



GAP  
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# IFRS 16 LEASES- IDENTIFICATION



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## QUESTION:

**What are the requirements to identify a lease in a contract?**

## ANSWER:

**Does the contract have:**

- 1. An Identifiable asset**
- 2. Controlled by an entity**
- 3. For a period of time**



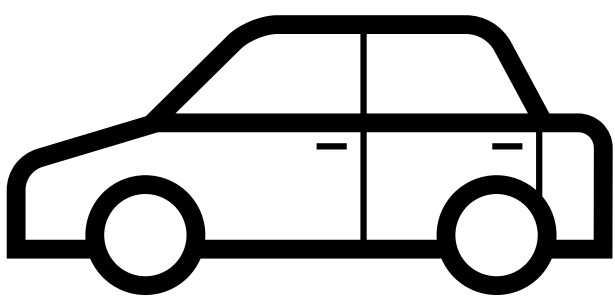
## ANSWER:

### **1. Identifiable asset:**

This is either the name of the asset in the case study (eg identification number/number plate)

This can be **explicit:** The case study gives you the identification number

**Implicit:** The case study does not give you an identification number but there is only one asset that the leasing company owns! So it has to be that asset





## ANSWER:

### **2. Controlled by the entity**

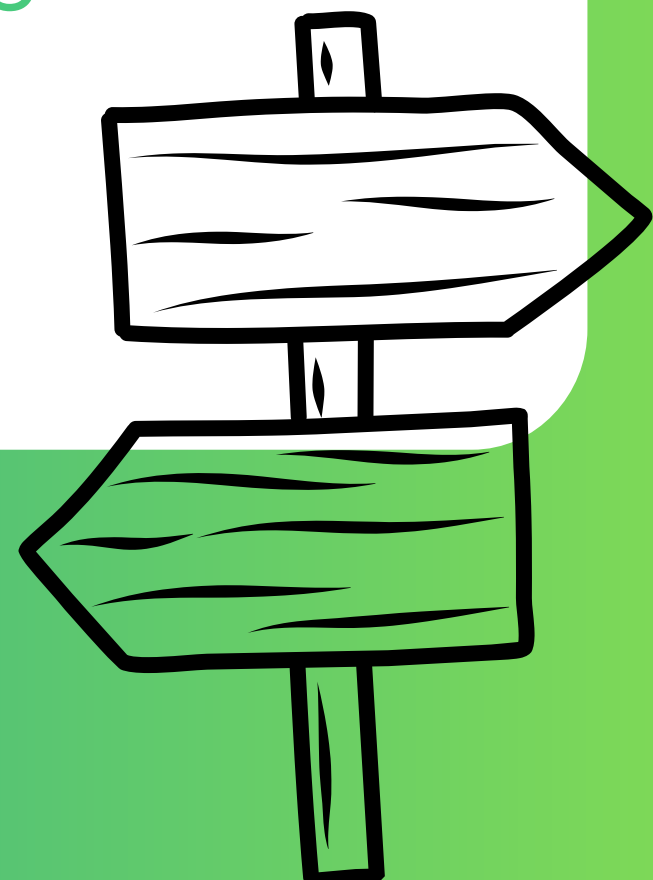
When assessing control we discuss the following:

#### **a. Can we direct the use of the asset**

Decide how and what purpose the leased asset can be used.



If the contract has protective rights (eg. You cannot use the asset past this time) -this does not automatically mean we cannot decide the use of the asset! The supplier is just protecting the asset!

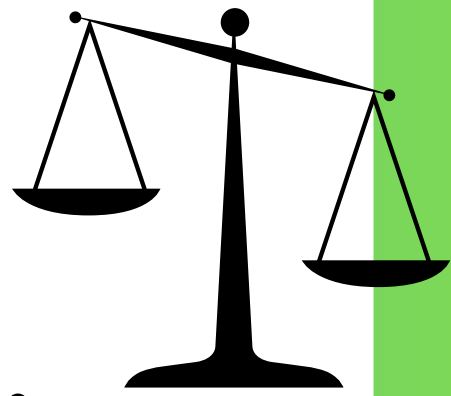




## ANSWER:

### **2. Controlled by the entity**

When assessing control we discuss the following:



#### **b. Do we obtain substantially (majority) all economic benefits from the use of the asset**



- In determining this we look at the information given by the case study. What are the benefits we get from the use of the asset? Do we get all the benefits? Does the supplier get a cut / does the supplier also get some benefits- if so who gets majority of the benefits?

eg. A bicycle manufacturing vehicle is leased. The benefits of this manufacturing asset is the bicycles it manufactures. These bicycles are sold for economic benefit. We then decide whether the company leasing the asset has sole use of the manufacturing asset (therefore getting all the economic benefits) from the plant or not.



## ANSWER:

### **3. For a period of time**

Contract must state how long the asset is leased for

Application: In your exam answer, state the lease period as seen in your case study

