ORIGINAL ARTICLE

INTERNATIONAL JOURNAL OF ARTIFICIAL INTELLIGENCE

ISSN: 2692-5206, Impact Factor: 12,23
American Academic publishers, volume 05, issue 10,2025

Journal: https://www.academicpublishers.org/journals/index.php/ijai

ACCOUNTING FOR SALE AND LEASEBACK UNDER IFRS

Chorshanbiev Umurzak Kaynarovich
Gulistan State University
Lobar Muratjanova Muratjanovna
Student of Gulistan State University
ORCID:0009-0000-3300-0046

Annotation. This article discusses the procedure for accounting for the sale of fixed assets and leasing them back according to International Financial Reporting Standards (IFRS). The problem with this topic is that the issue of sale and leaseback is not currently applied in the practice of Uzbekistan and is new to us. The authors examined this issue in detail in the article with examples and accounting records. The tables presented were compiled by the authors of the article. The forms of the statement of financial position and the statement of profit or loss and other comprehensive income in a shortened form are taken from international practice in preparing financial statements. To resolve the issue, the double entry method in accounting was used. The merit of the authors is that the issue under consideration with examples, tables and report forms was made available to Uzbek accounting practitioners and other interested parties.

Key words: sale and leaseback; seller-tenant; buyer-lessor; the transfer of an asset is not a sale; the sale price corresponds to the fair value of the asset; the sale price is greater than the fair value of the asset; the sale price is less than the fair value of the asset; rights to the asset remaining with the seller-lessee; rights to the asset transferred to the buyer; lease obligation; financial obligation; additional funding; subsequent accounting; sale and leaseback transactions prior to the date of initial application.

Introduction.

Starting in 2021, Uzbek companies are switching to the International Financial Reporting Standards (IFRS) accounting system. In this case, the business entity will prepare not only financial statements, but also current financial statements throughout the year in accordance with IFRS. However, there are some problems with the introduction of IFRS: low professional training of most accountants; lack of skills in using information prepared in accordance in IFRS; translation of IFRS into Uzbek, etc. In addition, the economy of Uzbekistan is on the path of transition to a market economy. Some business concepts and operations that are common in the transition to a market economy. One of such operations is the sale and leaseback of fixed assets.

This article is devoted to the accounting for sale and leaseback of fixed assets under IFRS. This is a new phenomenon in the transition economy of Uzbekistan. Before the transition to a market economy, such operation were not carried oud in our economy.

Let's evaluate the concepts of lease and leaseback. When concluding a contract, an enterprise must assess whether the entire contract grants the right to control the use of an asset for a certain period of time in exchange for payment, the contract as a whole or its individual components are leases.

Sale and leaseback is a transaction in which an enterprise (seller-lessee) sells an asset to another enterprise (buyer-lessor) and the buyer rents the same asset from the lessor.

Literature review.

ISSN: 2692-5206, Impact Factor: 12,23
American Academic publishers, volume 05, issue 10,2025
Journal: https://www.academicpublishers.org/journals/index.php/ijai

IAS 16 "Property, plant and equipment" only provides information on the cost, value, depreciation and movements of property, plant and equipment. In particular, the carrying amount is the amount of an asset recognized after deducting accumulated depreciation and impairment losses. The initial cost is the cash paid during the acquisition or construction of the asset or its equivalent. Depreciable value is understood as the depreciable cost of the asset is the amount that could be received from the sale of the asset in an orderly transaction between the participants. An impairment loss is when the carrying amount. The issue we are analyzing is not covered by this standard (IAS 16, 2025).

IFRS 9 "Financial Instruments" is used when the underlying asset is held for sale as a financial instrument. In the context of this analysis, namely the sale and leaseback of an underlying asset, the issue of sale is relevant to this standard. However, the issue of leaseback of an underlying asset is not relevant to the scope of this standard (IFRS 9, 2025).

IFRS 15 "Revenue from Contracts with Customers" applies to the sale of an asset when it is no longer in use. If an entity intends to sell an asset, it is accounted for in accordance with the requirements of this standard. Leasebacks are not covered in this standard (IFRS 15, 2025).

