

Contents

Identify lease population

Decide transition method

Measure lease liability

Measure Right of use asset

Transition explained by numbers

Transition reliefs

Quick recap

Relevant bites

Identify lease population

Decide whether to reassess definition of lease

Apply IFRS 16 lease definition

or

**Grandfather existing contracts
and apply IFRS 16 lease definition to all new
& modified contracts**

**All
contracts**

**What to do?
No need to reassess**

Identify lease population

Decide whether to apply lease exemptions



- Short-term leases (12 months or less)

Policy choice
Class basis



- Low value assets

Policy choice
Lease-by-lease basis

What to do?

No need to calculate lease assets and lease liabilities
Recognise lease payments as rental expense

Bigger than transition decision
Exemptions are ongoing - not restricted to transition

Decide transition method

Decide one transition method for all leases

	Full retrospective	Modified retrospective
IFRS 16 applied	Retrospectively to all existing leases	From initial application date to all existing leases
Comparatives	Restated	Not restated
Cumulative effect	Opening equity at the start of earliest period presented	Opening equity at the start of initial application period
Third statement of financial position	Required (<i>Could be</i>)	Not required
Transition relief	Limited	Greater

Impact of transition method

	Full retrospective	Modified retrospective
Current reporting period i.e. Dec 2019	IFRS 16	IFRS 16
Prior period Dec 2018	IFRS 16	IAS 17
Date of adjustment in opening equity	01 January 2018	01 January 2019
Cost	↑	↓
Comparability	↑	↓

Measure lease liability

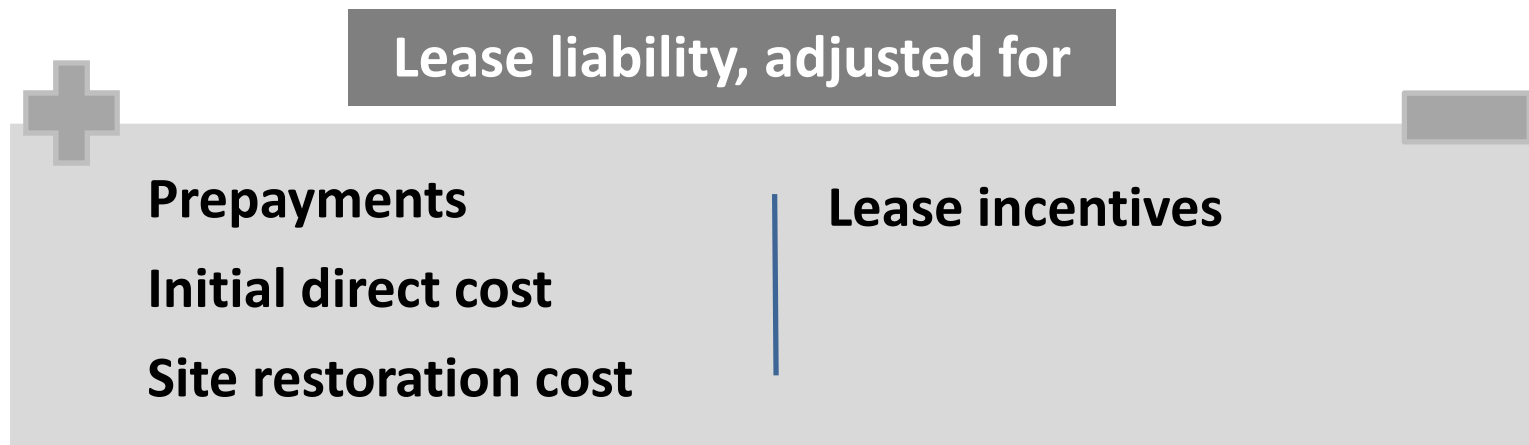
Full retrospective

Present value of total lease payments	Lease payments	Total lease payments	Lease commencement date
	Lease term	Total lease term	
	Discount rate	Implicit rate or Incremental borrowing rate	

