

EXPOSURE DRAFT (ED)**National Accounting Standard for Commercial Organisations (NASCO) № 14****LEASES**

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General Provisions

1. This Standard has been prepared in accordance with article 6 of the Accounting Law of the Republic of Azerbaijan and is based on International Accounting Standard 17 Leases.
2. This Standard should be used, taking into account the additional provisions contained in Rules of Bookkeeping and also in the Explanations and Recommendations on its Application.
3. In the case of conflict between previous legislation and this Standard this Standard will prevail.

Objective

4. The objective of this Standard is to determine, for both lessees and lessors, the appropriate accounting policies and disclosures to be applied in relation to leases.

Scope

5. This Standard should be applied in the presentation of all financial statements that are declared consistent with National Accounting Standards for Commercial Organisations.
6. This Standard applies to both the financial statements of an individual enterprise and to the consolidated financial statements of a group of enterprises.
7. This Standard applies to all types of commercial enterprises that prepare financial statements in accordance with Article 10 of the Accounting Law of the Republic of Azerbaijan.
8. This Standard should be applied to all leases except those excluded by paragraph 9 of this Standard.
9. This Standard does not apply to:
 - a) leases to explore for or use minerals, oil, natural gas and similar non-renewable resources; and
 - b) licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights and similar intellectual property (see NASCO 12 Intangible Assets).
10. This Standard does not apply as the basis of measurement for:
 - (a) property held by lessees that is accounted for as investment property¹;
 - (b) investment property provided by lessors under operating leases¹;
 - (c) biological assets held by lessees under finance leases²; or

¹ This will be covered by a later NASCO based on IAS 40 Investment Property

² This will be covered by a later NASCO based on IAS 41 Agriculture

- (d) biological assets provided by lessors under operating leases².

Definitions

11. The terms used in this Standard have the following meanings:

A lease is any contractual agreement where the lessor gives to the lessee the right to use an asset for an agreed period of time in return for a payment or series of payments. The substance of the contractual agreement defines the fact that a lease exists rather than its legal form. All contracts where the lessor gives to the lessee the right to use an asset for an agreed period of time in return for a payment or series of payments are to be deemed to be lease agreements whether or not the term "lease" is used in the contract.

A finance lease is a lease that transfers substantially all the risks and rewards that are normally associated with ownership of an asset from one party of the contract to another. Legal title to the asset is not a prerequisite in defining a finance lease and any such legal title may or may not eventually be transferred.

An operating lease is a lease other than a finance lease.

A non-cancellable lease is a lease that can be cancelled only when one or more of the following events occur:

- (a) some remote contingency;
- (b) with the permission of the lessor;
- (c) if the lessee enters into a new lease for the same or an equivalent asset with the same lessor; or
- (d) payment by the lessee of an additional sum that, at the commencement of the lease term, would make continuation of the lease reasonably certain.

The commencement of the lease term is the date from which the lessee is entitled to use the leased asset. As at this date:

- (a) a lease is classified as either an operating or a finance lease;
- (b) in the case of a finance lease, the amounts to be recognised at the commencement of the lease term are determined; and
- (c) the initial recognition of the lease and the effects that flow from that such as the recognition of the assets, liabilities, and income or expenses resulting from the lease is made.

The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further periods for which the lessee has the option to continue to lease the asset when at the commencement of the lease term it is reasonably certain that the lessee will exercise the option.

Minimum lease payments are the payments over the lease term that the lessee is contractually required to make together with:

- (a) for a lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or
- (b) for a lessor, any residual value guaranteed to the lessor by:
 - (i) the lessee;
 - (ii) a party related to the lessee; or
 - (iii) a third party unrelated to the lessor that is financially capable of paying the sums due under the guarantee.

Excluded from minimum lease payments are contingent rent, leased asset maintenance costs to be paid by and reimbursed to the lessor.