IFRS 16 "Leases" addresses sale and leasebacks as a separate section consisting of several paragraphs. For example, if a seller-lessee leases an asset to a buyer-lessor and leases it back, this should be disclosed in the lease and leaseback agreement. If an entity transfers an asset to another entity as a sale, it should account for the moment of settlement of the obligation in accordance with IFRS 15. If the transfer of an asset by a seller-lessee meets the requirements of IFRS 15, then:

a) When a seller-lessee purchases an asset and leases it back, it should account for the asset at its previous carrying amount. The seller-lessee should recognize the gain or loss on the asset transferred to the buyer-lessor, as appropriate.

b) The buyer-lessor should account for the asset it has acquired in accordance with the requirements of IAS 16 and the lease in accordance with the requirements of IFRS 16 (IFRS 16, 2025).

Berdichevskaya (2025) reviewed the general requirements for presenting financial statements under IFRS. The main differences between financial statements prepared in accordance with Russian Accounting Standards (RAS) and financial statements prepared under IFRS are highlighted. Based on these differences, the procedure for transforming various indicators of financial statements prepared under RAS into IFRS is outlined. According to the scientist, it takes many years for all companies to prepare financial statements in accordance with IFRS. During this period, it is recommended to prepare financial statements based on both national and international standards. Because it is impossible to switch to IFRS all at once for various objective reasons. In this work, lease and leaseback accounting are left out (Berdichevskaya, 2025).

Another author Teterleva (2025) presents the procedure for organizing and accounting for assets, their financing sources, income, expenses, and financial results in accounting based on IFRS. The author assesses the lease as follows: "a lease is an agreement under which the lessor grants the lessee the right to use an asset for a certain period of time and receives one or more payments in return." He divides the lease into two types: financial and current and gives the following rates. Financial - such a lease is a lease in which all the risks and rewards of using the asset are transferred to the lessee. It may not provide ownership rights. Current - all other types of leases that differ from financial leases. However, the issue of accounting for the sale of fixed assets and their re-lease is not addressed.

ORIGINAL ARTICLE
INTERNATIONAL JOURNAL OF ARTIFICIAL INTELLIGENCE
ISSN: 2692-5206, Impact Factor: 12,23
American Academic publishers, volume 05, issue 10,2025
Journal: https://www.academicpublishers.org/journals/index.php/ijai

The ACCA DipIFR briefly describes the purchase and leaseback tariff. Such transactions are said to be a sale of an asset if they meet the requirements of IFRS 15. Under a finance lease, the lessor recognises a receivable for the amount of the investment in the lease in its statement of financial position. The net investment in the lease is the sum of a) the discounted lease payments receivable and b) the discounted unsecured residual value payable to the lessor. However, the issue under analysis is not further discussed (ACCSA DipIFR, 2025).

Analysis and discussion of results.

The transfer of an asset through a sale and leaseback of fixed assets depends on whether it constitutes a sale, that is, whether the criteria of IFRS 15 "Revenue from Contracts with Customers" are met (a sale occurs when the right of control of the asset is transferred to the buyer-lessor).

Let's consider several cases: a) the transfer of the asset is a sale and

b) the transfer of the asset does not qualify as a sale

If the transfer of the asset is a sale

In this case, the seller-lessee

– reflects the write-off (sale) of the asset;
– recognizes the financial result (profit or loss) from the write-off of the asset;
– recognizes the right of use arising from the leaseback in an amount equal to the part of the residual value of the transferred asset that corresponds to the seller-lessee's remaining rights to the asset.

Buyer-lessor

– Purchases an asset using the applicable standards (usually IAS 16, Property, Plant and Equipment) and accounts for the lease using the lessor's lease accounting requirements.

If the sale price is not equal to the fair value of the asset or the lease payments are not made at market rates, the seller-lessee shall make the following adjustments to measure the sale proceeds at fair value:

a) amounts less than market rates shall be accounted for as prepayments of lease payments; and

b) amounts received in excess of market rates shall be accounted for as additional financing provided by the buyer-lessor to the seller-lessee.