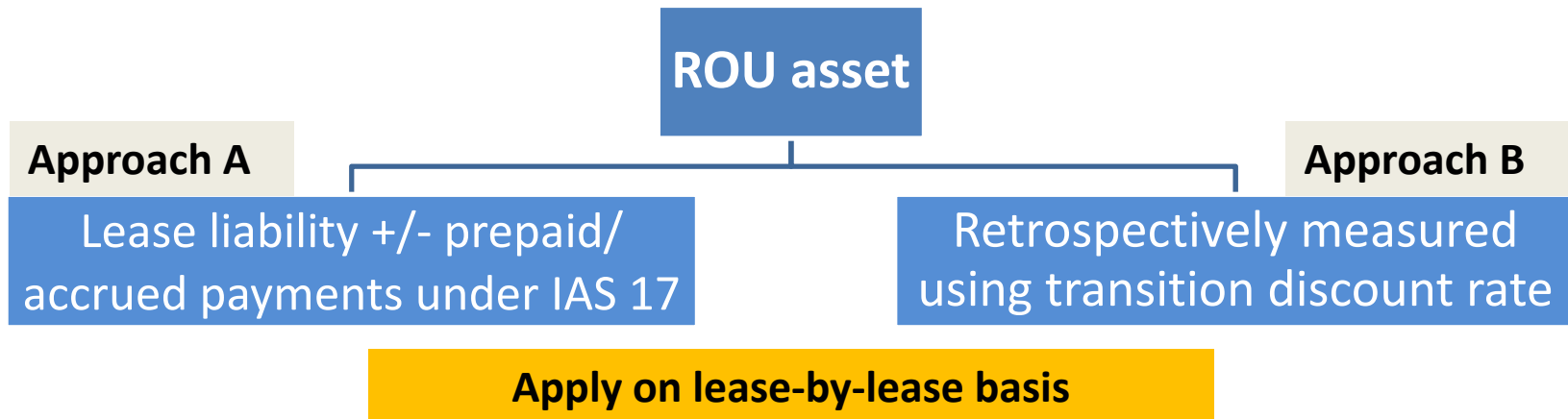
Modified retrospective

Present value of remaining lease payments	Lease payments	Remaining lease payments	Initial application date
	Lease term	Remaining lease term	
	Discount rate	Incremental borrowing rate	

Measure Right of use asset



Modified retrospective



Transition explained by numbers

10 year machinery lease, from 01 Jan 2016	Rs. 10,000 per annum in advance	Initial direct costs Rs. 5,000	01 Jan 2016 Discount rate 6%	01 Jan 2019 Discount rate 10%
---	---------------------------------	--------------------------------	------------------------------	-------------------------------

Lease liability

Full retrospective	Modified retrospective A	Modified retrospective B
Calculate at 1 Jan 2016	Calculate at 01 Jan 2019	Calculate at 01 Jan 2019
10 payments @ 6% 74,000	7 payments @ 10% 49,000	7 payments @ 10% 49,000

ROU asset

Full retrospective	Modified retrospective A	Modified retrospective B
Calculate at 01 Jan 2016	Calculate at 01 Jan 2019	Calculate at 01 Jan 2016
Lease liability + Initial direct cost 7,4000 + 5,000 = 79,000	Lease liability +/- Accrued/prepaid rental as at 31 Dec 2019 49,000 + 0 = 49,000	Retrospectively discounted at transition rate 10 payments @ 10% 61,000













