IFRS 16 · TECHNICAL TRAINING SESSION

# IFRS 16: Leases

## *Concepts, Accounting & Practical Application*

For finance professionals, CMAs and accountants in Bangladesh

**Zakaria Habib Khan Shishir FCMA (F-932)**
Country Finance Head
Louis Dreyfus Company Bangladesh Private Ltd.
Phone: +8801716358645 | Email: shishir@shishirfcma.com

SESSION ROADMAP

# Agenda

1 **Background & scope**
Why IAS 17 was replaced; what IFRS 16 covers

2 **Core concepts**
Definitions, identifying a lease, components, lease term, exemptions

3 **Lessee accounting**
Single model; initial & subsequent measurement; remeasurement; modifications

4 **Worked example**
5-year Dhaka office lease at 10% IBR — schedules, journals, P&L impact

5 **Presentation & disclosure**
SoFP, P&L, cash flows, required lessee disclosures

6 **Lessor & special topics**
Classification, lessor accounting, sale & leaseback, subleases, transition

7 **Bangladesh perspective**
Tax, VAT & AIT, deferred tax, KPIs, practical challenges, takeaways

**Session objective**

Apply IFRS 16 confidently — from contract review to journal entries, disclosures and tax.

BACKGROUND

# Why IAS 17 had to go

## The problem with IAS 17

**Two lessee models:** finance leases on balance sheet; operating leases off balance sheet (rent expense only)

**Hidden leverage:** operating lease commitments shown only in notes; analysts adjusted manually

**Bright lines:** structuring to achieve operating-lease treatment (e.g., 74% vs 75% of life)

**Scale:** IASB estimated ~US$3 trillion of off-balance-sheet lease commitments at listed companies

## What IFRS 16 did

**Single lessee model:** almost all leases on balance sheet (ROU asset + lease liability)

**Lessor model:** substantially carried forward from IAS 17

**Replaced:** IAS 17 Leases, IFRIC 4, SIC-15 Operating Leases–Incentives, SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

**US GAAP:** FASB issued ASC 842 (Feb 2016) — converged on recognition, not on expense pattern



# Objective and scope of IFRS 16

## Objective

Ensure lessees and lessors provide relevant information that faithfully represents lease transactions — giving users a basis to assess the effect of leases on financial position, financial performance and cash flows.

Scope: applies to ALL leases, including leases of right-of-use assets in a sublease — except those listed opposite.

## Scope exclusions (para 3)

1. **Mineral exploration:** Leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources
2. **Biological assets:** Leases of biological assets within IAS 41 held by a lessee
3. **Service concessions:** Service concession arrangements within IFRIC 12
4. **Licences of IP (lessor):** Licences of intellectual property granted by a lessor — IFRS 15 applies
5. **Licensing rights (lessee):** Rights under licensing agreements within IAS 38 — films, video recordings, plays, manuscripts, patents, copyrights

**Optional exclusion (para 4):** a lessee MAY, but is not required to, apply IFRS 16 to leases of other intangible assets.

# Key definitions: the parties and the contract

### Lease

A contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

### Lessee

The entity that obtains the right to use an underlying asset for a period of time in exchange for consideration.

### Lessor

The entity that provides the right to use an underlying asset for a period of time in exchange for consideration.

### Lease term

Non-cancellable period, plus periods covered by an extension option reasonably certain to be exercised, and a termination option reasonably certain NOT to be exercised.

### Lease payments

Fixed (incl. in-substance fixed) payments less incentives; index/rate-based variable payments; purchase option price if reasonably certain; termination penalties; and (lessee) amounts expected under residual value guarantees.

### Right-of-use (ROU) asset

An asset that represents a lessee's right to use an underlying asset for the lease term.

# Key definitions: rates, dates and costs

### Interest rate implicit in the lease

The rate at which PV of (a) lease payments and (b) unguaranteed residual value equals (i) fair value of the underlying asset plus (ii) the lessor's initial direct costs.

