

Issues of Accounting of Lease and Revenue according to International Financial Reporting Standards

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Abstract : It is broadly known that lease is a flexible means of funding enterprises. Lease reduces the risk related to access and possession of assets, as well as obtainment of funding. Therefore, it is important to refine lease accounting. The lease accounting regulations under the applicable standard (International Accounting Standards 17) make concealment of liabilities possible. As a result, the information users get inaccurate and incomprehensive information and have to resort to an additional assessment of the off-balance sheet lease liabilities. In order to address the problem, the International Financial Reporting Standards Board decided to change the approach to lease accounting. With the deficiencies of the applicable standard taken into account, the new standard (IFRS 16 'Leases') aims at supplying appropriate and fair lease-related information to the users. Save certain exclusions; the lessee is obliged to recognize all the lease agreements in its financial report. The approach was determined by the fact that under the lease agreement, rights and obligations arise by way of assets and liabilities. Immediately upon conclusion of the lease agreement, the lessee takes an asset into its disposal and assumes the obligation to effect the lease-related payments in order to meet the recognition criteria defined by the Conceptual Framework for Financial Reporting. The payments are to be entered into the financial report. The new lease accounting standard secures supply of quality and comparable information to the financial information users. The International Accounting Standards Board and the US Financial Accounting Standards Board jointly developed IFRS 15: 'Revenue from Contracts with Customers'. The standard allows the establishment of detailed revenue recognition practical criteria such as identification of the performance obligations in the contract, determination of the transaction price and its components, especially price variable considerations and other important components, as well as passage of control over the asset to the customer. IFRS 15: 'Revenue from Contracts with Customers' is very similar to the relevant US standards and includes requirements more specific and consistent than those of the standards in place. The new standard is going to change the recognition terms and techniques in the industries, such as construction, telecommunications (mobile and cable networks), licensing (media, science, franchising), real property, software etc.

Keywords : assessment of the lease assets and liabilities, contractual liability, division of contract, identification of contracts, contract price, lease identification, lease liabilities, off-balance sheet, transaction value

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