If the lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable for it to be reasonably certain, at the commencement of the lease term, that the option will be exercised, the minimum lease payments is made up of both the minimum payments payable over the lease term to the expected date of exercise of this purchase option and the payment required to exercise it.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Economic life is either:

- (a) the period over which an asset is expected to be economically usable by one or more users; or
- (b) the number of production or similar units expected to be obtained from the asset by one or more users.

Useful life is the estimated remaining period, from the commencement of the lease term, over which the economic benefits embodied in the asset are expected to be consumed by the enterprise.

Guaranteed residual value is:

- (a) for a lessee, that part of the residual value that is guaranteed by the lessee or by a party related to the lessee (the amount of the guarantee being the maximum amount that could, in any event, become payable); and
- (b) for a lessor, that part of the residual value that is guaranteed by the lessee or by a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

Unguaranteed residual value is that portion of the residual value of the leased asset, the realisation of which by the lessor is not assured or is guaranteed solely by a party related to the lessor.

Initial direct costs are incremental costs that are directly attributable to negotiating and arranging a lease, except for such costs incurred by manufacturer or dealer lessors.

Gross investment in the lease is the total of:

← - - - - -
Отформатировано: Отступ:
 Слева: 1.03", Выступ: 0.35",
 нумерованный + Уровень: 1 +
 Стиль нумерации: i, ii, iii, ... +
 Начать с: 3 + Выравнивание: слева
 + Выровнять по: 1.03" +
 Табуляция после: 1.53" + Отступ:
 1.53", Поз.табуляции: нет в 1.53"

- (a) the minimum lease payments receivable by the lessor under a finance lease, and
- (b) any unguaranteed residual value accruing to the lessor.

Net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease.

Unearned finance income is the difference between:

- (a) the gross investment in the lease, and
- (b) the net investment in the lease.

The interest rate implicit in the lease is the discount rate that, at the commencement of the lease term, causes the present value of the gross investment in the lease to be equal to the sum of the fair value of the leased asset plus any initial direct costs borne by the lessor.

The lessee's incremental borrowing rate of interest is the rate of interest the lessee would have to pay on a similar lease or, if that cannot be determined, the rate that, at the commencement of the lease term, the lessee would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase the asset.

Contingent rent is that portion of the lease payments that is not fixed in amount but is based on the future amount of a factor that changes other than with the passage of time (e.g. percentage of future sales, amount of future use).

Classification of Leases

12. For the purpose of this Standard, all leases are to be classified as either finance leases or operating leases. This classification is to be based on the extent to which the risks and rewards incidental to ownership rest with either the lessee or lessor. The nature of potential risks depends on the characteristics of the leased asset but could include the risk of obsolescence or the risk of losses resulting from changed economic circumstances. Rewards may be represented by the potential gain or expectation of profitable operations resulting from the leased asset.
13. A lease is classified as a finance lease if it transfers substantially all of the risks and rewards associated with the leased asset to the lessee.
14. All leases that are not classified as a finance lease will be classified as an operating lease.
15. The classification of a lease is, at all times, to be determined by reference to the substance of the lease contract rather than simply its form. Examples of circumstances that would normally lead to a lease being classified as a finance lease include (but are not limited to):
 - (a) by the end of the lease term, the lease contract transfers legal ownership of the leased assets to the lessee at no additional cost to the lessee;

