

Accounting for leases by the lessees (IFRS 16)

At the commencement date



Debit:
Right-of-use asset

- ✓ Amount of lease liability
- ✓ Lease payments paid on or before the commencement date
- ✓ Less lease incentives
- ✓ Initial direct costs
- ✓ Estimate of dismantling costs

Credit:
Lease liability



Lease payments not paid at the commencement date

Discounted to present value

Interest rate implicit in the lease
(or incremental borrowing rate)

Accounting for leases by the lessees (IFRS 16)

After the commencement date



Right-of-use asset

Debit:
Profit or loss -
depreciation
(amortization)
of ROU asset

Credit:
Accumulated
depreciation
(amortization)

✓ In line with
IAS 16 / IAS 38/ IAS 40

✓ Impairment under IAS 36
if applicable

Lease liability



✓ Interest on lease liability:

Debit:
Profit or loss -
interest expense

Credit:
Lease liability

✓ Lease payment:

Debit:
Lease liability

Credit:
Bank account

Link to the full FREE materials
on IFRS 16:

<https://www.cpdbox.com/ifrs/ifrs-16>

Includes:

- ✓ Video lectures
- ✓ Articles
- ✓ Q&As