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Jump to content Tags: acces, acces f7, acces frontary lessons, accounting, ca, caf 7, leasing finance, gaap, ias 17, icai, IFRS, IFRS 16, leasing, lessee, landlord, operating leasing 29 April 20 October 3 3 , 2019 April 24, 2020 2020 Automatic page speed optimizations for rapid performance of the site Standard International Financial Report (IFRSÂ®) 16 Ã ¢ â,¬ "Leases - Ã ¢ was released in January 2016 and, compared to his International Standard Accounting Accounting (IASÃ,Â®) 17 significant changes to the way in which leasing operations are reported in the financial statements of relations (although not in the financial statements of the conductors). The purpose of this article is to summarize the changes Key introduced by IFRS 16 from the lessee's perspective and how these impacts on their financial reporting. A contract is an agreement with which the landlord (the legal owner of an asset) transmits to the tenant (the Good user) The right to use a business for a period of time agreed in exchange for a payment or series of payments. The IAS 17 approach had to distinguish between two types of rent. Leades that substantially transfer all the risks and premiums of a good have been classified as financial leases. All other leases have been classified as operating leases. The classification of the lease contract established in IAS 17 was subjective and there has been a clear incentive for the preparatory of financial statutory statements at ã, â,¬ â,¬, Â «Furnishings contracts should be classified as functioning rather than contracts Financial to allow leasing and passivitiveness to leave out of the budget. It was for this reason that IFRS 16 has been introduced. 2. IFRS 16 Ã ¢ â,¬ "Attivities IFRS 16 defines a lease contract as" contract or part of a contract, which transmits the right to use a good for a period of time in exchange for consideration ". In order for that Contract to exist The user of the good must have the right to: essentially obtain all the economic benefits from the use of good. The right to direct the use of good. 2.1Ã, Â «Identified asset» An essential characteristic of a contract lease is that there is a Ã ¢ â,¬ Ã å "Identified assetÃ ¢ â,¬ Â" ¢. This takes place normally through the good specified in a contract or part of a contract. For well-being Ã ¢ â, Â «Identified» The Supplier of Good must not have the right to replace the good for an alternative heritage for the whole period of use. The fact that the provider of the good has the right or obligation to replace the good when it is Necessary repair does not preclude the good from being an asset Â «identifies Toâ ». Example - Activities identified under a contract between a local government authority (L) and a private sector provider (P), P provides L with 20 trucks to be used for waste collection on behalf of L for a period of 6 years . The trucks, which are of P own-owners, are specified in the contract. The determines the way in which they are used in the waste collection process. When trucks are not in use, they are kept in L. I can use trucks for other purposes if you choose. If a specific truck must be repaired or repaired, P is necessary to replace a truck of the same type. Otherwise, and as well as defaulted by L, P cannot recover the trucks during the six-year period. Conclusion: The contract is a lease. I have the right to use the 20 trucks for six years identified and explicitly specified in the contract. Once delivered to L, trucks can be replaced only when they need to be served or repaired. 2.2 Ã, the right to direct the use of IFRS 16 activity states that a customer has the right to direct the use of an identified heritage if: the customer has the right to As and for what purpose the activity is used in its period of use; O Relevant decisions on the house are predetermined and the customer has the right to operate the activity for the whole period of use without the supplier having the right to change these operating instructions. Operational. Ã, the right to direct the use of a customer a business to (c) stipulates a contract with a haulier (h) for the transport of goods from London to Edinburgh on a specified truck. The truck is explicitly indicated in the contract and H does not have replacement rights. The goods occupy substantially all the truck capacity. The contract specifies the goods to be transported to the trucks and collection dates and delivery. H manages and maintains the truck and is responsible for the safe delivery of the goods. C is prohibited to hire another transporter for transporting goods or operating the truck itself. Conclusion: This Agreement does not contain a lease. There is an identified good. The truck is explicitly indicated in the contract and H does not have the right to replace that specified truck. C has the right to substantially obtain all the economic benefits from the use of the truck over the duration of the contract. His assets occupy substantially all the ability of the truck, thus preventing other parties to obtain economic benefits from the use of the truck. However, C does not have the right to control the use of the truck because C does not have the right to direct its use. C does not have the right to establish how and for what purpose the truck is used. As and for what purpose the truck will be used (ie the transport of goods specified by London to Edinburgh within a specified period) is predetermined in the contract. C has the same rights regarding the use of the truck, as if it were one of the many customers carrying goods using the truck. 