- (b) if, during the currency of the lease or at the end of the lease term, the lease contract contains an option that allows the lessee to purchase the asset at a price that is expected to be substantially lower than the fair value at the date when the option may be exercised such that it is reasonably certain, at the commencement of the lease term, that the lessee will purchase the asset;
 - (c) the minimum lease term is for a significantly major part of the economic life of the asset;
 - (d) at the commencement of the lease term, the present value of minimum lease payments is at least substantially all of the fair value of the asset at that time; and(or)
 - (e) the leased assets are so specialised in form that no other enterprise than the lessee can use them without major modifications.
16. Examples of circumstances that may lead to a lease being recognised as a finance lease include:
- (a) if the lease can be cancelled by the lessee but where any resulting losses incurred by the lessor have to be borne by the lessee;
 - (b) gains or losses in fluctuations in the residual value of the leased asset accrue to the lessee and not the lessor; and(or)
 - (c) if the lessee has the option, at the end of the lease term, to extend the lease for a secondary period at a rent that would be substantially lower than the expected market rent at the end of the primary term.
17. If the terms of the lease are such that substantially all of the risks and rewards incidental to ownership have not been transferred to the lessee then no finance lease exists even if any of the examples in paragraphs 15 and 16 are also present.
18. Since both lessee and lessor will be applying similar definitions to the terms of the lease it would be unusual if both parties to the lease did not normally arrive at the same conclusion when defining a lease as either a finance lease or an operating lease. Only in exceptional circumstances would the parties to the lease agreement arrive at different conclusions about classification.
19. The classification of a lease is determined at the commencement of the lease term and once determined may not be reclassified. If at any time during the currency of the lease, the lessee and lessor agree to change the provisions of the lease both parties will re-evaluate the classification. If the re-evaluation results in no change to the classification then no adjustments need be made. However, if the re-evaluation results in a reclassification then the revised agreement is to be considered as if it was a new agreement over the remaining term.
20. The land and buildings elements of a single lease for land and buildings should be considered separately for the purposes of lease classification. If the land is expected to have an indefinite economic life, it will normally be classified as an operating lease unless, at the end of the lease, legal title to the land is to pass to the lessee in accordance with paragraphs 15(a) or 15(b) then the land element of the lease will normally be judged to be a finance lease providing that the primary test of transfer of risks and rewards incidental to ownership has also been satisfied. The buildings element of the lease is to

be classified as a finance lease or an operating lease in accordance with paragraphs 13 – 17.

21. The requirement to disaggregate a lease for land and buildings into the two constituent elements is not necessary if, at the commencement of the lease term, the amount that would be recognised for the land element is immaterial. If the land element of a single lease for land and buildings is immaterial, the land and buildings may be considered as a single element for the purpose of classification and the economic life of the buildings is to be taken as the economic life of the combined leased assets.
22. When a land and buildings lease has been disaggregated for the purpose of classification, the minimum lease payments of the full lease are to be allocated between the land and buildings elements in direct proportion to the fair values of the leasehold interests in the land element and the buildings element as at the commencement of the lease term. If it is not possible to arrive at a reliable allocation of lease payments then the full lease is classified as a finance lease unless it is clear that both elements of the lease are operating leases in which case the full lease is to be considered an operating lease.
23. If a lessee can otherwise classify a land held under an operating lease as an investment property then such lease of land should be accounted for as a finance lease and the fair value model³ should be used for the asset recognised. The lease of land held under an operating lease once classified as a finance lease because the land is an investment property, will continue to be classified as a finance lease even if subsequent events change the nature of the lessee's interest such that it can no longer be classified as an investment property.

Leases in the Financial Statements of Lessees

Finance Leases

Initial Identification

24. At the commencement of the lease term, lessees will recognise finance leases as assets in their balance sheets at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The fair value of the leased asset and the present value of the minimum lease payments are to be determined at the commencement of the lease term. Any initial direct costs incurred by the lessee are to be included in the amount recognised as an asset. The present value of the minimum lease payments is to be calculated by the application of a discount rate that is the interest rate implicit in the lease. If it is not practicable to determine the implicit rate of interest then the lessee will use its incremental borrowing rate.
25. At the commencement of the lease term, lessees will also recognise finance leases as liabilities in their balance sheets at a value exactly equal to the asset value determined in paragraph 24, excluding any initial direct costs incurred and added by the lessee to the value of the asset, such liability

³ Fair Value Model will be introduced at a later date by the NASCO based on IAS 40 Investment Property.

representing the level of obligation due by the enterprise to pay future lease payments.

