

# PRACTICAL CHALLENGES OF APPLYING THE NEW AASB 9 IMPAIRMENT MODEL TO TRADE AND LEASE RECEIVABLES

Wayne Basford, BDO IFRS Leader Asia Pacific, and Judith Leung BDO Senior Manager, (Judith was formerly a staff member at the International Accounting Standards Board involved in the initial phase of the IFRS 9 project), were recently published in the July 2015 Chartered Accountants Australia and New Zealand [Perspective Series](#). The article discusses the practical impacts of the new impairment requirements and the implications for ordinary trading entities that are not financial institutions with trade and lease receivables.

IFRS 9 *Financial Instruments* (AASB 9 in Australia) is effective for financial years beginning on or after 1 January 2018.

The new three stage model, which must be applied by financial institutions, is optional for non-lenders with trade and lease receivables with maturities of 12 months or less. These entities can instead choose as a practical expedient to apply a 'simplified' model whereby lifetime expected credit losses are recognised in the first reporting period. In practice this resembles the 'general provisions' used prior to implementation of IFRS in 2005.

## Calling for implementation issues

If you have identified any implementation issues, the IASB has established a Transition Resource Group for Impairment of Financial Instruments (ITG).