### Incremental borrowing rate (IBR)

The rate a lessee would pay to borrow, over a similar term and with similar security, the funds needed to obtain an asset of similar value to the ROU asset in a similar economic environment.

### Commencement date

The date on which a lessor makes the underlying asset available for use by a lessee — the date of initial recognition and measurement.

### Inception date

The earlier of the date of the lease agreement and the date of commitment by the parties to the principal terms — the date a lease is identified and (lessor) classified.

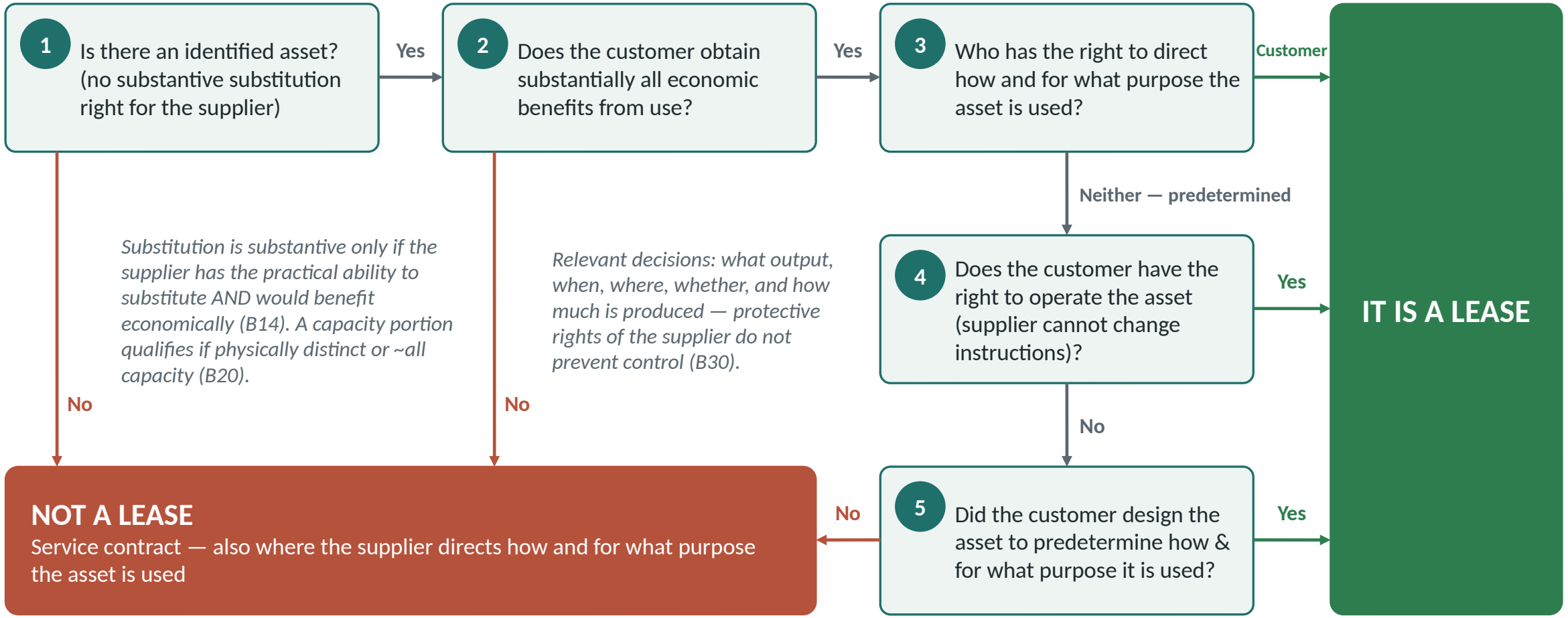
### Initial direct costs

Incremental costs of obtaining a lease that would not have been incurred had the lease not been obtained (e.g., broker commission) — not internal staff costs.