26. Liabilities may not be deducted from the asset value of the lease to show simply a net asset value. At the commencement of the lease term, and subsequently, the asset and the liability must be disclosed separately. The same distinction that is made between current and non-current liabilities will also apply to liabilities created under paragraph 25.

Subsequent Measurement

27. Every minimum lease payment represents both a finance charge and a reduction of the outstanding liability and will be apportioned between both elements. In allocating the finance charge to each period of the lease term, this will be done so as to produce a constant rate of interest on the remaining balance of the liability for each period or some form of approximation if the calculation of the constant rate of interest is unduly complicated and not cost effective. If some form of approximation is used then it should be both reliable and result in values that are not materially different from the values that would have been obtained had the constant rate of interest procedure been implemented.
28. The asset represented in the balance sheet will also give rise to depreciation for each accounting period. In applying this Standard, entities will adopt the same depreciation policy as applied to similar assets that are owned and be in compliance with NASCO 7 Property, Plant and Equipment or NASCO 12 Intangible Assets. If it is reasonably certain that the lessee will acquire the asset at the end of the lease term, the asset will be fully depreciated over the useful life of the asset. If it is uncertain that the lessee will acquire the asset at the end of the lease term, the asset will be fully depreciated over the shorter of the lease term and the useful life of the asset. As judgement and accounting policy will determine periodic depreciation and the carrying amounts of the asset whereas the liability related to the leased asset will diminish in terms of the lease payments, it is unlikely that the asset value and related liability will be equal after the start of the lease term.
29. Lessees will adopt the provisions of the NASCO Impairment of Assets in respect of all assets capitalised in their financial statements⁴.

Disclosure Requirements for Finance Leases in the Financial Statements of Lessees

30. In addition to the disclosure requirements contained in all other relevant NASCOs, the following disclosures will be made for all finance leases by lessees:
- (a) for each class of asset, the carrying amount of the leased assets at the balance sheet date;
 - (b) a reconciliation between the total minimum lease payments at the balance sheet date and its present value for each of the following periods:
 - (i) not more than one year;

⁴ NASCO based on IAS 36 Impairment of Assets will be introduced at a later date

- (ii) more than one year but less than five years;
 - (iii) more than five years.
- (c) total of all contingent rents recognised as an expense in the period;
- (d) the total of all minimum sub-lease payments expected to be received under non-cancellable sub-leases as at the balance sheet date;
- (e) a general outline of the lessee's significant features of the lease agreement. In particular, the following points must be disclosed if they are present in the lease agreement;
- (i) the basis by which contingent rents, if payable, are determined;
 - (ii) the existence and terms of any renewal or purchase options;
 - (iii) the terms of any escalation clauses;
 - (iv) details of any restrictions imposed by the agreement concerning the payment of dividend, the ability of the enterprise to attract additional debt and to conclude additional lease agreements.

Operating Leases

31. Lease payments that are made under an operating lease are to be recognised as an expense on a straight line basis over the period of the lease even if the actual payments are not on that basis. If some other basis is more representative of the economic benefits derived by the lessee then that other basis may be used.

Disclosure Requirements for Operating Leases in the Financial Statements of Lessees

32. In addition to the disclosure requirements contained in all other relevant NASCOs, the following disclosures will be made for all operating leases by lessees:
- (a) the total of future minimum lease payments for each of the following periods:
 - (i) not later than one year;
 - (ii) more than one year and not more than five years;
 - (iii) more than five years.
 - (b) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date.
 - (c) lease payments and sublease payments recognised as an expense in the period, with separate amounts for minimum lease payments, contingent rents and sublease payments;
 - (d) a general description of the lessee's significant leasing arrangements including, but not limited to, the following:
 - (i) the basis on which contingent rent payable is determined;

- (ii) the existence and terms of renewal or purchase options and escalation clauses; and
- (iii) restrictions imposed by lease arrangements, such as those concerning dividends and the ability of the enterprise to attract additional debt and to conclude additional lease agreements.

