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**Introduction Accounting Standard –19**

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# Accounting Standard – 19: Lease

- ▶ **Introduction:**

**AS-19 deals with the accounting policies applicable for all types of leases except certain listed below. A lease is a transaction whereby an agreement is entered into by the lessor with the lessee for the right to use an asset by the lessee in return for a payment or series of payments for an agreed period of time.**

# Accounting Standard – 19: Lease

- ▶ **Objective:**

**The objective of this Standard is to prescribe, for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases.**

# Scope

**This Standard shall be applied in accounting for all leases other than:**

- ▶ **(a) Leases to explore for or use minerals, oil, and natural gas and similar Non-regenerative resources; and**
- ▶ **(b) Licensing agreements for such items as motion picture films, video Recordings, plays, manuscripts, patents and copyrights.**

▶ **However, this Standard shall not be applied as the basis of measurement for:**

- ▶ **a) Lease agreements for exploring or using natural resource.**
  - ▶ **Ex Oil, Gas, timber, metals and other mineral rights**
- ▶ **(b) Licensing agreements. Ex Motion picture films, video recordings, Plays, manuscripts, patents and copyrights**
- ▶ **(c) Lease agreements for use land**

# Meaning:

## 1 Lessor:

A lessor is essentially someone who grants a lease to someone else. Lessor is also known as 'Landlord' or 'Owner'.

As such, a lessor is the owner of an asset that is leased under an agreement to a lessee. The lessee makes a one-time payment or a series of periodic payments to the lessor in return for the use of the asset.

## 2. Lessee:

A lessee is a person who rents land or property from a lessor. The lessee is also known as the "tenant" and must uphold specific obligations as defined in the lease agreement and by law. The lease is a legally binding document, and if the lessee violates its terms they could be evicted.

# Types of Lease

**1. Finance Lease**

**2. Operating Lease**

