

IFRS 16. Identifying a lease

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

An asset is typically identified by being explicitly specified in a contract, but an asset can also be identified by being implicitly specified at the time it is made available for use by the customer.

However, where a supplier has a substantive right of substitution throughout the period of use, a customer does not have a right to use an identified asset.

A supplier's right of substitution is only considered substantive if the supplier has both the practical ability to substitute alternative assets throughout the period of use and they would economically benefit from substitution.

A capacity portion of an asset is still an identified asset if it is physically distinct for example: a floor of a building.

A capacity or other portion of an asset that is not physically distinct for example: a capacity portion of a fiber optic cable, is not an identified asset, unless it represents substantially all the capacity such that the customer obtains substantially all the economic benefits from using the asset.

REFERENCE:

Deloitte. IAS Plus
IFRS 15 Regulatory Deferral Accounts
April 12, 2016.

Retrieved from: <https://www.iasplus.com/en/standards/ifrs/ifrs15>