### Lease incentives

Payments made by a lessor to a lessee associated with a lease, or the reimbursement or assumption by a lessor of costs of a lessee (e.g., rent-free months, fit-out contributions).

# Is the contract a lease? — the three tests



# Lease and non-lease components

## General rule

- Account for each lease component separately from non-lease components (e.g., maintenance, security, cleaning, utilities)
- Lessee allocates consideration on the relative stand-alone price of each component
- Lessor allocates applying IFRS 15

## Not a component

- Activities that transfer no good or service to the lessee — e.g., administrative tasks, property tax or the lessor's insurance re-charged
- These form part of total consideration allocated to the components

## Practical expedient (para 15)

- Lessee may elect, BY CLASS of underlying asset, not to separate non-lease components
- Lease + associated non-lease components accounted for as a single lease component
- Not available for embedded derivatives (IFRS 9)

## Dhaka office illustration

| Monthly charge | BDT | Treatment |
|---|---|---|
| Space rent | 2,00,000 | Lease component |
| Service charge (lift, generator, security) | 30,000 | Non-lease — expense |
| With the expedient | **2,30,000** | All in lease liability |

# Determining — and reassessing — the lease term

**Non-cancellable period** + **Extension options reasonably certain to be exercised** + **Termination option periods reasonably certain NOT to be exercised** = **Lease term**

## Factors for 'reasonably certain' (B37)

- Option rents compared with market rates
- Significant leasehold improvements expected to have value when the option arises
- Costs of terminating — relocation, negotiation, finding a replacement asset
- Importance of the asset to operations (e.g., specialised factory site)
- Past practice and economic reasons — not management intent alone
- Enforceability: no lease beyond the point where both parties can terminate with no more than an insignificant penalty (B34)

## Reassessment triggers (para 20–21)

**Lessee reassesses** on a significant event or change in circumstances within its control that affects 'reasonably certain', e.g.:

- Significant leasehold improvements not anticipated at commencement
- Significant modification or customisation of the asset
- A sublease beyond the end of the previously determined term
- A business decision directly relevant to exercising an option

**Lessee revises** the term when the non-cancellable period changes (e.g., an option is actually exercised)

# Two optional recognition exemptions

## ≤ 12 months

### Short-term leases

- Lease term of 12 months or less at commencement
- A lease containing a purchase option is NOT short-term
- Election by CLASS of underlying asset
- Modification or change in term → treated as a new lease

## ≈ US$5,000

### Low-value assets (value when new)

- Assessed on the asset's value when NEW, regardless of its age — absolute, not materiality-based
- Election lease-by-lease
- Asset must be usable on its own (not highly dependent on other assets)
- Head lease of a subleased asset does not qualify
- Examples: laptops, tablets, phones, small furniture — NOT cars

*Accounting under either exemption: lease payments expensed on a straight-line (or other systematic) basis; disclose the expense.*

# One on-balance-sheet model for lessees

## IAS 17 (old)

**Finance lease**
Asset + liability on balance sheet

**Operating lease**
OFF balance sheet — straight-line rent expense

IFRS 16 →

## IFRS 16 lessee — all leases (except exemptions)

### Statement of financial position

**Right-of-use asset**
Asset side

**Lease liability**
Liability side

### Profit or loss

**Depreciation of ROU**
Operating expense

**Interest on liability**
Finance cost

### Cash flows

Principal → financing | Interest → per IAS 7 policy | Short-term, low-value & variable → operating

# Measuring the lease liability at commencement

## Lease liability = PV of lease payments not yet paid at commencement

1. **Fixed payments**
   Including in-substance fixed payments, less lease incentives receivable
2. **Variable payments based on an index or rate**
   e.g., CPI-linked rent or a rate-linked payment — measured using the index/rate at commencement
3. **Residual value guarantees**
   Amounts expected to be payable by the lessee
4. **Purchase option**
   Exercise price if reasonably certain to be exercised
5. **Termination penalties**
   If the lease term reflects the lessee exercising a termination option

