

LEAZEON



IFRS 16 LEASES

**Differences between IFRS 16 and
IAS 17 Leases**

Key differences with current IAS

Area	IAS 17	IFRS 16
Classification of lease by lessee	Lessees account for lease transaction as operating or finance lease depending on rules and tests of classification.	Lessees to recognise nearly all leases on the balance sheet which will reflect their right-to-use an asset for a period of time and the associated liability for payments.
Definition of lease	In determining whether an arrangement is a lease, focus of the standard is on risk-and-rewards model.	In determining whether an arrangement is a lease, focus of the standard is on right-of-use model.
Nature of expense recognised under operating lease	Lease rentals are recognised as 'operating lease expense' in the income statement.	Expense is recognised as 'finance charge on lease liability' and 'depreciation of right-of-use asset'.
Basis of expense recognition under operating lease	Lease payments are recognised as an expense on a straight-line basis over the lease term.	Finance charge is recognised on an effective interest rate basis and depreciation is recognised in accordance with IAS 16 resulting in front-loaded expense recognition in the initial period of the lease.
Recognition of right-of-use asset	Finance leased assets and liabilities are measured at the fair value of the leased property or, if lower, the present value of the minimum lease payments.	Right-of-use asset is measured at the present value of the lease payments that are not paid at that date. There is no reference to the fair value.
Re-assessment of lease liabilities - lessees	Not dealt with by IAS 17.	After the commencement date, lessees are required to remeasure the lease liability when there is a lease modification (i.e., a change in the scope of a lease, or the consideration for a lease that was not part of the original terms and conditions of the lease) that is not accounted for as a separate contract or there is a change in estimate relating to lease term, assessment of purchase option, residual value guarantee, variable lease payments relating to market rate / index rate etc.
Statement of cash flows	Lease expense associated with operating lease is recognised in statement of cash flows under operating activity.	Lease expense is recognised in the statement of cash flows under operating activity and financing activity.



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