# Accounting for Leases

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1. **Overview (IFRS 16)**
    - Under modern lease accounting, lessees recognize most leases on the balance sheet rather than treating them as off-balance-sheet operating expenses.
2. **Right-of-Use Asset**
    - Represents the lessee's right to use the leased asset over the lease term; initially measured at the present value of lease payments.
3. **Lease Liability**
    - The obligation to make lease payments, also measured at present value, using the interest rate implicit in the lease (or incremental borrowing rate).
4. **Subsequent Measurement**
    - The right-of-use asset is depreciated over the lease term; the lease liability is reduced by payments and increased by interest expense.
5. **Short-Term and Low-Value Exemptions**
    - Leases of 12 months or less, or of low-value assets, can be expensed directly without balance sheet recognition.
6. **Impact on Financial Ratios**
    - Bringing leases on-balance-sheet increases reported assets and liabilities, affecting metrics like debt-to-equity and return on assets.