### Excluded from the liability

- Variable payments linked to sales or usage (e.g., % of turnover rent) → P&L when incurred
- Payments for non-lease components (unless expedient)

### Choice of discount rate

**1st:** interest rate implicit in the lease, if readily determinable

**Otherwise:** lessee's incremental borrowing rate

- Build IBR from actual BDT borrowing rates for a similar term & security, adjusted for lease-specific factors

# Measuring the right-of-use asset at cost

**Lease liability** initial amount + **Prepaid lease payments** at or before commencement − **Lease incentives received** + **Initial direct costs** incurred by lessee + **Restoration costs** dismantling / removal (IAS 37) = **ROU asset** cost at commencement

## Applied to our worked example (BDT)

| Component | BDT |
|---|---|
| Lease liability (PV of 5 × 24,00,000 @ 10%) | 90,97,888 |
| Prepaid lease payments | – |
| Less: lease incentives received | – |
| Initial direct costs (broker commission) | 1,00,000 |
| Restoration costs | – |
| **ROU asset at commencement** | **91,97,888** |

## Practice points

- Restoration: recognise an IAS 37 provision; the same amount is added to the ROU asset
- Advance rent adjustable against future rent = prepaid lease payment
- Refundable security deposits are financial assets (IFRS 9) — any discount on fair value is added to the ROU asset

# After commencement: liability and ROU asset

## Lease liability — effective interest method

**Increase** for interest at a constant periodic rate on the remaining balance

**Reduce** for lease payments made

**Remeasure** for reassessments and modifications

**P&L:** interest + variable payments not in the liability, in the period of the triggering event

**Opening + Interest – Payment = Closing**

## ROU asset — cost model (default)

**Cost** less accumulated depreciation and impairment, adjusted for remeasurement

**Depreciation (IAS 16):** commencement to the EARLIER of useful life and lease term; useful life if ownership transfers or purchase option is reasonably certain

**Impairment:** IAS 36

## Alternative measurement models

**Fair value model (IAS 40):** required for ROU assets meeting the investment property definition, if IAS 40 FV model applied

**Revaluation (IAS 16):** may elect for ROU assets relating to a revalued class of PPE

# Remeasuring the lease liability

| Trigger | Discount rate | Typical example |
|---|---|---|
| Change in lease term | **Revised** | Decision to stay in factory premises for a further 3-year option |
| Change in assessment of a purchase option | **Revised** | Purchase option on a leased generator now reasonably certain |
| Change in amounts expected under a residual value guarantee | **Unchanged** | Expected market value of a leased vehicle falls |
| Change in index or rate affecting future payments | **Unchanged** | CPI-linked rent increase takes effect (when cash flows change) |
| Change in floating interest rate | **Revised (for the rate change)** | Payments linked to a market reference rate |

## Accounting for the remeasurement

- Adjust the ROU asset by the amount of the remeasurement — no immediate P&L effect
- If the ROU asset is reduced to zero, recognise any further reduction in profit or loss

# Lease modifications: decision path

**Does the modification:**
(a) add the right to use one or more underlying assets, AND
(b) increase consideration commensurate with stand-alone price?

Both — Yes → **Separate lease**
Account for the new lease from its commencement; original lease unchanged

No → **At the effective date: allocate consideration, determine the revised lease term, and remeasure the liability using a REVISED discount rate**

## Decrease in scope (partial / full termination)

- Reduce ROU carrying amount proportionately; recognise gain or loss in P&L
- e.g., surrendering 1 of 4 rented floors in a Motijheel building

## All other modifications

- Corresponding adjustment to the ROU asset — no P&L
- e.g., extending the term or renegotiating the rent

