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# IAS - 17

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Leases

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## **International Accounting Standard No 17 (IAS 17)**

### **Leases**

This revised standard replaces IAS 17 (revised 1997) Leases, and will apply for annual periods beginning on or after January 1, 2005. Earlier application is encouraged.

## Objective

1. The goal of this standard is to prescribe them for tenants and landlords, the accounting policies appropriate to account for and disclose information regarding the leases.

## Scope

2. This standard applies to all types of accounting for leases that are different from those:
  - (a) lease agreements for exploration or use of minerals, petroleum, natural gas and non-renewable resources like; and
  - (b) licensing agreements for items such as movies, video recordings, plays, manuscripts, patents and copyrights.

However, this rule does not apply as a basis for the valuation of:

- (a) property owned by tenants in the event that counted as real estate investments (see IAS 40 Investment Property);
  - (b) real estate investments provided by landlords under operating lease (see IAS 40);
  - (c) biological assets held by lessees under finance leases (see IAS 41, Agriculture), or
  - (d) biological assets provided by lessors under operating lease (see IAS 41).
3. This standard applies to agreements by which yield the right of use of assets, even in cases where the landlord would be obliged to provide services of some importance in connection with the operation or maintenance of such goods. On the other hand, this rule does not apply to agreements that have the nature of service contracts, where a party fails to yield to the other the right to use some type of asset.

### Definitions

4. **The following terms are used in this Standard with the meanings specified below:**

**Leasing** is an agreement that gave the landlord to the tenant, in exchange for payment of a lump sum of money, or a series of payments or contributions, the right to use an asset over a period of time.

**Financial leasing** is a type of lease in which they are transferred substantially all risks and rewards of ownership of assets. Ownership, if any, may or may not be

transferred.

**Non-cancelable lease** is a lease that is revocable only:

- (a) occurring some remote contingency;
- (b) with the permission of the lessor;
- (c) if the lessee conduct a new lease for the same or an equivalent asset with the same landlord, or
- (d) if the lessee pays an additional amount such that, at the start of the lease, the continuation of this is ensured with reasonable certainty.

**Operating lease** is any lease agreement other than leasing.

**The beginning of the lease term** is the date from which the lessee has the option of using the leased asset. Is the date of initial recognition of the lease (ie, the recognition of assets, liabilities, income or expenses arising from the lease, as appropriate).

**Initial direct costs** are incremental costs directly attributable to the negotiation and contracting of a lease, unless such costs have been incurred by a landlord who is also a manufacturer or distributor.

**Contingent of the lease** are part of the lease payments whose amount is not fixed, but is based on the amount of a future factor that varies for reasons other than the mere passage of time (for example, a percentage of sales future levels of future use, price index futures, interest rate futures market, etc.)..

**Home of the lease** is the earliest date of the agreement between the lease and the date on which the parties agree on key provisions of it. On this date:

- (a) shall be classified as operating leases or as financial and
- (b) in the case of a lease, it will determine the amounts to be recognized at the beginning of the lease term.

**Gross investment in the lease** is the sum of:

- (a) the minimum lease payments receivable under the lease, and
- (b) any unguaranteed residual value that corresponds to the lessor.

**Net investment in the lease** is the gross investment of the lease at discounted interest rate implicit in the lease.

**Financial revenues** are not accrued the difference between:

- (a) gross investment in the lease; and
- (b) the net investment in the lease.

**Minimum lease payments** are the payments that the lessee during the lease term, does or may be required to make, excluding both the nature of contingent fees as the costs of services and taxes to be paid by the landlord and you have to be repaid. Also included:

- (a) in the case of the lessee, any amount secured by himself or by a third party associated with him, or
- (b) in the case of the lessor, any residual value that is guaranteed to him either by:
  - (i) the lessee;
  - (ii) a third party associated with it, or
  - (iii) an independent third party that is financially capable of meeting the obligations under the security provided.

However, if the lessee has the option to buy the asset at a price that is expected to be sufficiently lower than the asset's fair value at the time the option is exercisable, so that at the start of the lease, you can predict with reasonable certainty that the option is exercised, payments Minimum lease payments comprise both a minimum meet at the same time until the expected date of exercise of that option to buy, such as the payment required to exercise this purchase option.