3. Leasing accounting with very few exceptions (see Section 3.4 For further details) IFRS 16 abolishes the distinction between operating leasing and financial leasing in the Budget of tenants. The tenants will be able to recognize a right of use of assets and a passive associated with the time of stipulation of the lease. IFRS 16 requires the right to use Ã ¢ asset and lease responsibility should initially be measured at the current value of minimum payments due. The discount rate used to determine the current value should be the interest rate implicit in the lease. 3.1 Registration of the Good The right of use is asset should include the following amounts, where appropriate: all payments made to the lessor, or before, the start date of the lease, net of the incentives of lease received. Any direct direct costs incurred by the tenant. An estimate of any costs to be supported the dismantling and removal conductor of the underlying asset, or reclamation of the site on which it is found (unless the costs are supported for inventories produce, in which case will be evaluated according to the IAS 2 inventories a) . The costs of this nature are recognized only when an entity supports an obligation for them. IAS 37 Provisions A, Passivity and Potential Activities would be applied to ascertain whether an obligation existed. 3.2 Depreciation The right to use goods, is subsequently amortized. Depreciation is in the shortest period between the useful life of the good and the duration of the leasing, unless the title for activity transfers at the end of the leasing, in which amortization case is along the useful life. 3.3 The lease lease The lease lease is actually treated as a financial liability that is valued at amortized cost, using the implicit interest rate of leasing as the actual interest rate. Example of an accounting for locations a tenant stipulates a 20-year lease of a building plan, with the possibility of renewal for another five years. Leasing fees are $ 80,000 a year during the initial validity period and $ 100,000 per year during the option period, all payable at the end every year. To obtain the lease, the tenant has supported initial direct costs of $ 25,000 at the start date, the lessee concluded that it is not reasonably certain to exercise the option to extend the lease and, consequently, established that the duration of the contract is 20 20 The interest rate implicit in the lease is 6% per annum. The current value of leasing payments is $ 917.600. At the initial date, the tenant incurs the initial direct costs and measures the lease of Leasing $ 917.600. The accounting value of the right of use after these voices is $ 942.600 ($ 917.600 + $ 25,000) and consequently the annual amortization cost will be $ 47.130 ($ 942.600 x 1/20). The lease of the lease will be measured using principles of cushioned costs. To help us with the example in the following section, we will measure the lease of leasing until the end of the year ten. This is done in the following table: YearBallance B / FWD $ Financial cost (6%) $ Rent $ Balance C / FWD $ 1917.600 55.056 (80,000) 892,656 2892,65653,559 (80,000) 866.215 At the end of the year, the Accounting value of the right to use the right of use will be $ 895.470 ($ 942.600 less than $ 47.130 amortization). The cost of interests of $ 55.056 will be brought to the declaration of profit or loss as a financial cost. The total lease of the lease at the end of the year will be $ 892.656. Because the lease is paid over 20 years, some of this responsibility will be paid within one year and should therefore be classified as responsibilities in progress. To find this figure, we look at the remaining balance following the payment in the year. Here, we can see that the remaining balance is $ 866.215. This will represent the uncommittee responsibility, being the $ 892.656 amount that will still be exceptional in over a year. The current managerial element is therefore $ 26.441. This represents the $ 80,000 paid in the year two less year of two-year financial costs of $ 53.559 (or $ 892.656- $ 866.215). 3.4 A simplified approach for short-term or low-value leases, a short-term lease is a lease that, at the start date, has a term of 12 months or less. A lease that contains a purchase option cannot be a short-term lease. Tenants can choose to treat short-term lease contracts by recognizing lease rentals as spending for the leasing period rather than recognizing a â,¬ ~ ~ ~ use rights asset, â "¢ and a lease responsibility. The election must be carried out for relevant leasing activities based on a base Ã, Ã, ~ class-by-â "¢ â" ¢ .