease information:

- ▶ Individual lease schedules, and
- ▶ A covering, summary lease schedule (pulling through the relevant information of the individual lease schedules to present an aggregated position).

Compilation of work papers to assist with adoption and general disclosure requirements.

*Note: Spreadsheet based solutions are typically appropriate for entities with small-to-moderate sized lease populations, of non-complex leases.*

#### Lease software solutions

For entities with large, and/or more complex lease populations that require a more efficient and automated approach, BDO steps in with its **BDO LEAD** lease accounting product.

**BDO LEAD** can be utilised by entities, either:

- ▶ As a licence, or
- ▶ As part of BDO's *Managed Leased Services* outsourcing offering (where we do the "grunt work" of running the software on your behalf).

Visit the **BDO LEAD** webpage for more information.

### (iii) SUPPLEMENTARY SERVICES

#### Discount rate determination

In some cases, entities may need to engage valuation experts to model, determine, and provide (auditable) support to the discount rates used by the entity in applying NZ IFRS 16 accounting.

Where this is required, BDO's *Corporate Finance* experts step in to provide these services to our clients.



## WE'D LOVE TO CHAT, LET'S GET IN TOUCH

BDO IFRS Advisory's team have "been there, and done that".

We know NZ IFRS 16... what the adoption process involves... where the pit-falls and trip-wires are... and ultimately, the nature and form of documentation and outputs that external auditors are expecting to be provided with by entities.

We are committed to ensuring that the entities we assist in their adoption of NZ IFRS 16 do so **(i)** efficiently, **(ii)** thoroughly, and **(iii)** in the most cost effective manner possible.

To discuss the ways in which BDO IFRS Advisory can assist your entity in navigating the adoption of NZ IFRS 16 please do not hesitate to contact James Lindsay, Head of IFRS Advisory, directly ([james.lindsay@bdo.co.nz](mailto:james.lindsay@bdo.co.nz) ph +64 9 366 8041)

Also, please visit our dedicated [Adopting NZ IFRS 16](#) webpage for further information, publications, and resources on all things NZ IFRS 16.

