

PFRS 16 LEASES

Proforma Journal Entries and Restatement Entries

Option 1: Full Retrospective Approach

####	Entry Made:	DR	CR	Should be entry:	DR	CR	Restatement in January 1, 2018:	DR	CR
	Rent expense	100,000.00		ROU Asset	457,970.72		ROU Asset	366,376.57	
	Input VAT	12,000.00		Deferred input VAT (12,000 VAT x 5 years)	60,000.00		Deferred input VAT	48,000.00	
	Lease Liability		107,000.00	Lease Liability		492,970.72	RE, beg.	3,733.29	
	Withholding tax payable - expanded		5,000.00	Deferred withholding tax payable - expanded (5,000 x 5 years)		25,000.00	Deferred tax asset	1,599.98	
	<i>To record rent expense</i>			<i>To record ROU asset and lease liability</i>			Lease Liability		399,709.84
	Lease Liability	107,000.00		Depreciation	91,594.14		Deferred withholding tax payable - expanded		20,000.00
	Expanded withholding tax payable	5,000.00		Accum. dep'n-ROU Asset		91,594.14	<i>To record the effect of adoption of PFRS 16</i>		
	Cash		112,000.00	<i>To record depreciation of ROU Asset</i>					
	<i>To record payment made in 2017</i>			Input VAT	12,000.00				
				Deferred input VAT		12,000.00			
	<i>Note: Payment should be equal to</i>			<i>To record reversal of deferred input VAT upon payment</i>					
				Deferred withholding tax payable - expanded	5,000.00				
				Withholding tax payable - expanded		5,000.00			
				<i>To record reversal of deferred WT upon payment</i>					
				Lease Liability	93,260.88				
				Interest Exp.	13,739.12				
				Expanded withholding tax payable	5,000.00				
				Cash		112,000.00			
				<i>To record payment made in 2017</i>					
				Deferred tax asset	1,599.98				
				Provision for income tax - deferred		1,599.98			
				<i>To record provision for DTA on the difference per PAS 17 vs PFRS 16</i>					
####	Entry Made:	DR	CR	Should be entry:	DR	CR	Restatement of comparative period (2018)	DR	CR
	Rent expense	100,000.00		Depreciation	91,594.14		Lease liability	95,848.70	
	Input VAT	12,000.00		Accum. dep'n-ROU Asset		91,594.14	Interest Expense	11,151.30	
	Lease Liability		107,000.00	<i>To record depreciation of ROU Asset</i>			Deferred withholding tax payable - expanded	5,000.00	
	Withholding tax payable - expanded		5,000.00	Input VAT	12,000.00		Operating expense		100,000.00
	<i>To record rent expense</i>			Deferred input VAT		12,000.00	Deferred input VAT		12,000.00
	Lease Liability	107,000.00		<i>To record reversal of deferred input VAT upon payment</i>			<i>To record restatement of comparative year</i>		
	Expanded withholding tax payable	5,000.00		Deferred withholding tax payable - expanded	5,000.00		Deferred tax asset	823.63	
	Cash		112,000.00	Withholding tax payable - expanded		5,000.00	Provision for income tax - deferred		823.63
	<i>To record payment made in 2018</i>			<i>To record reversal of deferred WT upon payment</i>			<i>To record provision for DTA on the difference per PAS 17 vs PFRS 16</i>		
				Lease Liability	95,848.70				
				Interest Exp.	11,151.30				
				Expanded withholding tax payable	5,000.00				
				Cash		112,000.00			
				<i>To record payment made in 2017</i>					

####	Entry Made:	DR	CR	Should be entry:	DR	CR	Restatement of comparative period (2018)	
				Deferred tax asset	823.63			
				Provision for income tax - deferred		823.63		
				<i>To record provision for DTA on the difference per PAS 17 vs PFRS 16</i>				

Option 2: Modified Retrospective Approach

####	Equity adjustment in January 1, 2019	DR	CR
	ROU Asset	274,782.43	
	RE, Beg.	5,655.09	
	Deferred input VAT	36,000.00	
	Deferred tax asset	2,423.61	
	Lease Liability		303,861.14
	Deferred withholding tax payable - expanded		15,000.00
	<i>To record the effect of adoption of PFRS 16</i>		

Entry for 2019:	DR	CR	Entry for 2020:	DR	CR	Entry for 2021:	DR	CR
Depreciation	91,594.14		Depreciation	91,594.14		Depreciation	91,594.14	
Accum. dep'n-ROU Asset		91,594.14	Accum. dep'n-ROU Asset		91,594.14	Accum. dep'n-ROU Asset		91,594.14
<i>Depreciation of ROU Asset</i>			<i>Depreciation of ROU Asset</i>			<i>Depreciation of ROU Asset</i>		
Input VAT	12,000.00		Input VAT	12,000.00		Input VAT	12,000.00	
Deferred input VAT		12,000.00	Deferred input VAT		12,000.00	Deferred input VAT		12,000.00
<i>Reversal of deferred input VAT upon payment</i>			<i>Reversal of deferred input VAT upon payment</i>			<i>Reversal of deferred input VAT upon payment</i>		
Deferred withholding tax payable - expanded	5,000.00		Deferred withholding tax payable - expanded	5,000.00		Deferred withholding tax payable - expanded	5,000.00	
Withholding tax payable - expanded		5,000.00	Withholding tax payable - expanded		5,000.00	Withholding tax payable - expanded		5,000.00
<i>Reversal of deferred WT upon payment</i>			<i>Reversal of deferred WT upon payment</i>			<i>Reversal of deferred WT upon payment</i>		
Lease Liability	98,514.17		Lease Liability	101,259.59		Lease Liability	104,087.38	
Interest Exp.	8,485.83		Interest Exp.	5,740.41		Interest Exp.	2,912.62	
Expanded withholding tax payable	5,000.00		Expanded withholding tax payable	5,000.00		Expanded withholding tax payable	5,000.00	
Cash		112,000.00	Cash		112,000.00	Cash		112,000.00
<i>To record payment made in 2019</i>			<i>To record payment made in 2019</i>			<i>To record payment made in 2019</i>		
Deferred tax asset	23.99		Provision for income tax - deferred	799.63		Provision for income tax - deferred	1,647.97	
Provision for income tax - deferred		23.99	Deferred tax asset		799.63	Deferred tax asset		1,647.97
<i>To record provision for DTA on the difference per PAS 17 vs PFRS 16</i>			<i>To record reversal of DTA on the difference per PAS 17 vs PFRS 16</i>			<i>To record reversal of DTA on the difference per PAS 17 vs PFRS 16</i>		

Note: As of year 5 (2021), ROU asset, Lease liability and DTA should be equal to nil.