IFRS 16 at a glance

IFRS 16 Leases · one-page reference

Core Knowledge

CORE PRINCIPLE

A lessee recognises a right-of-use asset and a lease liability for every lease it does not exempt (para 22), the liability at the present value of unpaid payments (para 26). A lessor classifies each lease as finance or operating (para 61).

Topic	The question	The test	Reference	Where it shows
1 **Is it a lease?**	**Does the customer control the use of an identified asset?**	An identified asset, substantially all the benefits, and the right to direct its use, throughout the period of use.	**paras 9, B9**	Scope decision before any entry
2 **Lease term**	**How long is the term?**	Non-cancellable period, plus extension options reasonably certain to be used and termination options reasonably certain not to be.	**para 18, App A**	Size of liability and asset
3 **Day one**	**What is recognised at commencement?**	Liability: present value of unpaid payments at the implicit rate, else the incremental borrowing rate. Asset: liability plus payments made, less incentives, plus direct and restoration costs.	**paras 24, 26**	Financial position; commencement entry
4 **Afterwards**	**What moves each period?**	Liability: add interest, deduct payments, remeasure on a change in term, option or index. Asset: cost less depreciation.	**paras 30, 36, 39-43**	Profit or loss, cash flows, notes
5 **Exemptions**	**Can it stay off the balance sheet?**	An election: 12 months or less with no purchase option, or a low-value asset. Payments expensed over the term.	**paras 5-8**	Profit or loss and a note

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