**The term of the lease** is not revocable period for which the tenant has purchased the lease of assets, along with any additional period in which he is entitled to continue the lease, with or without additional payment, provided that at the beginning of the lease reasonably certain that the lessee will exercise that option.

**Interest rate implicit in the lease** is the discount rate, at the start of the lease, produces equality between the total current value of (a) Minimum lease payments and (b) the unguaranteed residual value, and the sum (i) the fair value of the leased asset and (ii) any initial direct cost of the lessor.

**Incremental interest rate of indebtedness of the lessee** is the interest rate that the lessee would have to pay on a similar lease or, if that is not determinable, the rate at which the start of the lease, it would incur if it requested rendered within a period and with similar guarantees, the funds needed to purchase the asset. Fair value is the amount at which an asset could be exchanged or a liability canceled, among stakeholders and duly informed in a transaction conducted at arm's length.

**Residual value guaranteed** is:

(a) for the tenant, the portion of the residual value that has been secured by himself or by a third party associated with it (the amount of the guarantee is the maximum amount that could in any case have to pay) and

(b) to the landlord, the portion of the residual value which has been guaranteed by the lessee or by a third party not connected with the landlord, and that is financially capable of meeting the obligations under the security provided.

**Unguaranteed residual value** is the part of the residual value of leased asset, whose completion by the landlord is not secured or is guaranteed solely by a third party linked to the lessor.

**Economic life** is:

(a) the period during which an asset is expected to be economically usable by one or more users, or

(b) the amount of production or similar units that are expected to gain assets by one or more users.

**Useful life** is the estimated time period that extends from the beginning of the lease term, but not limited by it, over which the entity expects to consume the economic benefits embodied in the leased asset.

5. An agreement or a lease may, during the period between the start of the lease and the commencement of the lease term, including a clause to adjust the lease payments as a result of changes in the cost of construction or acquisition of property leased, or to changes in cost or other measures of value, such as general levels of prices, or the costs of the lessor for the financing of the lease. If so, for the purposes of this Standard, the effect of such changes are deemed to have taken place at the start of the lease.
6. The definition includes leasing contracts for the lease of assets, which contain a clause which is given to hiring the option of acquiring ownership of the asset after the compliance with the agreed terms. Such contracts are known as lease-purchase

contracts.

### **Classification of leases**

7. The classification of leases adopted in this Standard is based on the degree to which the risks and benefits, arising from the ownership of assets, affecting the landlord or the tenant. Among such risks include the possibility of losses from idle capacity or technological obsolescence, as well as variations in performance due to changes in economic conditions. The benefits can be represented by the expectation of an economic operation along the economic life of assets, as well as a gain on revaluation or a realization of the residual value.
8. **Is classified as a financial lease when it transferred substantially all risks and rewards of ownership. On the contrary, it is classified as an operating lease if it does not have been transferred substantially all risks and rewards of ownership.**
9. Since the transaction between a landlord and a tenant is based on a lease agreement between the parties, will need to be used for both consistent definitions. Applying these definitions to the different circumstances of the two parties involved in the transaction may result in the same lease is classified differently by landlords and tenants. This could be the case, for example, if the landlord will benefit from a guarantee relating to the residual value, provided by an agent not connected with the lessee.
10. The lease is a financial or operational, depend on the substance and nature of the transaction, rather than mere form of the contract. Examples of situations that, alone or together, usually involve the classification of a financial lease as are:
  - (a) the lease transfers ownership of the asset to the lessee at the end of the lease term;
  - (b) the lessee has the option to buy the asset at a price that is expected to be sufficiently lower than the fair value at the time the option is exercisable, so that at the start of the lease, is expected with reasonable certainty that this option will be exercised;
  - (c) the term of the lease covers the bulk of the economic life of the asset (this opera even if the property is not going to be transferred at the end of the operation);
  - (d) at the beginning of the lease, the present value of the minimum payments for the lease is at least equivalent to almost all of the fair value of assets subject to the transaction; and
  - (e) the leased assets are of a nature so specialized that only the lessee has the option of using them without making major changes.