# Dhaka office lease: facts and present value

## Facts — ABC Ltd, Gulshan office

**Commencement:** 1 January 2025

**Non-cancellable term:** 5 years, no extension or purchase option

**Rent:** BDT 24,00,000 per year, payable at the END of each year (fixed)

**Initial direct costs:** BDT 1,00,000 broker commission at commencement

**Discount rate:** implicit rate not determinable → IBR 10%

**Depreciation:** straight-line over 5 years

**Simplification:** VAT and AIT on rent ignored

| Year | Payment (BDT) | DF @ 10% | Present value (BDT) |
|---|---|---|---|
| Year 1 (2025) | 24,00,000 | 0.9091 | 21,81,818 |
| Year 2 (2026) | 24,00,000 | 0.8264 | 19,83,471 |
| Year 3 (2027) | 24,00,000 | 0.7513 | 18,03,156 |
| Year 4 (2028) | 24,00,000 | 0.6830 | 16,39,232 |
| Year 5 (2029) | 24,00,000 | 0.6209 | 14,90,211 |
| **Total** | **1,20,00,000** | **3.7908** | **90,97,888** |

**BDT 90,97,888**
Lease liability at commencement

**BDT 91,97,888**
ROU asset at commencement

# Lease liability amortisation schedule

| Year | Opening (BDT) | Interest @ 10% | Payment | Closing (BDT) |
|---|---|---|---|---|
| Year 1 (2025) | 90,97,888 | 9,09,789 | 24,00,000 | 76,07,677 |
| Year 2 (2026) | 76,07,677 | 7,60,768 | 24,00,000 | 59,68,445 |
| Year 3 (2027) | 59,68,445 | 5,96,844 | 24,00,000 | 41,65,289 |
| Year 4 (2028) | 41,65,289 | 4,16,529 | 24,00,000 | 21,81,818 |
| Year 5 (2029) | 21,81,818 | 2,18,182 | 24,00,000 | 0 |
| **Total** | | **29,02,112** | **1,20,00,000** | |

*Interest falls each year as the balance reduces — this is what front-loads the total IFRS 16 expense.*

### SoFP at 31 Dec 2025

**Current:** BDT 16,39,232

**Non-current:** BDT 59,68,445

**Total:** BDT 76,07,677

### How to split current

Current portion = principal to be repaid in the next 12 months: Year 2 payment 24,00,000 − Year 2 interest 7,60,768 = 16,39,232.

# ROU depreciation and journal entries

### ROU asset depreciation (straight-line)

| Year | Depreciation | Carrying amt |
|---|---|---|
| Cost | | 91,97,888 |
| Year 1 (2025) | 18,39,578 | 73,58,310 |
| Year 2 (2026) | 18,39,578 | 55,18,732 |
| Year 3 (2027) | 18,39,578 | 36,79,154 |
| Year 4 (2028) | 18,39,578 | 18,39,576 |
| Year 5 (2029) | 18,39,576 | 0 |

### Journal entries (BDT)

| Date | Account | Dr | Cr |
|---|---|---|---|
| 1 Jan 2025 | Right-of-use asset | 90,97,888 | |
| | *Lease liability* | | 90,97,888 |
| 1 Jan 2025 | Right-of-use asset | 1,00,000 | |
| | *Bank (initial direct costs)* | | 1,00,000 |
| 31 Dec 2025 | Interest expense | 9,09,789 | |
| | *Lease liability* | | 9,09,789 |
| 31 Dec 2025 | Lease liability | 24,00,000 | |
| | *Bank* | | 24,00,000 |
| 31 Dec 2025 | Depreciation – ROU | 18,39,578 | |
| | *Accum. depreciation – ROU* | | 18,39,578 |

