International Financial Reporting

Standard 16

Leases

Sommario

Introduction

International Financial Reporting Standard 16 Leases (IFRS 16) sets out the principles for the recognition, measurement, presentation and disclosure of leases.

The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

Earlier application is permitted for entities that apply IFRS 15Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

<u>Reasons for issuing IFRS 16</u>

Leasing is an important activity for many entities. It is a means of gaining access to assets, of obtaining finance and of reducing an entity's exposure to the risks of asset ownership. The prevalence of leasing means that it is important that users of financial statements have a complete and understandable picture of an entity's leasing activities.

The previous accounting model for leases required lessees and lessors to classify their leases as either finance leases or operating leases and account for those two types of leases differently. That model was criticised for failing to meet the needs of users of financial statements because it did not always provide a

faithful representation of leasing transactions. In particular, it did not require lessees to recognise assets and liabilities arising from operating leases.

Accordingly, the International Accounting Standards Board (IASB) and the US national standard-setter, the Financial Accounting Standards Board (FASB), initiated a joint project to develop a new approach to lease accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. The international accounting standards board and the us national standard setter, the financial accounting initiated a joint project to develop a new approach to lease that requires a lessee to recognise. Both boards decided that a lessee should be required to recognise assets and liabilities for all leases to recognise.

Both Boards decided that a lessee should be required to recognise assets and liabilities for all leases (with limited exceptions), and both Boards have defined leases in the same way. The Boards reached similar decisions regarding the measurement of lease liabilities, and how to account for leases that were formerly classified as finance leases. In addition, both Boards decided not to substantially change lessor accounting.

However, the Boards reached different decisions for leases that were formerly classified as operating leases with respect to the recognition of lease expenses and the reporting of lease-related cash flows. The IASB decided to adopt a single lessee accounting model whereby a lessee accounts for all leases in the same way. The FASB decided to adopt a dual lessee accounting model, classifying leases in a similar manner to the previous requirements in US Generally Accepted Accounting Principles (US GAAP) for distinguishing between operating leases and capital leases, and to account for those two types of leases differently. The boards reached decisions for leases that were classified operating leases with respect to the recognition of lease expenses and the reporting of lease-related cash flows.

Objective

This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.

The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

An entity shall consider the terms and conditions of contracts and all relevant facts and circumstances when applying this Standard. An entity shall apply this Standard consistently to contracts with similar characteristics and in similar circumstances.

Scope

An entity shall apply this Standard to all leases, including leases of right-of-use assets in a sub-lease, except for:

- leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources;
- leases of biological assets within the scope of IAS 41 Agriculture held by a lessee;
-service concession arrangements within the scope of IFRIC 12 Service Concession Arrangements;
- licences of intellectual property granted by a lessor within the scope of IFRS15 Revenue from Contracts with Customers;
- rights held by a lessee under licensing agreements within the scope of IAS 38 Intangible Assets for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

A lessee may, but is not required to, apply this Standard to leases of intangible assets .

Effective date

IFRS 16, issued in January 2016, amended the scope of IAS 40 by defining investment property to include both owned investment property and property held by a lessee as a right-of-use asset.

IFRS 16 Leases was approved for issue by thirteen of the fourteen members of the International Accounting Standards Board.