If the transfer of an asset is not a sale,

The seller-lessee

– continues to recognize the transferred asset in the statement of financial position.

– recognizes the proceeds from the transfer of the asset (the "sale" price) as a financial liability (debt). This financial liability is accounted for in accordance with IFRS 9 Financial Instruments.

The buyer-lessor

– recognizes a financial asset at the amount of cash transferred for the asset (the loan granted). The financial asset is subsequently accounted for in accordance with IFRS 9 Financial Instruments.

Let's consider this issue in the given example

On January 1, 2024, MBA Company (seller-lessee) sold construction equipment to MDA Company (buyer-lessor). The residual value of the equipment as of January 1, 2024 is $1.5 million, and the remaining useful life is 8 years. On the same day, MBA Company leased this equipment from MDA Company for a period of 6 years. Lease payments are made annually at

ORIGINAL ARTICLE

INTERNATIONAL JOURNAL OF ARTIFICIAL INTELLIGENCE

ISSN: 2692-5206, Impact Factor: 12,23
American Academic publishers, volume 05, issue 10,2025

Journal: https://www.academicpublishers.org/journals/index.php/ijai

the end of the year, on December 31. The fair value of the equipment as of January 1, 20234 is $2 million.

This transaction represents a sale transaction and meets the criteria of IFRS15.

Assignment:

Explain and show how this transaction would be accounted for in the financial statements of MBA Company (seller-lessee) for the year ended December 31, 2024, if:
a) the selling price is $2 million, the annual lease payments are $300,000;
b) the selling price is $2.3 million, the annual lease payments are $330,000;
c) the selling price is $1.7 million, the annual lease payments are $270,000;

The annual interest rate implied by the lease agreement is 12%. The present value of one dollar at the end of each year for 6 years is 4.11 times the coefficient.

Solution

a) The selling price is equal to the fair value of the asset.

On January 1, 2024, MBA Company derecognizes the equipment at its carrying amount, reflecting the financial result of the disposal (in terms of the rights to the asset transferred to MDA Company). MBA recognizes a lease liability (in the amount of discounted lease payments) and a right-of-use asset (as part of the carrying amount of the asset sold, related to MBA's remaining rights to the asset as a result of the repossession):

Dt Cash 2,000
Ct Property, plant and equipment 1,500
Ct Lease expense (300 x 4.11) 1,233
Dt Asset (1,500 / 2,000 x 1,233) 925
Ct Gain on sale of asset 192

The profit from the sale of the asset is calculated as follows:
Total profit from the sale = 2500 – 1500 = 500
Rights to the asset remaining with the seller-lessee = 925
Rights to the asset transferred to the buyer = 1500 – 925 = 575
Part of the profit attributable to the rights transferred to the buyer: 500 x 575/1500 = 192

Subsequently, the asset in the form of the right-of-use of the underlying asset is depreciated. Depreciation for 2023: 925 / 6 = 154. The carrying amount of the right-of-use asset as of December 31, 2023: 925 – 154 = 771. Subsequent accounting for lease liabilities (Tables 1, 2 and 3):

Subsequent accounting for lease liabilities[1]

Period	Initial residue	Financial cost (12%)	Principal debt reduction	Payment	The last remnant
1	2	3	4 = 5 - 3	5	6 = 2 - 4
2023	1 233	148 (1 233 x 12%)	152	300	1081
2024	1081	130	170	300	911
2025	911	109	191	300	720
2026	720	86	214	300	506

[1] . The table was compiled by the authors.

ORIGINAL ARTICLE
INTERNATIONAL JOURNAL OF ARTIFICIAL INTELLIGENCE
ISSN: 2692-5206, Impact Factor: 12,23
American Academic publishers, volume 05, issue 10,2025
Journal: https://www.academicpublishers.org/journals/index.php/ijai

2027	506	61	239	300	267
2028	267	33	267	300	0

We present the above calculations in the forms of the condensed Statement of Financial Position and Statement of Financial Results.