**Year 1 total P&L charge: depreciation 18,39,578 + interest 9,09,789 = BDT 27,49,367**

# P&L effect: IFRS 16 vs IAS 17 operating lease




| Year | Depn | Interest | IFRS 16 | IAS 17 | Diff. |
|---|---|---|---|---|---|
| Y1 | 18,39,578 | 9,09,789 | 27,49,367 | 24,20,000 | +3,29,367 |
| Y2 | 18,39,578 | 7,60,768 | 26,00,346 | 24,20,000 | +1,80,346 |
| Y3 | 18,39,578 | 5,96,844 | 24,36,422 | 24,20,000 | +16,422 |
| Y4 | 18,39,578 | 4,16,529 | 22,56,107 | 24,20,000 | −1,63,893 |
| Y5 | 18,39,576 | 2,18,182 | 20,57,758 | 24,20,000 | −3,62,242 |
| **Total** | **91,97,888** | **29,02,112** | **1,21,00,000** | **1,21,00,000** | **0** |

## Front-loading of expense

- Higher expense in early years, lower later; same total over the lease
- IAS 17 figure = rent 24,00,000 + IDC amortised 20,000
- EBITDA improves by the full rent; finance costs rise

PRESENTATION (PARAS 47–50)

# Presenting leases in the financial statements

1

## Statement of financial position

- ROU assets separately, OR within the line item where owned assets would be presented, with disclosure of which line items include them
- Lease liabilities separately, OR disclose the line items that include them
- ROU assets meeting the investment property definition → investment property
- Current / non-current split of liability

2

## Statement of profit or loss

- Depreciation of ROU asset — within operating expenses
- Interest on lease liability — a component of finance costs, presented separately from depreciation
- Short-term, low-value and variable payments — operating expense

3

## Statement of cash flows

- Principal portion → financing activities
- Interest portion → per IAS 7 policy (operating or financing)
- Short-term, low-value and variable payments not in the liability → operating
- ROU additions are non-cash transactions

**Looking ahead — IFRS 18 (effective 1 Jan 2027):** interest on lease liabilities sits in the financing category of P&L; amended IAS 7 requires most corporates to classify interest paid as financing.

# What lessees must disclose

## Quantitative — for the period (para 53)

1. Depreciation of ROU assets by class of underlying asset
2. Interest expense on lease liabilities
3. Short-term lease expense (leases > 1 month)
4. Low-value lease expense (excl. short-term)
5. Variable payments not in lease liabilities
6. Income from subleasing ROU assets
7. Total cash outflow for leases
8. Additions to ROU assets
9. Gains or losses from sale and leaseback
10. Carrying amount of ROU assets by class at period end

### Also required

- Maturity analysis of lease liabilities (IFRS 7) — separately from other liabilities
- Use of short-term / low-value exemptions
- Tabular format unless another is more appropriate

### Qualitative (para 59)

- Nature of leasing activities
- Future cash outflows not in the liability: variable payments, extension/termination options, RVGs, leases not yet commenced
- Restrictions or covenants; sale & leaseback

# Lessor: finance or operating lease?

Finance lease = transfers substantially all the risks and rewards incidental to ownership. Otherwise → operating lease. Classified at inception; reassessed only on modification.

## Situations that normally indicate a finance lease (para 63)

- Ownership transfers to the lessee by the end of the lease term
- Purchase option priced so exercise is reasonably certain
- Lease term is for the major part of the asset's economic life
- PV of lease payments amounts to at least substantially all of fair value
- Asset is so specialised only the lessee can use it without major modification

## Indicators (para 64)

- Lessee bears lessor's losses on cancellation
- Gains/losses from fair value of residual accrue to the lessee
- Lessee can continue at substantially below-market rent

**No bright lines:** 'major part' and 'substantially all' are judgements — the old 75% / 90% US tests are not in IFRS.

# Lessor accounting: finance vs operating lease

| Aspect | Finance lease | Operating lease |
|---|---|---|
| **Initial recognition** | Derecognise underlying asset; recognise net investment in the lease (receivable) | Keep underlying asset on SoFP |
| **Measurement** | PV of lease payments receivable + unguaranteed residual, at the implicit rate (includes IDC) | Asset per IAS 16 / IAS 38 / IAS 40 |
| **Income** | Finance income at a constant periodic rate on the net investment | Lease income straight-line (or other systematic basis) |
| **Initial direct costs** | Included in net investment (except manufacturer/dealer) | Added to carrying amount; expensed over lease term |
| **Other** | Manufacturer/dealer: selling profit at commencement; derecognition & impairment per IFRS 9 | Depreciate asset; impairment per IAS 36 |

Lessor disclosures: selling profit, finance income, lease income (variable shown separately), and maturity analysis of undiscounted payments receivable.