Leases in the Financial Statements of Lessors

Finance Leases

Initial Identification

33. Under a finance lease, a lessor retains legal title to an asset but passes substantially all the risks and rewards of ownership to the lessee in return for a stream of rentals. In substance, therefore, the lessor provides finance and expects a return thereon. The lessor will recognise assets held under a finance lease as a receivable in their balance sheets at a value equivalent to the net investment in the lease. Lease payments received by a lessor are, therefore, to be treated as part repayment of capital and part finance income. The same distinction that is made between current and non-current receivables will also apply to receivables under the finance lease, recognized in the balance sheet.
34. Any incremental, initial direct costs incurred by a lessor in negotiating and arranging a lease are to be included in the initial measurement of the finance lease receivable and further reduce the amount of finance income recognised over the lease term. This does not apply to manufacturer and dealer lessors who will recognise such costs as an expense in the same period as when the selling profit is recognised which would normally be at the start of the lease.

Subsequent Measurements

35. Finance income is to be allocated over the lease term in a systematic and rational manner reflecting a constant periodic return on the lessor's net investment in the finance lease. Lease payments will reduce both the principal and the unearned finance income.
36. The unguaranteed residual value included in the gross investment income is based on estimation and should be reviewed regularly over the period of the lease. If there has been any resulting reduction in the estimated unguaranteed residual value then income allocation over the lease period is to be revised and any reduction in the net investment in the lease will be immediately recognised.

Manufacturer or Dealer Leases

37. Manufacturers or dealers may offer to customers the choice of either buying or leasing an asset. A finance lease of an asset by a manufacturer or dealer lessor gives rise to two types of income:
- (a) profit or loss equivalent to the profit or loss resulting from an outright sale of the asset being leased, at normal selling prices, reflecting any applicable volume or trade discounts; and

- (b) finance income over the lease term.
38. The sales revenue recognised at the commencement of the lease term by a manufacturer or dealer lessor is the fair value of the asset, or, if lower, the present value of the minimum lease payments accruing to the lessor, calculated using a market rate of interest. The cost of sale recognised at the commencement of the lease term is the cost, or carrying amount if different, of the leased asset less the present value of any unguaranteed residual value. The difference between the sales revenue and the cost of sale is the selling profit, which is recognised in accordance with the enterprise's policy for outright sales.
39. If manufacturer or dealer lessors quote artificially low rates of interest in order to attract customers, the use of such a rate would result in an excessive portion of the total income from the transaction being recognised at the time of sale. If artificially low rates of interest are quoted, selling profit is restricted to that which would apply if a market rate of interest were charged.
40. Costs incurred by a manufacturer or dealer lessor in connection with negotiating and arranging a finance lease are recognised as an expense at the commencement of the lease term.

Disclosure Requirements for Finance Leases in the Financial Statements of Lessors

41. In addition to the disclosure requirements contained in all other relevant NASCOs, the following disclosures will be made for all finance leases by lessors:
- (a) a reconciliation between the gross investment in the lease at the balance sheet date, and the present value of minimum lease payments receivable at the balance sheet date;
 - (b) the gross investment in the lease and the present value of minimum lease payments receivable at the balance sheet date, for each of the following periods:
 - (i) not later than one year;
 - (ii) more than one year and not more than five years;
 - (iii) later than five years
 - (c) unearned finance income;
 - (d) the unguaranteed residual values accruing to the benefit of the lessor;
 - (e) the accumulated allowance for uncollectible minimum lease payments receivable;
 - (f) contingent rents recognised as income in the period;
 - (g) a general outline of the significant features of the lessor's lease agreement.