Impact on opening equity

Full retrospective	Modified retrospective A	Modified retrospective B
Yes	No	Yes

Transition explained by numbers

Discount rate

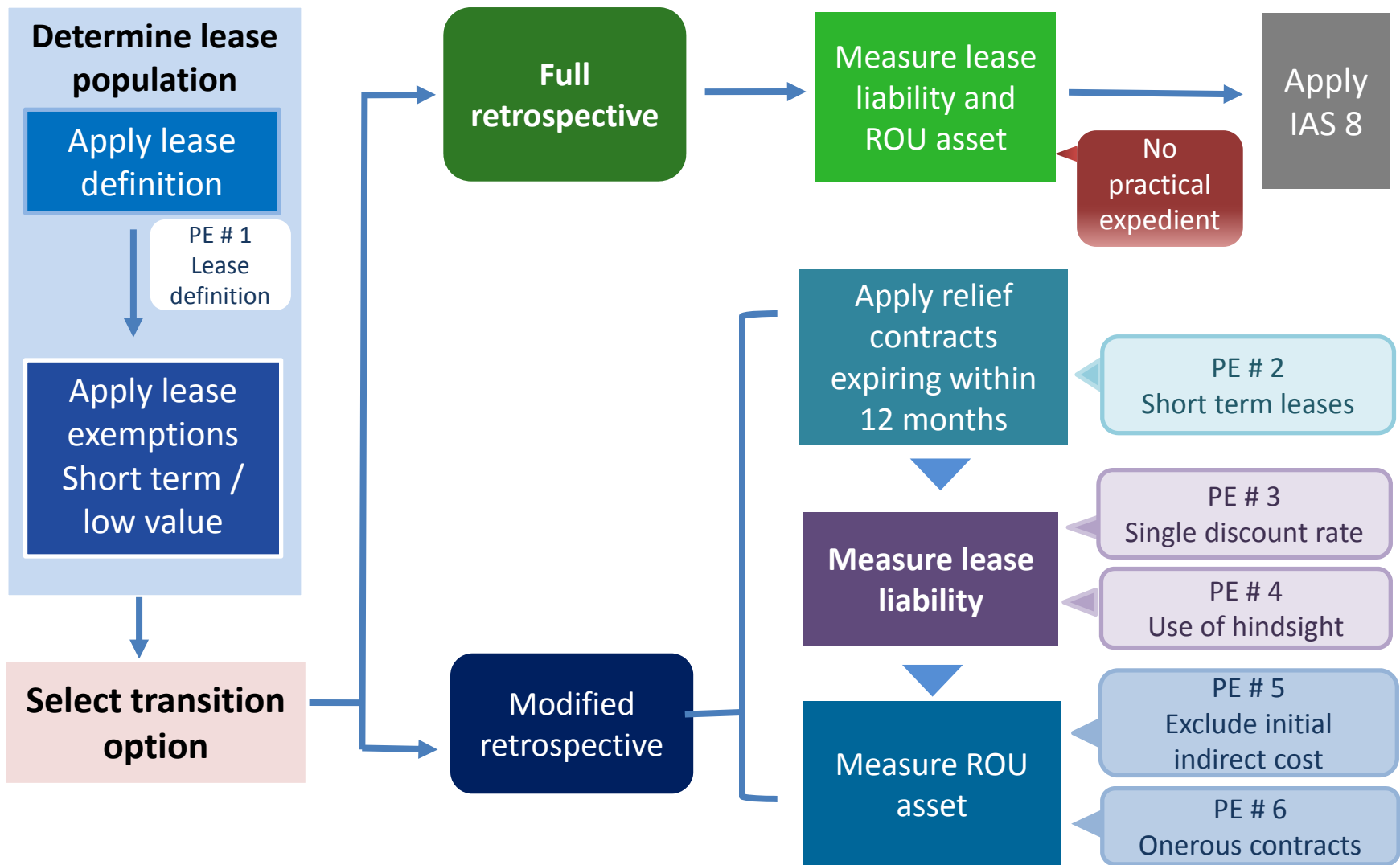
Initial application date > Lease commencement date rate

	Full retrospective	Modified retrospective A	Modified retrospective B
Yearly depreciation			
Yearly finance cost after 01 Jan 2019			
Year-end lease liability			
Year-end ROU asset			

Transition reliefs

	General		Lease liability		ROU asset	
	Do not consider definition of lease	Do not include lease ending within 12 months of initial application	Use single discount rate	Use of hindsight in lease term	Do not include initial direct costs	Avail relief for onerous contracts
Full retrospective	✓					
Modified retrospective A	✓	✓	✓	✓		
Modified retrospective B	✓	✓	✓	✓	✓	✓

Quick recap



Relevant bites

Revaluation of leased assets is optional

A long-term lease of land would be reflected on the balance sheet and depreciated

Payment of pagri by lessee accounted for as an initial direct cost

The inter-company lease arrangements may no longer be accounted for similarly

IPP's existing power supply arrangement under the PPA contains lease (Similar to IFRIC 4 assessment)

Ijarah transactions to be accounted for under IFAS 2

Thank you