# Sale and leaseback transactions

**Is the transfer a SALE under IFRS 15 (control passes to buyer-lessor)?**

Yes

## Sale — seller-lessee

- Derecognise asset; measure ROU at the proportion of previous carrying amount for rights RETAINED
- Recognise gain/loss only on rights TRANSFERRED to the buyer-lessor
- Adjust for off-market terms (prepayment or additional financing)
- Buyer-lessor: accounts for purchase + applies lessor accounting

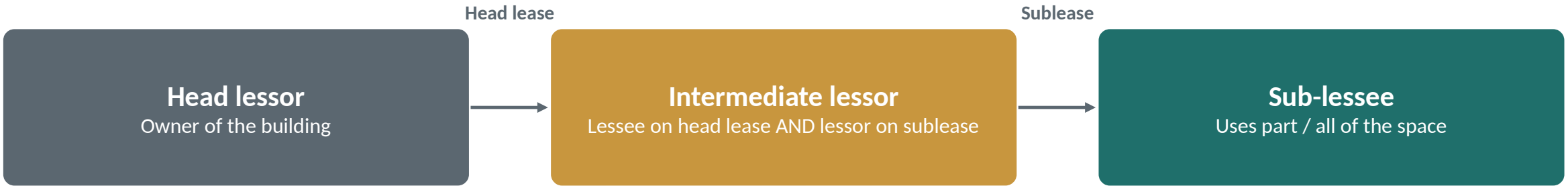
No

## Not a sale — financing

- Seller-lessee keeps the asset; recognises a financial liability (IFRS 9) for proceeds
- Buyer-lessor recognises a financial asset (IFRS 9)
- e.g., seller-lessee has a substantive repurchase option

**2022 amendment (effective 1 Jan 2024):** in subsequent measurement, the seller-lessee must not recognise any gain or loss relating to the right of use it retains — relevant where payments are variable.

# Subleases: the intermediate lessor




**Two separate contracts.** Classify the sublease by reference to the ROU asset from the head lease — NOT the underlying asset. If the head lease is short-term (exemption applied), the sublease is an operating lease.

## Finance sublease

- Derecognise the ROU asset (or part); recognise net investment in sublease
- Difference → profit or loss
- KEEP head lease liability; interest expense continues

## Operating sublease

- Keep ROU asset and lease liability from the head lease
- Recognise sublease income on a straight-line basis
- Depreciation and interest continue as before

# Transition approaches and later amendments

## Full retrospective

- Apply IAS 8 to each prior period presented
- Restate comparatives
- Most comparable, most costly

## Modified retrospective

- Cumulative effect in opening retained earnings; no restatement
- Liability = PV of remaining payments at IBR on date of initial application
- ROU = as if always applied, OR = liability ± prepaid/accrued

## Key practical expedients

- Grandfather lease definition
- Single rate for similar portfolios
- Rely on onerous lease assessment
- Exclude leases ending within 12 months
- Exclude IDC; use hindsight

**May 2020** — COVID-19 rent concessions expedient

**Mar 2021** — Expedient extended to June 2022

**Sep 2022** — Lease liability in a sale and leaseback

**1 Jan 2024** — SLB amendment effective

**1 Jan 2027** — IFRS 18 — P&L categories

BANGLADESH PERSPECTIVE

# Tax, VAT, AIT and deferred tax on leases

## Income tax (ITA 2023)

- Tax deduction generally follows rent paid/payable — not ROU depreciation + interest
- Add back IFRS 16 depreciation & interest; deduct rent in the tax computation
- Ensure TDS/VDS compliance so rent remains allowable