Operating Leases

42. As the risks and rewards associated with ownership remain with the lessor, the physical assets leased by lessors will be shown in their balance sheets according to the nature of the asset.
43. The leased assets will be subject to depreciation in line with the normal depreciation policy of the lessor in respect of such assets and be recognised as an expense.
44. Lease income that is received from an operating lease is to be recognised as income on a straight line basis over the period of the lease even if the actual receipts are not on that basis. If some other basis is more representative of the reduction of economic benefits due to the lessor exists then that other basis may be used.
45. Initial direct costs incurred by the lessor will be added to the carrying amount of the leased asset and will be recognised as an expense over the period of the lease on the same basis as lease income.
46. To determine whether a leased asset has become impaired lessors will adopt the provisions of the NASCO Impairment of Assets⁵.

Disclosure Requirements for Operating Leases in the Financial Statements of Lessors

47. In addition to the disclosure requirements contained in all other relevant NASCOs, the following disclosures will be made for all operating leases by lessors:
 - (a) the total of all future minimum lease payments receivable and analysed for each of the following periods:
 - (i) not more than one year;
 - (ii) more than one year but not more than five years;
 - (iii) more than five years.
 - (b) total contingent rents recognised as income for the period;
 - (c) a general description of the the significant features of the lessor's lease agreements.

Sale and Leaseback Transactions

48. A sale and leaseback transaction involves the sale of an asset and the immediate leasing back of the same asset by the seller. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount will not be immediately recognised as income by a seller-lessee. Instead, it will be deferred and amortised over the lease term.
49. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss will be recognised immediately. If the sale price is below fair value, any profit or loss will be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it will be deferred and amortised

⁵ NASCO based on IAS 36 Impairment of Assets will be introduced at a later date

in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess of the sale price over carrying amount of the asset will be deferred and amortised over the period for which the asset is expected to be used.

50. For operating leases, if the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value will be recognised immediately.
51. For finance leases, the adjustment required in paragraph 50 is not necessary unless there has been an impairment in value, in which case the provisions of NASCO Impairment of Assets shall be applied⁶.
52. Disclosure requirements for lessees and lessors apply equally to sale and leaseback transactions.

First Time Application

53. On the first time application of this Standard an enterprise may elect to measure a leased asset at the date of transition to NASCO 14 using the cost of the previous revaluation of a leased asset at, or before, the date of transition to NASCO 14 as the deemed cost, provided that the previous revaluation was carried out in accordance with the accounting regulations of the Republic of Azerbaijan current at the time of that revaluation.

Transitional Provisions

54. Paragraph 23 contains provisions related to lease of land that can be classified as an investment property. This paragraph will be in force when NASCO Investment Property has been introduced.
55. Paragraphs 11, 15, 24, 38, 49 and 50 make reference to the fair value of leased assets. Until such time as the NASCO on fair value has been introduced the fair value of the leased assets may be:
 - (a) the value established by means of an expert valuation ; or
 - (b) the normal selling price of the asset acquired; or
 - (c) the normal selling price of the asset given up.
56. Paragraph 29, 46 and 51 requires enterprises to adopt the provisions of the NASCO Impairment of Assets. Until such time as the NASCO on impairment has been introduced an enterprise shall not adjust the carrying value of the leased assets to reflect any impairment.

Effective Date

57. This National Accounting Standard for Commercial Organizations becomes operative for financial statements covering periods beginning on or after 1 January 200X.

⁶ NASCO based on IAS 36 Impairment of Assets will be introduced at a later date

Appendix 1 – Comparison with IAS 17 Leases

This National Accounting Standard for Commercial Organisations (NASCO) 14 – Leases is based on International Accounting Standard (IAS) 17 (revised 2004) – Leases. The main differences between NASCO 14 and IAS 17 are as follows:

- NASCO 14 contains an extra section of General Provisions. Provisions of this section relate the Standard to the Accounting Law of the Republic of Azerbaijan, the Rules of Bookkeeping and also the Explanations and Recommendations on its Application. As distinct from IAS 17 NASCO 14 should be used taking into account the additional provisions contained in Rules of Bookkeeping and also in the Explanations and Recommendations on its Application.
- Paragraphs 5 to 7 of NASCO 14 define the scope of the organisations required to apply the Standard as set out in the Accounting Law of the Republic of Azerbaijan.
- IAS 17 distinguishes between the **'inception of the lease'** (when the amounts to be recognised in financial statements are determined) and the **'commencement of the lease term'** (when recognition of a lease takes place). IAS 17 defines the inception of the lease as follows:

The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. As at this date:

- (a) a lease is classified as either an operating or a finance lease; and
- (b) in the case of a finance lease, the amounts to be recognised at the commencement of the lease term are determined.

