ACCOUNTING FOR LEASES: MFRS 16 Leases and Section 20 MPERS

Course Overview

This comprehensive one-day seminar delves into the intricacies of lease accounting under Malaysian Financial Reporting Standards (MFRS) and MPERS. Designed for finance leaders, accountants, and auditors, this programme equips participants with the expertise to navigate complex accounting treatments, implement standard updates, and optimize financial reporting.

Learning Objectives

By the end of this workshop, participants will be able to:

1. **Differentiate Frameworks:** Compare and contrast the accounting treatments under the single-lessee model of MFRS 16 versus the dual-model of Section 20 MPERS.
2. **Apply Scope & Identification Criteria:** Correctly identify lease components, non-lease components, and contract combinations under MFRS 16.
3. **Execute Complex Calculations:** Perform precise computations for Right-of-Use (ROU) assets, lease liabilities, discount rates, interest expenses, and depreciation.
4. **Manage Modifications & Remeasurements:** Accounting for lease modifications, reassessments of lease terms, and variable lease payments.
5. **Implement Standard Updates & Agenda Decisions:** Apply the latest IFRIC Agenda Decisions and recent MFRS 16 updates to real-world corporate scenarios.
6. **Master Advanced Transactions:** Evaluate complex arrangements including intermediate lessor/subleases, investment properties, and sale-and-leaseback transactions.

Programme Schedule

09:00 AM – 10:45 AM

Session 1: Scope, Contract Identification & Recent Updates

- **Understanding Core Principles & Framework Comparison**
    - Overview of MFRS 16 (IFRS 16) vs. MPERS Section 20 key differences.
    - Impact on financial statements, balance sheet ratios, and cash flows.

- **Identifying a Lease**
    - Definition and key characteristics of a lease contract.
    - Identifying an identified asset and evaluating control/substance.
    - Separating lease and non-lease components; combining contracts.

- **MFRS 16 Updates & Technical Agenda Decisions**
    - Overview of recent IFRIC Agenda Decisions (e.g., lease term determination, non-refundable VAT on lease payments, economic compulsion).
    - Key updates on recent amendments (e.g., Lease Liability in a Sale and Leaseback).

10:45 AM – 11:00 AM
Morning Break

11:00 AM – 01:00 PM
Session 2: Lessee Accounting – Recognition & Discount Rates

- **Recognition Exemptions**
    - Criteria for short-term leases and low-value assets.
    - Interaction with extension options and modifications.

- **Determining Lease Liability & Terms**
    - Determining non-cancellable periods and evaluating "reasonably certain" options.
    - Accounting for rent-free periods and incentive structures.
    - Reassessment triggers for lease terms.

- **Discount Rate Determination**
    - Calculating the rate implicit in the lease vs. incremental borrowing rate (IBR).

- **Practical Exercise / Hands-on Case Study:** Discounting and initial liability computation.

01:00 PM – 02:00 PM
Lunch Break

02:00 PM – 03:30 PM
Session 3: ROU Assets, Reassessments & MPERS Section 20

- **Right-of-Use (ROU) Asset Measurement**
  - Initial expenditures qualifying as ROU asset costs.
  - Subsequent depreciation, impairment testing, and carrying models.
  - ROU assets classified as Investment Property (MFRS 140) or PPE (MFRS 116).
- **Subsequent Remeasurement & Modifications**
  - Accounting for scope increases/decreases and term adjustments.
  - Choosing the appropriate discount rate upon remeasurement/modification.
- **Comparative Focus: Section 20 MPERS for Private Entities**
  - Operating vs. Finance lease classification criteria for private companies.
  - Key differences in balance sheet recognition and disclosure requirements.

03:30 PM – 03:45 PM
Afternoon Break

03:45 PM – 05:00 PM
Session 4: Lessor Accounting, Complex Scenarios & Practical Models

- **Lessor Accounting Mechanics**
  - Finance lease vs. Operating lease classification criteria.

- Accounting for lessor revenue recognition and residual values.

- **Intermediate Lessors & Subleases**

  - Sublease classification based on ROU asset vs. underlying asset.
  - Transferring ROU assets to Investment Property.

- **Sale and Leaseback Transactions**

  - Determining whether a transfer constitutes a sale under MFRS 15 / Section 20.
  - **Spreadsheet Models & Practical Demonstration:**
    - Seller-Lessee: Measuring retained ROU assets and calculating gains/losses.
    - Buyer-Lessor: Purchase measurement and back-lease classification.
    - Accounting treatments for transactions that fail the sale criteria.

- **Q&A Session and Wrap-up**

Target Audience & Methodology

- **Who Should Attend:** Financial Controllers, Accountants, Finance Managers, Auditors, M&A Professionals, and Financial Statement Preparers.

- **Methodology:** Interactive presentation, real-world case studies, spreadsheet modeling demonstration, and group discussions.