11. Other indicators of situations that could lead, alone or jointly with others, the classification of a lease of a financial nature, are as follows:
- (a) if the lessee can cancel the lease, and the losses suffered by the landlord because of such cancellation would be assumed by the lessee;
  - (b) gains or losses arising from fluctuations in the fair value of the residual amount falls on the tenant (for example in the form of a rebate amount similar to the value of assets for sale at the end of the contract) and
  - (c) the lessee has the option to extend the lease for a second term, with lease payments that are substantially lower than usual in the market.
12. The examples and indicators contained in paragraphs 10 and 11 are not always conclusive. If it is clear, for other purposes, that the lease does not transfer substantially all the risks and rewards of ownership, it is classified as operational. For example, this might be the case in which it is transferring the ownership of assets, at the end of the lease for a variable payment that is equal to its fair value at the time, or if there are contingent payments as a result of which the lessee is not substantially all the risks and benefits.
13. The classification of the lease will be made at the start of it. If at any other time the landlord and tenant to agree to change the terms of the contract, unless the change was to renew it, so that this change would have resulted in a different classification of the lease, according to the criteria set out in paragraphs 7 to 12 , In the event that the conditions had occurred at the beginning of the lease, the revised contract will be considered a new lease over the remaining term of the lease. However, changes in the estimates (for example those involving changes in economic life or the residual value of leased asset) or changes in other circumstances (for example, the default by the lessee), will not lead to a new classification of leases for accounting purposes.
14. Leases of land and buildings as a whole are classified as financial or operating in the same way as leases of other assets. However, a characteristic of the land is usually its economic life indefinitely and, if it is not expected that ownership passes to the lessee at the end of the lease term, it will not receive all the benefits and substantial risks inherent in the property. In this case, the land lease is deemed operational. Any payment made to hire or purchase a lease right to be reckoned as an operating lease, will represent an advance payment for the lease, which will be amortized over a period of the lease, as they reap the economic benefits produced by the same .
15. The components of land and buildings, in a lease of land and buildings as a whole, be regarded as separate for purposes of classifying the lease. If it is expected that both components of the property is transferred to the lessee at the end of the lease term, both components are classified as financial leasing, whether you are only as a lease or two,

unless it is clear from other features, that the lease does not transfer substantially all the risks and benefits associated with ownership of one or both components. When the land have an economic life unlimited, the component of land is normally classified as an operating lease, unless it is expected that the property is transferred to the lessee at the end of the lease term, in accordance with paragraph 14. The component of construction will be classified as a finance lease or operating in accordance with the provisions of paragraphs 7 to 13.

16. Where necessary to categorize and account for a lease of land and buildings, minimum payments for the lease (including any payment in advance) will be distributed among the components of land and buildings in proportion to the relative fair values that represent the rights of lease in cited components of land and buildings at the start of the lease. If payments for the lease cannot be reliably split between these two components, the entire lease is classified as a lease, unless it is clear that both components are operating leases, in which case the entire lease is classified as operational.
17. In a lease of land and buildings as a whole in which the amount to be insignificant, in accordance with paragraph 20, would be recognized for the component of land, such land and buildings can be treated as a single unit for purposes of classification of the lease and classified as a finance lease or operating in accordance with paragraphs 7 to 13. In that case, consider the economic life of buildings like the one that corresponds to the totality of the leased asset.
18. The valuation of the separate components of land and buildings is not necessary if the rights of the lessee, both on land and in buildings, are classified as a real estate investment in accordance with IAS 40, and will adopt the fair value model. Will require detailed calculations to make this assessment only if the classification of one or both components could be, if not done those calculations, uncertain.
19. According to IAS 40, it is possible that the lessee rights to classify a property held under an operating lease, as real estate investment. If this happens, such rights on the property is treated as if they were leased, and also uses the fair value model for the asset well recognized. The tenant will continue accounting for lease as a finance lease, even if a subsequent event will change the nature of the rights of the tenant on the property, so that they could not continue to classify as a real estate investment. This will be the case if, for example, the tenant:
  - (a) occupies the property, which therefore is classified as a building occupied by the owner, for a deemed cost equal to its fair value at the date on which the change of use, or
  - (b) Perform a sublease transaction, which transferred to a third party not connected, substantially all risks and rewards of ownership of the right of lease. That sublease was counted by the tenant, as a financial lease to third, although he could register as an

operating lease.

