

3.8.1 Definitions

Deferred Inflow. Lease Receivable plus any cash received upfront that pertains to a future period.

Discount Rate. The interest rate the lessor charges the lessee. The rate may be stated or be implicit in the lease. The rate implicit in the lease is the rate of interest that, at a given date, causes the present value of the net investment in the lease to equal the sum of the fair value of the underlying asset.

Incremental borrowing rate. The rate that, at the commencement of the lease, the lessee (State Agency) would have incurred to borrow over a similar term the funds necessary to purchase the (underlying) lease asset. In the absence of a recent borrowing of matching term upon which to base the lessee's incremental borrowing rate, State agencies should use the State Treasurer's posted rate for GASB 87 leases.