Table 2

Statement of Financial Position of MBA Company as of 31.12.2024[2]:

Non-current assets	
Right-of-use assets(925-154)	771
Long-term liabilities	
Lease obligation	911
Short-term liabilities	
Lease obligation (1081 – 911)	170

Table 3

MBA Company's Statement of Profit and Loss and Other Comprehensive Income for 2024:[3]

Operating income	
Proceeds from the sale of fixed assets	192
Operatingexpenses	
Amortization of right-of-use assets	(154)
Financial costs	
Interests	(148)

b) if the sale price is higher than the fair value of the asset

The amount received by MBA in excess of the fair value of the asset is $300,000 (2,300 – 2,000 = 300). It is accounted for as additional financing provided by MDA (buyer-lessor) to MBA (seller-lessee).

The present value of the lease payments is $1,356,000 (330 x 4.11), of which $300,000 is additional financing (financial obligation, loan) and $1,056,000 (1,356 – 300) is the lease obligation.

On 1 January 2025, MBA derecognizes the equipment at its carrying amount, reflecting the financial result of the disposal (in terms of the rights to the asset transferred to the buyer). MBA recognizes a financial liability (additional financing), a lease liability (excluding additional

[2] . The table was compiled by the authors in an abbreviated form based on the international Statement of Financial Position.

[3]. The table was compiled by the authors in an abbreviated form based on the international Statement of Financial Position.

ISSN: 2692-5206, Impact Factor: 12,23
American Academic publishers, volume 05, issue 10,2025

Journal: https://www.academicpublishers.org/journals/index.php/ijai

financing in the amount of discounted lease payments) and a right-of-use asset (as part of the carrying amount of the asset sold, which is the right to lease back the assets belonging to the remaining MBA).

Dt Cash 2,300
Ct Fixed assets 1,500
Ct Financial liabilities 300
Ct Rent payable (330 x 4.11 – 300) 1,056
Dt Asset (1,500 / 2,000 x 1,056) 792
Ct Gain on sale of asset 236

Subsequently, the right-of-use asset is depreciated. Depreciation charges for 2024: 792/6 = 132. The carrying amount of the right-of-use asset as of December 31, 2024 is: 792 – 132 = $660,000.

The total payment is allocated between the lease and the additional financing in proportion:

– the part attributable to the additional financing: 300/1,356 x 330 = 73
– the part attributable to the lease: 1,056/1,356 x 330 = 257.

Subsequent calculation of the financial liability (Tables 4, 5, 6, and 7):

Table 4

Subsequent accounting of financial liability[4]:

Period	**Initial residue**	**Financial cost (12%)**	**Principal debt reduction**	**Payment**	**The last remnant**
1	2	3	4 = 5 – 3	5	6 = 2 - 4
2023	300	36 (300 x 12%)	37	73	263
2024	263	32	41	73	222
2025	222	27	46	73	176
2026	176	21	52	73	124
2027	124	15	58	73	66
2028	66	7	66	73	0

Subsequent calculation of rental obligations: **Table 5**

Subsequent calculation of rental obligations[5]:

Period	**Initial residue**	**Financial cost (12%)**	**Principal debt reduction**	**Payment**	**The last remnant**
1	2	3	4 = 5 – 3	5	6 = 2 - 4

[4] . The table was compiled by the authors.

[5] . The table was compiled by the authors.

ISSN: 2692-5206, Impact Factor: 12,23
American Academic publishers, volume 05, issue 10,2025

Journal: https://www.academicpublishers.org/journals/index.php/ijai

2023	1056	127 (1056 x 12%)	130	257	926
2024	926	111	146	257	780
2025	780	94	163	257	617
2026	617	74	183	257	434
2027	434	52	205	257	229
2028	229	28	229	257	0

We present the above calculations in the forms of the condensed Statement of Financial Position and Statement of Financial Results.

