



## **LEASING RECOGNITION ISSUES UNDER IFRS**

Sativaldiyeva Gulchekhra Khudaiberdievna

Andijan State Technical Institute

### **Abstract**

This article highlights the importance of lease relations in financial statements prepared on the basis of IFRS in increasing the investment attractiveness of enterprises, the concept of lease based on international standards, as well as the stages of its recognition.

**Keywords:** IFRS, national accounting standards, lease, asset, lease components, lease objects.

### **Introduction**

Accounting and reporting in our republic based on international standards is primarily aimed at increasing the investment attractiveness of enterprises and requires the provision of truthful, objective information to investors. The presentation of financial statements is formed based on the requirements of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). When preparing a report based on the requirements of IFRS, enterprises keep accounts in two ways (based on GAAP and IFRS) or form financial statements by transforming them. The transformation of reporting data formed on the basis of GAAP leads to inaccuracies in many accounting information.

This article focuses on the concept of lease and its recognition relationships.

According to IFRS 16 “Leases”, “A lease is a contract or part of a contract that conveys the right to use an asset (an underlying asset) for a specified period of time in return for consideration.” An entity shall apply this standard to all leases, including leases of assets under a right-of-use lease. Thus, the lease agreement must clearly identify the lessor and the lessee; the leased assets (movable property, immovable property, underlying assets), the term of the lease agreement, and, most importantly, the rent payable. According to IFRS 16, the lease component of the agreement must be determined based on the following steps:



- Is there an identified asset?
- Does the buyer have the right to obtain all the economic benefits that are currently available from the use of the asset during its useful life?
- Who determines how and for what purpose the asset will be used during its useful life?
- Does the buyer have the right to exploit the asset during its useful life?
- Has the buyer designed the asset in a way that predetermines how and for what purpose the asset will be used during its useful life?

#### Steps to Recognize Lease Components

Step 1. Is the asset identified? If the answer is “No”, the service provided is not considered a lease and the process ends here. On the contrary, if the answer is “Yes”, the process continues to the next step. The identification of the asset means that it must be specified in the contract as a lease object with all its characteristics, dimensions and other aspects.

Step 2. Is the buyer entitled to receive substantially all the economic benefits during the period of use of the object? The buyer has the exclusive right to use the asset during the period of use. If the answer is “No”, the service provided is not considered a lease and the process ends here. On the contrary, if the answer is “Yes”, the process continues to the next step.

Step 3. Who has the right to determine the purpose for which the object will be used? The buyer independently decides how and for what purpose the asset will be used during its useful life. If the answer to this question is the supplier, the transaction is not considered a lease. If the answer is the buyer, the transaction is considered a lease and the process stops here. If the answer is “unknown”, go to the next step.

Step 4. Does the buyer have the right to determine the procedure for using the object, while the service provider does not have the right to determine it? If the answer is “Yes”, the service provided is considered a lease and the process ends here. On the contrary, if the answer is “No”, go to the next step.

Step 5. Was the initial design and redesign of the object carried out by the buyer for a specific purpose throughout its entire useful life? If the answer is “No”, the service provided is not considered a lease and the process ends here. On the contrary, if your answer is “Yes”, then the transaction is a lease and the process ends there.



Therefore, accounting for leases based on the stages of recognition more clearly reflects their economic substance. When accounting for leases in accordance with IFRS, it is necessary to pay attention not only to the form of the lease agreement, but also to its content and economic substance.

**References:**

1. International Financial Reporting Standard No. 16 “Leases”
2. IASB No. 6 “Lease Accounting”
3. [https://lex.uz/docs/6312360\\_\\_](https://lex.uz/docs/6312360__)