## **Accounting for leases in the financial statements of tenants**

### **Leases**

#### **Initial Recognition**

20. **At the beginning of the term of the lease, it will be recognized in the balance sheet of the lessee, recording an asset and a liability for the same amount, equal to the fair value of the leased property or the present value of the minimum payments for the lease, if this is less certain at the start of the lease. In calculating the present value of the minimum payments for the lease, be taken as a factor in the discount interest rate implicit in the lease, wherever practicable to determine it, or you will be used for incremental interest rate loans from the lessee. Any direct cost of the initial tenant will be added to the amount recognized as an asset.**
21. Transactions and other events are accounted for and presented in accordance with its economic substance and financial reality and not just in regard to their legal form. While the legal form of a lease agreement can mean that the lessee does not acquire legal title on the leased property, in the case of a lease, its economic substance and financial reality means that the lessee acquires the economic benefits derived from use of the leased asset for most of its economic life, shrinking by doing so, as consideration for such right, an obligation to pay approximately the same at the beginning of the lease, the fair value of assets over the financial burden involved.
22. If such an operation lease not be reflected on the balance sheet of the lessee, both their economic resources as the obligations of the entity would be undervalued, thereby distorting any financial ratio could be calculated. It will be appropriate, therefore, that leasing is collected, on the balance sheet of the lessee, as both an asset and as an obligation to pay leasing fees in the future. At the beginning of the lease term, both the asset and the obligation to pay future assessments, be recorded on the balance sheet at the same amounts, unless there are direct costs related to the initial tenant, to be added to the amount recognized as an asset.
23. Not be appropriate to submit the obligations relating to property leased in the financial statements, as a deduction in the value of the assets. In case the entity operates in the balance, distinction between current and non-current liabilities, you'll see this same distinction for claims arising from the leases.
24. It often incur some initial costs to undertake specific activities of leasing, such as those that arise in negotiating and securing agreements and contracts.

The costs that are directly attributable to the activities carried out by the tenant in a

lease, will be included as part of the value of assets recognized in the transaction.  
Subsequent

25. **The minimum payments for the lease will be divided into two parts representing the financing costs and debt reduction alive. The total annual financial burden should be divided among the exercises that constitute the lease term, so as to obtain an interest rate steady in each year, on the balance of outstanding debt to repay. The contingent payments will be charged as expenses in the periods to which they are incurred.**
26. In practice, and in order to simplify the calculations, the tenant can use some kind of approximation to distribute the financial burden among the exercises that constitute the lease term.
27. **The lease will entail a charge for amortization depreciable assets, such as an interest expense in each period. The policy of depreciation for depreciable assets will be consistent with the leased out for the rest of depreciable assets which are held, and the depreciation accounted is calculated on the basis set out in IAS 16 Property, plant and equipment and IAS 38, Intangible Assets. If there is not a reasonable certainty that the lessee will obtain ownership at the end of the lease term, the asset is fully amortized throughout its useful life or the lease term, whichever is lower.**
28. The depreciable amount of the leased asset will be distributed among each of the years of expected use, according to a systematic basis, consistent with the policy of redemption that the tenant has taken with respect to the other depreciable assets it holds. In cases where there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of use is expected useful life of assets, otherwise the asset is amortized over its useful life or the lease term, whichever is less.
29. The lease will result in a charge for amortization and other types of financing each year, but the sum of these amounts will not be equal to the amount payable on the exercise and will therefore not be appropriate to consider spending just as the quota to pay into it. Accordingly, it is unlikely that the assets and liabilities related to the lease remain in the same amount after the start of the lease term.
30. To determine if the leased asset has been impaired value, the entity shall apply IAS 36 Impairment of Assets.
31. **In addition to the requirements of IFRS 7 Financial Instruments: Disclosure Information, tenants in its financial statements disclose the following information, relating to financial leases:**

**(a) For each asset class, the net book value at the balance sheet date.**

**(b) A reconciliation between the total amount of lease payments and their current value at the balance sheet date. In addition, the entity will report the minimum lease payments on the balance sheet date, and its corresponding current value for each of the following deadlines:**

