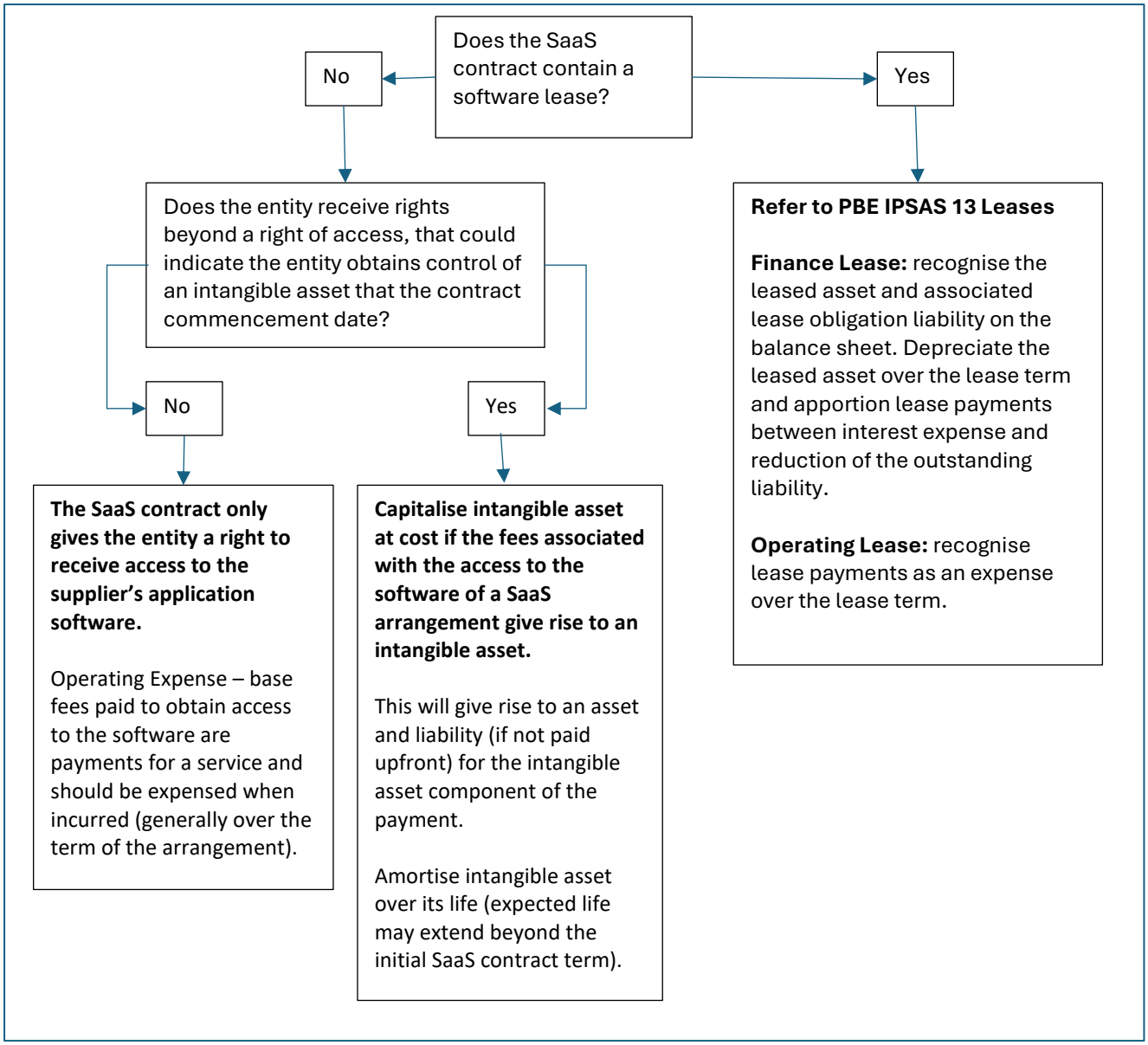
Does the SaaS contract contain a software lease?
No
Yes
Refer to PBE IPSAS 13 Leases
Finance Lease: recognise the leased asset and associated lease obligation liability on the balance sheet. Depreciate the leased asset over the lease term and apportion lease payments between interest expense and reduction of the outstanding liability.
Operating Lease: recognise lease payments as an expense over the lease term.
Does the entity receive rights beyond a right of access, that could indicate the entity obtains control of an intangible asset that the contract commencement date?
No
Yes
The SaaS contract only gives the entity a right to receive access to the supplier's application software.
Operating Expense – base fees paid to obtain access to the software are payments for a service and should be expensed when incurred (generally over the term of the arrangement).
Capitalise intangible asset at cost if the fees associated with the access to the software of a SaaS arrangement give rise to an intangible asset.
This will give rise to an asset and liability (if not paid upfront) for the intangible asset component of the payment.
Amortise intangible asset over its life (expected life may extend beyond the initial SaaS contract term).