

IAS 17 *Leases* (September 2008)

Time pattern of user's benefit

The IFRIC received a request for guidance on the application of paragraphs 33 and 34 of IAS 17, which state that 'For operating leases, lease payments (excluding costs for services such as insurance and maintenance) are recognised as an expense on a straight-line basis unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis.' The request asked for guidance on what alternatives to straight-line recognition of lease expense might be appropriate.

The IFRIC noted that guidance had previously been requested on this issue, and for the reasons elaborated on below, had not been added to the agenda.

The IFRIC noted that IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* require an entity to recognise the use of productive assets using the method that best reflects 'the pattern in which the asset's *future economic benefits* are expected to be consumed by the entity' (emphasis added). In contrast, IAS 17 refers to the *time pattern* of the user's benefit. Therefore, any alternative to the straight-line recognition of lease expense under an operating lease must reflect the time pattern of the use of the leased asset.

The IFRIC also noted that it did not expect significant diversity in practice regarding the application of this requirement.

The IFRIC therefore decided not to add this issue to its agenda.