**(i) up to a year;**

**(ii) between one and five years;**

**(iii) over five years.**

**(c) Fees contingent recognized as an expense in the period.**

**(d) Total amount of minimum payments by sub-letting expected to be received in the balance sheet date, for the financial sub-letting non-cancellable that the entity possesses.**

**(e) a general description of significant agreements leasing where included but not limited to, the following information:**

**(i) the basis for the determination of any share of a contingent that has been agreed;**

**(ii) the existence and, where appropriate, timely renewal of contracts, as well as options to buy and clauses refresh or staggering prices, and**

**(iii) the restrictions imposed on the entity under the leases, such as those concerning the distribution of dividends, the additional debt or new leasing contracts.**

32. In addition to the above, will apply to tenants reporting requirements set by IAS 16, IAS 36, IAS 38, IAS 40 and IAS 41 for assets leased under finance leases.

### **Operating leases**

33. **The shares arising from operating leases are recognized as an expense in a linear fashion, during the course of the lease term, unless another basis is more representative of systematic breakdown by more accurately reflect the temporal pattern of the benefits of leasing for the user.**

34. For operating leases, payments for the rental (excluding costs of other services such as insurance or maintenance) are recognized as expenses in a linear fashion, unless it is

more appropriate to use another basis of a systematic nature to collect , More representative, the pattern of generating benefits for the user. This is independent of the specific manner in which payments made in quotas.

35. In addition to the requirements of IFRS 7 Financial Instruments: Disclosure Information, tenants disclose, in its financial statements, the following information relating to operating leases:

(a) the total of future minimum lease payments, derivatives contracts for non-cancellable operating lease, which will meet on the following dates:

- (i) up to a year;
- (ii) between one and five years;
- (iii) to more than five years.

(b) the total amount of future payments by minimum sublease expected to be received in the balance sheet date, by sub-letting non-cancellable operating.

(c) sublicense fees and operating leases are recognized as expenses in the year, showing separately the amount of minimum payments for leases, contingent fees and assessments for sublease.

(d) a general description of significant agreements to lease entered into by the tenant, which include, without limitation, the following information:

- (i) the basis for the determination of any share of a contingent that has been agreed;
- (ii) the existence and, where appropriate, the timing of renewal or purchase options and the terms of updating or staggered; and
- (iii) the restrictions imposed on the entity under the leases, such as those concerning the distribution of dividends, the additional debt or new contracts arrendamiento1.

### **Accounting for leases in the financial statements of lessors**

## Leases

### Initial Recognition

36. **Landlords will recognize in its balance sheet assets that remain in leases and presented as a receivable, for an amount equal to the net investment in the lease.**
37. In a lease, substantially all risks and rewards of ownership are transferred by the lessor, and therefore the successive contributions to charge for the same are treated as repayments of principal and financial remuneration from the lessor for its investment and services.
38. It is not uncommon for the landlord to incur some initial costs, including commissions, legal fees and internal costs that are incremental and directly attributable to the negotiation and contracting of the lease. Of which excludes indirect costs structure, such as those incurred by a team of sales and marketing. In the case of financial leases other than those in involving any producer or distributor who is also a landlord, the initial direct costs are included in the initial assessment of the receivables by the lease, and decrease the amount of revenue recognized throughout the term of the lease. The interest rate implicit in the lease is defined so that the initial direct costs are automatically included in the receivables of leasing, and therefore is no need to add them in an independent manner. The costs incurred by producers or distributors, who are also landlords, in connection with the negotiation and contracting of a lease, are excluded from the definition of initial direct costs. Consequently, they are excluded from net investment of the lease and are recognized as expenses when they recognize the benefit of the sale, which for a lease usually takes place at the beginning of the lease term.