- a similar election Ã ¢ â,¬ "based on leasing-by -Lease - can be done in relation to Ã ¢ â,¬ â â â â € œThe value activity ". The evaluation of the fact that an underlying asset is low value and executed on an absolute basis. The leases of low-value activities Qualified for simplified accounting explained above regardless of whether these locations are materials for the lessee. The evaluation is not affected by the size, nature or circumstances of the lessee. Consequently, the different relations are expected to reach the same conclusions The fact that a particular asset below is low value. An underlying good can be of low value only if: a) the tenant can benefit from the use of the underlying good alone or together with other resources that are readily available for the loca Tario; and (b) the good below is not highly addicted, or highly related to other activities. A lease of an underlying asset does not qualify as a rent of a good value if the nature of good is such that, when it's new, the good is generally not low. For example, car leases will not qualify as leasing of low-value goods because a new car would not generally be low. Examples of low-value underlying goods can include tablets and personal computers, small furniture objects for And phones. 4. Sales and lease transactions 4.1 Introduction Treatment of sales transactions and leaseback depends on the fact that Ã ¢ â,¬ Ã ¢ â,¬ Ã ¢ â,¬ â "¢ constitutes the satisfaction of a relevant performance obligation in 'Scope of IFRS contracts 15 Ã ¢ â,¬ "by contracts with customers. The relevant performance obligation would be the effective Ã ¢ â,¬ Â" Transfer "of the resource to the landlord from the previous owner (now the lessee). 4.2 Transaction that constitutes a sale if the transaction is a Ã ¢ â,¬ Å "saltÃÂ ¢ â,¬ Â" ¢ under IFRS 15 then the treatment is like The seller-Lessee recognizes only the amount of any increase or loss relating to the rights transferred to the Buyer-Limore. The buyer-lingore must represent the purchase of the heritage that applies the applicable and leasing standards that applies the accounting requirements of the rental rates in IFRS 16 (being essentially unchanged by the predecessor standard). If the fair value of consideration for the sale of a business is not equal to the fair value of the good, or if the payments for the lease are not at market rates, an entertainment must carry out the following adjustments to measure the Revenues from sales value: any market terms of the market must be accounted for as advanced payment of leasing payments; And any terms above lists must be accounted for as additional funding provided by the buyer-lessor to the seller-tenant. Example Ã ¢ â,¬ "Sale and LeaseBackÃ ¢ Entity X sells an indità y building for cash of $ 5 million. Immediately before the transaction, the book value of the building in the budget of the IntietÃ X was $ 3 , 5 million. At the same time, X enter a contract with Y for the right to use the building for 20 years, with annual payments of $ 200,000 to be paid at the end of each year. The terms and conditions of the transaction are such That the transfer of the X building satisfies the requirements to determine when a performance obligation is satisfied in IFRS 15 - Revenues from contracts with customers. As a result, X and Y represent the transaction as sale and Leaseback. The fair value of the 'Building at the date of sale is $ 4.5 million. As the consideration for the sale of the building is not at fair value, X and Y carries out regulations to measure the proceeds of the sale at fair value. The amount amount of the price in excess sale of $ 500,000 ($ 5 million - $ 4.5 million) is detected as an additional financing provided by Y to X. The annual interest rate implicit in the lease is 5%. The current value of annual payments (20 payments of $ 200,000, discounted at 5%) amount to $ 2.492,400, of which $ 500,000 concern additional financing and $ 1.992.400 ($ 2,492,200 to $ 500,000) refer to the contract of Lease (as adequate for the difference of the identified fair value). The annual payment that would be necessary to be performed 20 times in arrears to repay further $ 500,000 funding when the interest rate is 5% per year to be $ 40.122 ($ 500,000 / 12.462 (the cumulative discount factor for 5% for 20 years)). Therefore, the residue would be considered as a Ã ¢ â,¬ Å "LaAse rent" at an amount of $ 159.878 ($ 200,000 Ã ¢ â,¬ "$ 40.122). Given IFRS Treatment 15 as Ã ¢ â,¬ Å "salt" would certainly certainly the location of the building as an operational lease. This means that B would recognize the Ã ¢ â,¬ Â «rental rentals" of $ 159.878 as income. 4.3 Ã ¢ â,¬ "The transaction does not constitute a Ã ¢ â,¬ Å" salt "in these circumstances the seller is Ã ¢ â,¬ Å" transfer 'the good and continues to regain it, without adjustment. I Ã ¢ â,¬ Â «income proceeds Ã, â" ¢ are recognized as financial and accounted responsibility by applying the financial instruments of IFRS 9 Ã ¢ â,¬ ". In the same circumstances, the buyer recognizes a financial resource equal to Ã ¢ â,¬ Å "Sales proceeds". 5. Summary The requirements of IFRS 16 will have significant impacts on key accounting reports of its minors. The greater recognition of leasing activities and leasing liabilities on the financial position of the declaration will reduce the return on capital employed and will increase the gear. It is likely that initial profit measures are probably reduced, as in the early years of a lease the combination of depreciation of the right to use and the financial expenditure associated with the responsibility of the lease will superate leasing rentals (normally loaded on a straight line line). Base). Base).