

Is there a standard threshold for what constitutes as “low-value assets” in the context of SB-FRS 116?

SB-FRS 116 Appendix B para B5 sets out that an underlying asset can be of low value only if:

- (a) the lessee can benefit from use of the underlying asset; and
- (b) the underlying asset is not highly dependent or interrelated with other assets.

According to the definition, the assessment of whether an underlying asset is of low value is *entity-specific* and *lease-specific*. As every Statutory Board is different and every lease is different, a standard threshold for what constitutes “low-value” set by a central agency would not be acceptable under SB-FRS 116.

Assessment of asset value based on value of asset when it is new

Statutory Boards are to take note that the assessment of the value of an underlying asset should be based on the value of the asset *when it is new*, regardless of the age of the asset being leased.

Statutory Boards may rely on the observable market price of the asset being leased to determine the value of the asset when it is new.

Assessment of asset value is independent of lease materiality to lessee

Statutory Boards should also take note that the assessment of whether an asset is of low value is independent of whether the lease is material to the lessee i.e. assessment of whether an underlying asset is of low value should be on an absolute basis and not affected by size, nature or circumstance of lessee.