### Subsequent

39. **The recognition of financial income, will be based on a pattern that reflects, in each of the exercises, a constant rate of return on net financial investment that the lessor has made in the lease.**
40. Every landlord wants to distribute the finance income on a systematic and rational throughout the term of the lease. This distribution will be based on a pattern that reflects a steady performance in each year on the net investment related to the lease. The lease payments for each financial year, after excluding the costs for services, to cover the gross investment in the lease, reducing both the principal as the financial income not earned.
41. Estimates of residual values is not guaranteed, used to compute the gross investment of the lessor in a lease, will be subject to regular reviews. If it were a permanent reduction in the estimate of the residual value is not guaranteed, would be to review the distribution of financial income earned in the course of the lease term, and any reduction in the amounts of revenue and earnings will be recognized immediately.

41 A. An asset subject to a lease, which has been classified as held for sale (or included in a group of alienable items classified as held for sale) in accordance with IFRS 5, is counted as established in this Standard.

42. **Landlords who are also producers or distributors recognize results from the sale in the year, in accordance with the policies used by the institution for the rest of direct sales. If you have been artificially low interest rates, the result from the sale will be reduced to that would have been obtained had implemented market interest rates. The costs incurred by the manufacturer or distributor who is also landlord, and are connected with the negotiation or the hiring of the lease, is recognized as an expense when they recognize the result in the sale.**
43. Manufacturers and distributors often offer their customers the option to buy or rent an asset. The leasing of an asset, where the landlord is also a manufacturer or distributor, will give rise to two types of results:
- (a) gains or losses equivalent to the result of the direct sale of the leased asset, a normal sale price, taking into account all kinds of discounts and rebates that are applicable and
  - (b) the financial gain that is obtained during the period of the lease.
44. The revenue from sales recorded at the beginning of the term of the lease, a landlord who is the manufacturer or distributor, is equal to the fair value of the asset or, if lower, at the present value of the minimum lease payments, discounted at a market interest rate. The cost of sales recognized at the beginning of the lease term will be the cost of the leased property or the amount by which accounted if different, less the current value of the amount that reaches the residual value guaranteed. The difference between revenue and cost of sales is the gain on the sale, which is recognized as such in accordance with the policies pursued by the institution for direct sales.
45. The manufacturers or distributors who are also landlords, sometimes applied to interest rates artificially low to attract customers. The use of such kind could mean recognition, at the time of sale, a total result of the excessive portion of the transaction. In the case of the use interest rates artificially low, the result of the sale will be reduced to that which would have been obtained for a market interest rate.
46. Initial direct costs, in cases of landlords who are manufacturers or distributors, are recognized as expenses at the beginning of the lease term, as they are mainly related to obtaining profits from the manufacturer or distributor in the sale.
47. **In addition to the requirements of IFRS 7 Financial Instruments: Disclosure Information, lessors disclose in its financial statements the following information, relating to financial leases:**
- (a) A conciliation in the balance sheet date, among the total gross investment in leases and the present value of the minimum payments to get by them. In addition, the entity disclosed in the balance sheet date, both the total gross investment in these leases as the present value of the minimum payments due to receive from them, for each of the following deadlines:**

- (i) up to a year;
- (ii) between one and five years;
- (iii) over five years.

**(b) The financial income not earned.**

**(c) The amount of the guaranteed residual values not recognized in favor of the landlord.**

**(d) The cumulative value adjustments to cover bad debts relating to the Minimum lease payments receivable.**

**(e) The contingent recognized revenue for the year.**

**(f) A general description of the significant lease agreements entered into by the landlord.**

48. It is often useful to inform, as an indicator of growth in leasing activity on the gross investment in leases obtained in the exercise, minus the corresponding financial income not earned, which is deducted the amount of the leases canceled at the same time interval.

#### **Operating leases**

49. **Landlords presented in its balance sheet, assets dedicated to operating leases in accordance with the nature of such goods.**

50. **The income from operating leases are recognized as income in a linear fashion throughout the lease term, unless another basis is more representative of systematic allocation by more accurately reflect the temporal pattern of consumption of the benefits arising from the use of assets leased in question.**

51. The costs incurred in obtaining income from leases, including the depreciation of the asset, are recognized as expenses. The lease income (excluding whatever is received for services such as insurance and maintenance) will be recognized in a linear fashion in the lease term, even if the charges are not received in accordance with such a basis, unless another systematic formula is more representative of the temporal with the benefits derived from use of the leased asset decline.