Table 6

MBA Company's Financial Statement as of December 31, 2023[6]:

Non-current assets	
Right-of-use assets (792 – 132)	660
Long-term liabilities	
Lease obligation	780
Financial obligations	222
Short-term liabilities	
Lease liability (926 – 780)	146
Financial obligations(263 – 222)	41

Table 7

MBA Company's Statement of Profit and Loss and Other Comprehensive Income for 2023[7]:

Operating income	
Proceeds from the sale of fixed assets	236
Operating expenses	
Amortization of right-of-use assets	(132)
Finance expenses	
Interest (127 + 36)	(163)

c) if the sale price is lower than the fair value of the asset

Since the sale price is lower than the fair value of the asset, the difference is $300 thousand (2000 - 1700), representing a prepayment of the lease payment.

The prepayments for the lease payment arising from the withdrawal of the right-of-use asset are included in the initial cost of the asset.

[6] . The table was compiled by the authors in an abbreviated form based on the international Statement of Financial Position.

[7] . The table was compiled by the authors in an abbreviated form based on the international Statement of Profit and Loss and Other Comprehensive Income.

ORIGINAL ARTICLE

INTERNATIONAL JOURNAL OF ARTIFICIAL INTELLIGENCE

ISSN: 2692-5206, Impact Factor: 12,23
American Academic publishers, volume 05, issue 10,2025

Journal: https://www.academicpublishers.org/journals/index.php/ijai

On January 1, 2023, MBA will dispose of the equipment, reflect the financial result of its disposal (in terms of the rights to the asset transferred to the buyer), and also recognize a lease liability in the amount of the discounted value of the lease payments and a right-of-use asset in the amount of the proportional carrying amount of the asset sold, which represents the seller-lessee's remaining rights in the asset as a result of the lease).

Dt Cash 1,700

Ct Fixed assets 1,500
Ct Rent payable (270 x 4.11) 1,110
Dt Asset (1,500/2,000 x (1,110 + 300)) 1,058
Ct Gain on sale of asset* 148

*Calculation of profit from sale:
Profit from sale at market price = 2000 – 1500 = 500
Rights to the asset remaining with the seller-lessee under the leaseback agreement = 1058
Rights to the asset transferred to the buyer = 1500 – 1058 = 442
Profit attributable to the rights to the asset transferred to the buyer-lessor = 500 x 442/1500 = 148

Subsequently, the asset in the form of the right-of-use of the main asset is depreciated. Depreciation allowances for 2023: 1058/6 = 176. The carrying amount of the right-of-use asset as of December 31, 2023: 1058 – 176 = 882.

Subsequent accounting for lease liabilities (Tables 8, 9 and 10):

Table 8

Subsequent accounting of lease liabilities[8]

Davr	**Boshlangich qoldiq**	**Moliyaviy xarajat (12%)**	**Asosiy qarzni kamayishi**	**To‘lov**	**Oxirgi qoldiq**
1	2	3	4 = 5 – 3	5	6 = 2 - 4
2023	1 110	133 (1 110 x 12%)	137	270	973
2024	973	117	153	270	820
2025	820	98	172	270	648
2026	648	78	192	270	456
2027	456	55	215	270	241
2028	241	29	241	270	0

Table 9

MBA Company's Financial Statement as of December 31, 2023[9]:

8 . The table was compiled by the authors.
9 . The table was compiled by the authors in an abbreviated form based on the international Statement of Financial Position.

ORIGINAL ARTICLE
INTERNATIONAL JOURNAL OF ARTIFICIAL INTELLIGENCE
ISSN: 2692-5206, Impact Factor: 12,23
American Academic publishers, volume 05, issue 10,2025
Journal: https://www.academicpublishers.org/journals/index.php/ijai

Non-current assets	
Right-of-use assets (1058 – 176)	882
Long-term liabilities	
Lease liabilities	820
Current liabilities	
Lease liabilities (973 – 820)	153

Table 10

MBA Company's Statement of Profit and Loss and Other Comprehensive Income for 2023[10]:

Operating income	
Proceeds from sale of fixed assets	148
Operating expenses	
Amortization of right-of-use assets	(176)
Finance expenses	
Interest	(133)

Sale and leaseback transactions before the date of initial application. An entity shall not reassess a sale and leaseback transaction before the date of initial application to determine whether the underlying asset transferred meets the requirements of IFRS 15 to be accounted for as a sale.

