

IFRS 16 (AASB 16) Checklist for Manufacturing and Logistics

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This comprehensive checklist is designed to assist manufacturing and logistics companies in navigating the complexities of IFRS 16 (AASB 16), streamlining lease accounting, simplifying compliance, and enhancing efficiency.

CHECKLIST 1: BEFORE YOU START

Preparation

- Lease inventory**
Compile an exhaustive inventory of all lease agreements that may include machinery, equipment, transportation vehicles, warehousing facilities, office spaces, and IT infrastructure. Ensure that all lease documents are complete and easily accessible.
- Identifying embedded leases**
Review service contracts to identify embedded leases within larger agreements that may need to be separated and accounted for under IFRS 16 (AASB 16).
- Data collection**
Gather essential lease data such as terms, commencement and termination dates, payment schedules, and lease modifications, and store it in a centralised location.

Technology & Automation

- Technology solution assessment**
Evaluate and select a comprehensive lease accounting software or technology solution that is designed to streamline lease data management, calculations and reporting. Ensure the chosen solution aligns with IFRS 16 requirements and meets the unique needs of manufacturing and logistics companies.
- Alerts and reminders**
Set up automated alerts and reminders for critical lease events, such as lease expirations, renewal options and payment due dates to enhance compliance. Proactively addressing critical lease milestones helps enhance compliance.

Initial Recognition & Measurement

- Lease classification**
Classify leases accurately as short-term, low-value, or standard leases as per IFRS 16 (AASB 16) criteria and understand the impact of classification on financial statements.
- Lease liability**
Calculate and record lease liabilities, considering future lease payments and discount rates.
- Right-of-use (ROU) asset**
Calculate and record ROU assets for all lease agreements, making sure to include all initial direct costs in the measurement.
- Transition approach**
For first-time IFRS 16 application, select the appropriate transition method (full retrospective or modified retrospective) and use it consistently.



CHECKLIST 2: ONGOING COMPLIANCE

Accounting & Reporting

- State discounts and estimations**
After accurately calculating ROU assets and lease liabilities for each lease using the IFRS 16 (AASB 16) model, ensure consistency in state discount rates and lease term estimations.
- Depreciation and interest expense**
Implement depreciation and interest expense calculations for ROU assets and lease liabilities. Integrate these values into your financial statements.
- Financial statement disclosure**
Review and ensure compliance with IFRS 16 (AASB 16) disclosure requirements, including those related to lease commitments, maturity schedules and significant assumptions. Update your financial statements to reflect the impact of ROU assets, lease liabilities and associated income and expenses. Include detailed notes, explaining the impact of leases and any significant judgments made in the accounting process.

Financial Year-End

- Internal review**
Conduct thorough internal reviews of IFRS 16 lease accounting records to verify accuracy and completeness.
- Audit preparation**
Prepare all necessary documentation schedules and supporting evidence for the upcoming audit, facilitating a smooth and compliant process.

Compliance & Risk Management

- Internal controls**
Review and strengthen internal controls related to lease management and lease accounting to ensure data accuracy and integrity.
- Collaboration**
Work closely with legal and compliance departments to ensure that lease agreements align with relevant regulations.
- Continuous compliance**
Maintain robust controls for ongoing compliance with IFRS 16 (AASB 16). Stay updated on any changes to lease accounting standards. Leverage automation systems for lease data management, tracking and calculations to reduce manual effort.
- Risk assessment**
Identify potential lease-related risks and establish mitigation strategies to minimise their impact.

Technology & Automation

- Automation of lease calculations**
Automate complex lease accounting calculations, such as depreciation, interest, and lease liability adjustments. Implement automation tools to track lease modifications and re-measurements efficiently.
- Reporting automation**
Utilise automation for generating IFRS 16-compliant financial reports including balance sheets, income statements, and cash flow statements. Ensure that reports can be easily customised to meet any specific needs.

Implementing modern technology solutions that are easily tailored to the needs of manufacturing and logistics companies, such as Nomos One lease accounting and lease management software, can significantly enhance operational efficiency, minimise errors, simplify compliance, and reduce costs. This allows the finance team to focus more on strategic financial planning and analysis, vital in these dynamic industries.

For further information or a demonstration of Nomos One, contact us at www.nomosone.com/book-a-demo or visit www.nomosone.com

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