

Exposure Draft

Amendments to Ind AS 17, *Leases*

(Last date for Comments: October 07, 2015)



Issued by

Accounting Standards Board

The Institute of Chartered Accountants of India

Exposure Draft

Amendments to Ind AS 17, Leases

Following is the Exposure Draft of Amendments to Ind AS 17, Leases issued by the Accounting Standards Board of The Institute of Chartered Accountants of India, for comments.

IAS 17, Leases, requires that lease payments under an operating lease shall be recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit. However Ind AS 17, Leases which is notified by the Ministry of Corporate Affairs provides that where the escalation of lease rentals is in line with the expected general inflation so as to compensate the lessor for expected inflationary cost, the increases in the rentals shall not be straight lined. The proposed amendments would make the exception to straight-lining of lease rentals optional.

The Board invites comments on any specific aspect of the Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

How to comment-

Comments should be submitted using one of the following methods, so as to be received not later than October 07, 2015:

- 1. Electronically: Visit at the following link <http://www.icai.org/comments/asb/>*
- 2. Email: comments can be sent to: commentsasb@icai.in or asb@icai.in*
- 3. Postal: Secretary, Accounting Standards Board,*

*The Institute of Chartered Accountants of India,
ICAI Bhawan, Post Box No. 7100,
Indraprastha Marg,
New Delhi 110 002*

Further clarifications on this Exposure Draft may be sought by e-mail to geetanshu.bansal@icai.in or asb@icai.in

*(The Exposure Draft of the Indian Accounting Standard includes paragraphs set in **bold** type and plain type, which have equal authority. Paragraphs in **bold** type indicate the main principles. This Exposure Draft of the amendments to Indian Accounting Standard should be read in the context of its objective and the Preface to the Statements of Accounting Standards)*

Amendments to Ind AS 17, *Leases*

Paragraphs 33 and 50 are amended and paragraphs 34A and 51A are added. Paragraph 2 of Appendix 1 is amended. Paragraphs 34 and 51 have not been amended but are included for ease of reference. New text is underlined and deleted text is struck through.

Operating leases

33. Lease payments under an operating lease shall be recognised as an expense on a straight-line basis over the lease term unless ~~either~~:

~~(a) another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis.²; or~~

~~(b) the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.³~~

34 For operating leases, lease payments (excluding costs for services such as insurance and maintenance) are recognised as an expense on a straight-line basis unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis.

34A Notwithstanding anything contained in paragraphs 33 and 34, if the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, an entity may recognize lease rentals in accordance with the lease agreement rather than recognizing on a straight-line basis. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

...

Operating leases

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50 Lease income from operating leases (excluding amounts for services such as insurance and maintenance) shall be recognised in income on a straight-line basis over the lease term, unless ~~either~~:

² See also Appendix A Operating Leases-Incentives.

(a) another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished, even if the payments to the lessors are not on that basis.³ ~~or~~

~~(b) the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary according to factors other than inflation, then this condition is not met.~~

51 Costs, including depreciation, incurred in earning the lease income are recognised as an expense. Lease income (excluding receipts for services provided such as insurance and maintenance) is recognised on a straight-line basis over the lease term even if the receipts are not on such a basis, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

51A Notwithstanding anything contained in paragraph 50 and 51, if the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, an entity may recognise lease rentals in accordance with the lease agreement rather than recognizing on a straight-line basis. If payments to the lessor vary according to factors other than inflation, then this condition is not met.

...

Appendix 1

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2. Paragraphs ~~33~~ 34A and ~~50~~ 51A have been ~~modified~~ added to provide that where the escalation of lease rentals is in line with the expected general inflation so as to compensate the lessor for expected inflationary cost, the increases in the rentals ~~shall~~ may not be straight lined.

³ See also Appendix A Operating Leases-Incentives.