52. **Initial direct costs incurred by the lessor in the negotiation and contracting of an operating lease are added to the amount of the leased asset and to be recognized as an expense over the lease term, on the same basis that revenue from leasing.**

53. **The depreciation of depreciable assets leased shall be made consistent with the policies normally followed by the landlord for similar assets, and is calculated in accordance with the foundations laid down in IAS 16 and IAS 38.**

54. To determine if the leased asset has been impaired value, the entity shall apply IAS 36.

55. The landlord, which is also a manufacturer or distributor of the property leased, will not recognize any results from the sale when a contract arrangements, because the operation is in no way equivalent to a sale.

**56. In addition to the requirements of IFRS 7, lessors disclose, in its financial statements, the following information relating to operating leases:**

**(a) The total amount of future minimum lease payments under non-cancellable operating leases and the amounts that correspond to the following schedule:**

**(i) up to a year;**

**(ii) between one and five years;**

**(iii) over five years.**

**(b) The total shares of a contingent recognized as income in the year.**

**(c) A general description of the terms of the leases agreed by the landlord.**

57. In addition, shall also apply to assets leased to others under an operating lease, the information requirements prescribed in IAS 16, IAS 36, IAS 38, IAS 40 and IAS 41.

#### **Transactions sale and leaseback**

58. A sale and leaseback is a transaction involving the sale of an asset and its subsequent lease to the seller. The shares of leasing and sale price are usually interdependent as they are negotiated simultaneously. The accounting treatment of transactions of sale and leaseback depend on the type of lease involved in them.

**59. If a sale and leaseback should prove to be a lease, it will avoid recognizing immediately as a result, the financial statements of the seller lessee, any excess of the amount of the sale on the amount of the asset sold. This amount is deferred and amortized over the term of the lease.**

60. If the lease is a lease later, the operation is a means by which the landlord provides funding to the tenant with the asset as collateral. For this reason, it is not appropriate to consider the excess of the amount of the sale on the amount of the asset as a result made. This excess is deferred and amortized over the term of the lease.

**61. If a sale and leaseback should prove to be an operating lease, and it is clear that the operation has been established at their fair value, any outcome will be recognized immediately as such. If the sale price was less than fair value, any outcome will be recognized immediately, except if the loss would be offset by future assessments below market prices, in which case it will differ and amortized in proportion to the contributions paid during the period in which he is expected to use the active. If the sale price is more than fair value, such excess will be deferred and amortized over the period in which they are expected to use the active.**

62. If the leaseback was an operating lease, and therefore shares as the price is established using fair values, it will in fact produced a normal operation of sale and immediately recognize any outcome of it.
- 63. In contracts for operating lease, if the fair value of the property at the time of sale and leaseback is less than its carrying amount, the loss resulting from the difference between the two figures will be recognized immediately.**
64. However, for leases, such adjustment will not be necessary unless there is a deterioration in value, in which case the amount on books will be cut until it reaches the recoverable amount, in accordance with IAS 36.
65. The obligations on disclosure, both set for landlords to tenants, will be equally applicable to the sale and leaseback. In the case of the general description of relevant agreements of leases, it will be appropriate to disclose the unusual provisions that have been included in the agreements, either in terms of the transactions of sale and leaseback.
66. The operations of sale and leaseback can qualify for having to report separately from them under IAS 1 Presentation of Financial Statements.

#### **Transitional Arrangements**

- 67. In accordance with paragraph 68, was advised the retroactive application of this standard, but not required to do so. If not apply the standard retroactively, it follows that the balance of any pre-existing lease has been determined appropriately by the landlord, who entered in the future, according to the contents of this Standard.**
- 68. The entity that previously applied IAS 17 (revised 1997) will implement the changes made by this standard retroactively to all leases, or, if IAS 17 (revised 1997) was not applied retroactively, for all leases that have begun since it was first applied this standard.**

#### **Effective Date**

- 69. An entity shall apply this standard for annual periods beginning on or after January 1, 2005. Earlier application is encouraged. If an entity applies this standard for a period beginning before January 1, 2005, disclose that fact.**

#### **Repeal of IAS 17 (revised 1997)**

70. The Standard supersedes IAS 17 Leases (revised 1997).