

IFRS 16. Key Definitions

Interest rate implicit in the lease

The interest rate that yields a present value of the lease payments and the unguaranteed residual value equal to the sum of the fair value of the underlying asset and any initial direct costs of the lessor.

Lease term

The non-cancellable period for which a lessee has the right to use an underlying asset, plus:

- a) Periods covered by an extension option if exercise of that option by the lessee is reasonably certain.
- b) Periods covered by a termination option if the lessee is reasonably certain not to exercise that option.

Lessee's incremental borrowing rate

The rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

REFERENCE:

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

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