## VAT & AIT on rent

- 15% VAT on space/premises rent — registered tenant pays via increasing adjustment in Mushak-9.1 (VDS Rules 2025)
- AIT deducted at source from rent (s.109 ITA 2023) — confirm current rate
- Liability uses gross contractual rent; exclude recoverable VAT

## Deferred tax (IAS 12)

- 2021 amendment (eff. 1 Jan 2023): initial recognition exemption no longer applies to leases
- Recognise DTL on ROU asset and DTA on lease liability (gross)
- DTA subject to recoverability

**Example — deferred tax at 31 Dec 2025 (tax base of both items = nil; IDC assumed deductible when paid)**

| Item | Carrying amount | Temporary difference | @ 27.5% |
|---|---:|---:|---:|
| ROU asset | 73,58,310 | Taxable 73,58,310 | DTL 20,23,535 |
| Lease liability | 76,07,677 | Deductible 76,07,677 | DTA 20,92,111 |
| **Net** | | **Deductible 2,49,367** | **Net DTA 68,576** |

# How IFRS 16 moves key ratios and covenants

| Metric | Effect | Why |
|---|---|---|
| EBITDA | ▲ Increase | Rent replaced by depreciation and interest — both below EBITDA |
| Operating profit (EBIT) | ▲ Increase | Only depreciation in operating costs; interest moves to finance costs |
| Profit before tax (early years) | ▼ Decrease | Front-loaded interest makes total expense higher than rent |
| Total assets & liabilities | ▲ Increase | ROU assets and lease liabilities recognised |
| Gearing / debt-to-equity | ▲ Increase | Lease liabilities count as debt |
| ROCE / asset turnover | ▼ Decrease | Capital employed and assets increase |
| Operating cash flow | ▲ Increase | Principal repayments move to financing activities |

## Action points

- Review bank loan covenants — do they use 'frozen GAAP' or current IFRS?
- Explain EBITDA uplift to boards and lenders
- Align budgets and KPIs (e.g., incentive targets)
- Consider the impact on the debt-equity ratio in credit ratings

# Common practical issues in Bangladesh

### 1 Hidden leases

Transport, warehousing, generator and IT contracts with specified assets

### 2 Rent deeds

Short deeds 'renewable by mutual consent' — lease term judgement and enforceability

### 3 Advances & deposits

Large adjustable advances and refundable security deposits

### 4 Discount rate

Supporting IBR with BDT bank pricing for similar tenor and security

### 5 Lease register & data

Complete inventory, payment schedules, options and escalations in one register

### 6 Systems & tax

Excel models vs ERP/lease modules; tax and deferred tax reconciliation

SUMMARY

# Key takeaways

| | | |
|---|---|---|
| 1 | **Identify** | Apply the three-test lease definition to every contract — including service contracts |
| 2 | **Measure** | Liability = PV of lease payments at implicit rate or IBR; ROU = liability + adjustments |
| 3 | **Judge** | Lease term, discount rate and components drive the numbers — document each judgement |
| 4 | **Maintain** | Remeasure on reassessments; apply modification rules; keep the lease register current |
| 5 | **Present & disclose** | Split current/non-current; principal in financing; full para 53 disclosures |
| 6 | **Comply locally** | Reconcile tax, VAT and AIT on rent; recognise deferred tax on both sides |

# Thank you

*Questions & discussion*

**Zakaria Habib Khan Shishir FCMA (F-932)**
Country Finance Head
Louis Dreyfus Company Bangladesh Private Ltd.
Phone: +8801716358645
Email: shishir@shishirfcma.com

*This presentation is for training purposes; refer to the full text of IFRS 16 and current Bangladesh tax law for specific cases.*