

IAS (17): Leasing



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Training objectives

It is intended to:

- Analyze provisions and general requirements of IFRS (IAS) 17: *Leases*,
- Consider the specifics of the following definitions: “operating lease” and “finance lease”,
- Study out the Standard requirements to the classification of the different types of leases and to demonstrate the meeting of these requirements by the case studies,
- Analyze the difficulties in classification of lease arrangements (contracts) and to study out by the case studies all difficult situations at classification of lease arrangements,
- Analyze the specifics of the sale and leaseback transactions,
- Review the requirements of the Standard to presentation and disclosure of information under lease arrangements,
- Study out the requirements of IFRIC Interpretation 4: *Determining whether an Arrangement contains a Lease* and to demonstrate by the case studies the application of the requirements,
- Demonstrate by the case studies the meeting of the Standard requirements to presentation and disclosure of information under lease arrangements,
- Study out by the case studies the requirements of the Standard to accounting for the changes in the terms of a lease within the effect of a lease arrangement,
- Give trainees an opportunity to practice individually by the case studies in accounting for a lease arrangement at preparation of financial statements under IFRS requirements, and to study in full details the solution of similar examples together with the instructor.

The training is aimed at analyzing and interpretation of the provisions of IFRS 17: *Leases*. This training does not cover the tax aspects of accounting for lease arrangements.

Training audience

The training has been developed for the financial directors, financiers, office accountants, chief accountants, bookkeepers, financial analysts, and internal auditors who deal with preparation, review and/or analyzing of financial statements prepared in accordance with IFRS requirements.

Trainees acquired skills and abilities

Trainees will learn the specifics of definitions used in the Standard; specifics of lease arrangements classification; specifics of accounting for lease arrangements by a lessee and by a lessor; accounting for sale and leaseback transactions; and also the requirements to disclosure of information. Trainees will also be able to use all requirements of the Standard in practice.

Contents of Training

Day 1: 09:30 – 17:00

Come together

- Introduction of participants to one another, getting acquainted with the instructor, review of training topics and methods of working;
- Discussion of expectations
Expected time: 20 minutes

Definitions

- Lease agreement, finance lease and operating lease, non-cancellable lease;
- Inception of lease, commencement of lease, lease term;
- Minimum lease payments;
- Economic life, useful life;
- Fair value;
- Initial direct costs;
- Residual value: guaranteed and unguaranteed residual value ;
- Gross investment in the lease, Net investment in the lease, Unearned finance income;
- Interest rate implicit in the lease, Lessee's incremental borrowing rate of interest;
- Contingent rent;
- Examples 1-2 as to definitions adopted by IFRS (IAS) 17
Expected time: 60 minutes

Classification of leases

- Criteria of leases classification to finance lease and operating lease
- Examples 3-7 as to leases classification
- Changes in lease terms
- Examples 8-9 as to changes in lease terms
- Leases of land and of buildings
- Examples 10-13 as to separate consideration of the land and buildings elements of a lease of land and buildings
Expected time: 120 minutes

Finance leases in the financial statements of lessees and lessors

- Initial recognition
- Subsequent measurement
- Disclosure of information
Expected time: 40 minutes

Comprehensive example

- Example 14 as to finance lease accounting in the financial statements of lessees and lessors
Expected time: 40 minutes

Operating leases

- Operating leases in the financial statements of lessees and lessors
- Example 15 as to specifics of operating leases accounting
- SIC-15: “Operating lease – incentives”
- Examples 16-17 as to requirements of SIC-15
- Requirements to disclosure of information

Expected time: 30 minutes

Sale and leaseback transactions

- Definition
- Sale and leaseback transactions resulted in a finance lease
- Sale and leaseback transactions resulted in an operating lease
- Examples 18-22 as to sale and leaseback transactions

Expected time: 30 minutes

Requirements of IFRIC 4: Determining whether an Arrangement contains a Lease

- Rationale for IFRIC 4 issue
- How to determine whether an arrangement contains a lease
- When to make analysis of a transaction as to its lease identity
- How to determine lease payments
- Illustrative examples 1-3

Expected time: 30 minutes

Coming changes

- Different opinions as to leases and leases accounting in financial statements
- Expected amendments to IFRS (IAS) 17

Expected time: 10 minutes

Results of Training

- Discussion of expectations relevance to the derived knowledge and practical advices
- Discussion of other topics being of interest for future seminars

Expected time: 10 minutes