

Depreciation of assets leased under operating leases (IAS 16 *Property, Plant and Equipment* and IAS 17 *Leases*)—November 2004

The Agenda Committee considered whether interest methods of depreciation were permissible under IFRSs. Use of such methods would permit an entity to depreciate an asset that is not a receivable in much the same way as if it were a receivable, with the result that the depreciated amount of the asset reflects the present value of future net cash flow expected from it. The Committee recommended that this topic should not be added to the IFRIC's agenda.

The IFRIC noted that, while deliberating certain issues related to service concessions, it had considered whether it would be appropriate to use an interest method of depreciation. In that discussion, it concluded that using an interest method of depreciation was not appropriate. The IFRIC concluded that there was nothing unique about assets leased under operating leases in service concessions that would cause it to reach a different conclusion about the use of interest methods of depreciation. It noted that the Basis for Conclusions in the future Interpretations on service concessions would include a discussion of its conclusions on interest methods of depreciation.