

DECISION TREE: Does your contract contain a lease?

Is there an identified asset?

An asset can be identified either explicitly or implicitly. If explicit, the asset is specified in the contract; if implicit, the asset is not mentioned in the contract, but the supplier can fulfill the contract only by the use of a particular asset—like in the case of *embedded leases*.

No

Yes

Do you have the right to obtain substantially all the economic benefits from the use of the asset?

Economic benefits can be obtained directly or indirectly—i.e. using yourself or subleasing. Benefits include the primary output and any byproducts as well as payments from third parties that relate to the use of the identified asset.

Yes

You

Do you or does the supplier have the right to direct how and why the asset is used throughout the agreed upon period of use?

Supplier

Neither

Yes

Do you have the right to determine how the asset is used throughout the agreed upon period?

No

Did you design the asset in a way that predetermines how it will be used?

No

Yes

Contains
A Lease

Does Not Contain
A Lease