The fact is that in practice the date of the inception of the lease and the date of the commencement of the lease term can mismatch because of the time lag. In this case the amounts that should be recognised can change because the asset, for example, is under construction and the final cost is not known at inception of the lease. Thus, IAS 17 says that a lease agreement or commitment may include a provision to adjust the lease payments for changes in general price levels or in the construction or acquisition cost of the leased asset. If, during the period between the inception of the lease and commencement of the lease term, changes occur that impact on the terms of the lease the amendments will be taken as having taken place at the inception of the lease. As distinct from IAS 17 NASCO 14 does not contain the idea of the **'inception of the lease'**. NASCO 14 applies more clear and simple approach according to which the determination of the amounts to be recognised in the financial statements should be made at the date of commencement of the lease when the lessee is entitled to use the leased asset.

- According to the paragraph 20 of this Standard when the land is expected to have an indefinite economic life, its lease will normally be classified as an operating lease unless, at the end of the lease, legal title to the land is to pass to the lessee. However, Standard also requires to classify the lease of land contracts as a finance lease, if the lessee can otherwise classify such a land as an investment property. In practice it is possible in case of long-term operating lease of land that substantively does not differ from buying a land. Such a land can meet the definition of investment property, for example, when it is leased for its further transfer to sublease. In this case the lessee

(sublessor) can classify such a land as an investment property. IAS 17 recommends to apply such provision to the land and buildings both. NASCO 14 requires to apply such a provision to the land only. It is supposed that as the buildings has a definite economic life it will be always clear that the buildings held by a lessee under the operating lease will not meet the definition of investment property.

- IAS 17 recommends disclose as an indicator of growth the gross investment less unearned income in new business added during the reporting period, after deducting the relevant amounts for cancelled leases (paragraph 48).
- NASCO 14 contains a section under First Time Application that provides regulations on deemed cost. According to the provisions of this section the enterprise may elect as a deemed cost the cost recognized in accordance with accounting regulations of the Republic of Azerbaijan current at the date of transition to NASCO 14.
- NASCO 14 contains an extra section on transitional provisions, which postpones the introduction of the some provisions of the Standard until the introduction of the relevant NASCOs, which are planned to be introduced later. NASCO 14 says that until introduction of NASCO on Impairment of Assets the enterprise will not adjust the carrying value of assets to reflect any impairment.
- NASCO 14 says that until such time as the NASCO on Fair Value has been introduced the fair value may be :
 - (a) the value established by means of an expert valuation; or
 - (b) the normal selling price of the asset acquired; or
 - (c) the normal selling price of the asset given up.
- NASCO 14 does not contain some illustrative examples that are introduced by IAS 17. These are included, and expanded on, in the Commentary to NASCO 14.

Отформатировано: Отступ: Первая строка: 0.75", нумерованный + Уровень: 1 + Стиль нумерации: а, в, с, ... + Начать с: 1 + Выравнивание: слева + Выровнять по: 0.25" + Табуляция после: 0.5" + Отступ: 0.5"

Отформатировано: Отступ: Слева: 1.25", Выступ: 0.25", нумерованный + Уровень: 1 + Стиль нумерации: а, в, с, ... + Начать с: 1 + Выравнивание: слева + Выровнять по: 0.25" + Табуляция после: 0.5" + Отступ: 0.5", Поз.табуляции: нет в 0.5"