

Comments on IND AS 116 Lease Liability Sale & Lease back

Particulars	Amount	Remarks
	Rs.	
Selling Price	2000000	
Carrying Cost of Building	1000000	
Right to Use	18 Years	
Annual payments at the end of each Year	120000	
Fair Value of the Building	1800000	SP>FV
Loan Provided by the buyer	200000	SP- FV
PV of total payments Agreed	1459200	
Caluclation of amount attributable to Lease Payments		
PV of total payments Agreed	1459200	
Less: Amount attributable to Finance	200000	IND AS 109
Amount attributable to Lease Payments	1259200	
Right of use of asset	699555.6	
Gain on sale (Fair Value - Carrying Cost)	800000	
Rights Retained $(800000 * (1259200 / 1800000))$	559644.4	
Rights Transferred $(800000 - 559644.40)$	240355.6	
Particulars		
	Debit	Credit
Journal entry in the books of Lessee (Seller)		
Cash a/c	Dr	2000000
Right to Use of Asset	Dr	699556
To Building		1000000
To Lease Liability		1259200
To Financial Liability		200000
To gain on Rights Transferred		240356
Financial Liability as per IND AS 109		
Journal entry in the books of Lessor (Buyer)		
Building a/s	Dr	1800000
Financial Asset a/c	Dr	200000
To Cash		2000000
Financial Asset as per IND AS 109		
In subsequent years Payments of Rs.120000 allocated as		
Attributable to Lease Liability $(120000 * 1259200 / 1459200)$	103552.6	
Attributable to finance Liability $(120000 * 200000 / 1459200)$	16447.37	
Comment-1: Paragraph 102A - Include words- lease liability as per IND AS 109		
Comment-2: Approach-1 & 2 are perfectly matched with para 102A and include the word for financial asset & Liability as per IND AS 109		
Comment-3 If sale value is less than fair value then prepaid rent/ lease should be recognised		