If a sale and leaseback transaction is accounted for as a sale and finance lease, the seller-lessee shall:

a) account for the leaseback in the same way as it would for any other finance lease in effect at the date of initial application; and

b) continue to amortize the sale proceeds over the lease term.

If a sale and leaseback transaction is accounted for as a sale and operating lease, the seller-lessee shall:

a) account for the leaseback, taking into account any other operating leases in effect at the date of initial application; and

b) adjust the leaseback right-of-use asset in the statement of financial position for deferred gains or losses that are attributable to market conditions that would have been recognized immediately before the date of initial application.

Conclusions and suggestions.

The accounting for the sale and leaseback of fixed assets is not indicated in the analyzed literature. Only IFRS 16 "Leases" provides tariffs for this issue, but examples and accounting entries are not provided. Since this issue is new in the accounting practice of Uzbekistan, the

[10] . The table was compiled by the authors in an abbreviated form based on the international Statement of Profit and Loss and Other Comprehensive Income.

ISSN: 2692-5206, Impact Factor: 12,23
American Academic publishers, volume 05, issue 10,2025
Journal: https://www.academicpublishers.org/journals/index.php/ijai

authors have provided examples and accounting entries and how it is reflected in the financial statements.

The transfer of an asset under the sale and leaseback of fixed assets depends on the organization of the sale, that is, it must meet the criteria of IFRS 15 “Revenue from contracts with customers”. Otherwise, it does not meet the requirements for sale and leaseback.

The authors mainly focused on three cases in this article: a) the sale price corresponds to the fair value of the asset; b) the sale price is higher than the fair value of the asset; c) the sale price is lower than the fair value of the asset. We answered these questions in a practical, that is, in the form of examples and problems.

The authors concluded that if the sales price is not equal to the fair value of the asset or if the lease payments are not made at market rates, the seller-lessee should make the following adjustments to measure the proceeds from the sale at fair value:

a) amounts less than the market rate should be considered as advance payments of rent; and

b) amounts received in excess of the market rate should be considered as additional financing provided by the buyer-lessor to the seller-lessee. We believe that the tasks set have been answered. The results of the study can be of great help to practicing accountants and theoretical accountants if they apply them in their practice. It is not necessary to create new accounts when making accounting entries, but it is possible to solve the problem by adding additional accounts from our existing accounts.

Reference:

1. IAS (2015) IFRS (IAS) 16 "Property, property, plant and equipment". Prilozhenie #8 k prikazu Ministerstva finansov Rossiyskoy Federatsii ot 28.12.2015 #217n.
2. ASSA DipIFR (2018) Uchebnoe posobie ASSA DipIFR. - M.: - 612 p.
3. Berdichevskaya V.O. (2017) Transformation finansovoy otchetnosti v MSFO: uchebnoe posobie / V.O. Berdichevskaya; Yarosl. Mr. un-t im. P. G. Demidova. - Yaroslavl: YarGU, - 204 p. MSFO (IFRS) 15 "Vyruchka po dogovoram s pokupateliyami". Prilozhenie #5 k prikazu Ministerstva finansov Rossiyskoy Federatsii ot 27.06.2016 #98n.
4. IFRS 16 "Lease". Prilozhenie #1 k prikazu Ministerstva finansov Rossiyskoy Federatsii ot 11.06.2016 #111n.
5. IFRS 9 "Financial Instruments". Prilozhenie #1 k prikazu Ministerstva finansov Rossiyskoy Federatsii ot 27.06.2016 #98n.
6. Teterleva A.S. (2016) International financial reporting standards: [ucheb. posobie] / A.S. Teterleva; M-vo obrazovaniya i nauki Ros. Federatsii, Urals. feder. flour – Yekaterinburg: Izd-vo Ural. flour, - 176 p.