

Agenda Item 5: Leases

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Objective of Session & Material Presented

- Agenda Item 5.2.1—Restructuring of the Exposure Draft 64, *Leases*
- Agenda Item 5.2.2—Lessor—Options to Account for the Subsidy Component in a Concessionary Lease
- Agenda Item 5.2.3—Lessor and Lessee—Presentation
- Agenda Item 5.2.4—Transitional Provisions
- Agenda Item 5.2.5—Amendments to Other IPSASs
- Agenda Item 5.2.6—Specific Matters for Comment
- Agenda Item 5.2.7—Approval of draft Exposure Draft 64, *Leases* and Exposure Period
- Agenda Item 5.3—Draft Exposure Draft 64, *Leases*

Restructuring of the ED 64, *Leases* (Agenda Item 5.2.1)

1 Objective	1
2 Scope	2
3 Definitions	3
4 Recognition Exemptions	4
5 Identifying a Lease	5
6 Lease Term	6
7 Lessee	7
8 Lessor	8
9 Sale and Leaseback Transactions	9
10 Effective Date and Transition	

Restructuring of the ED 64, *Leases* (Agenda Item 5.2.1)

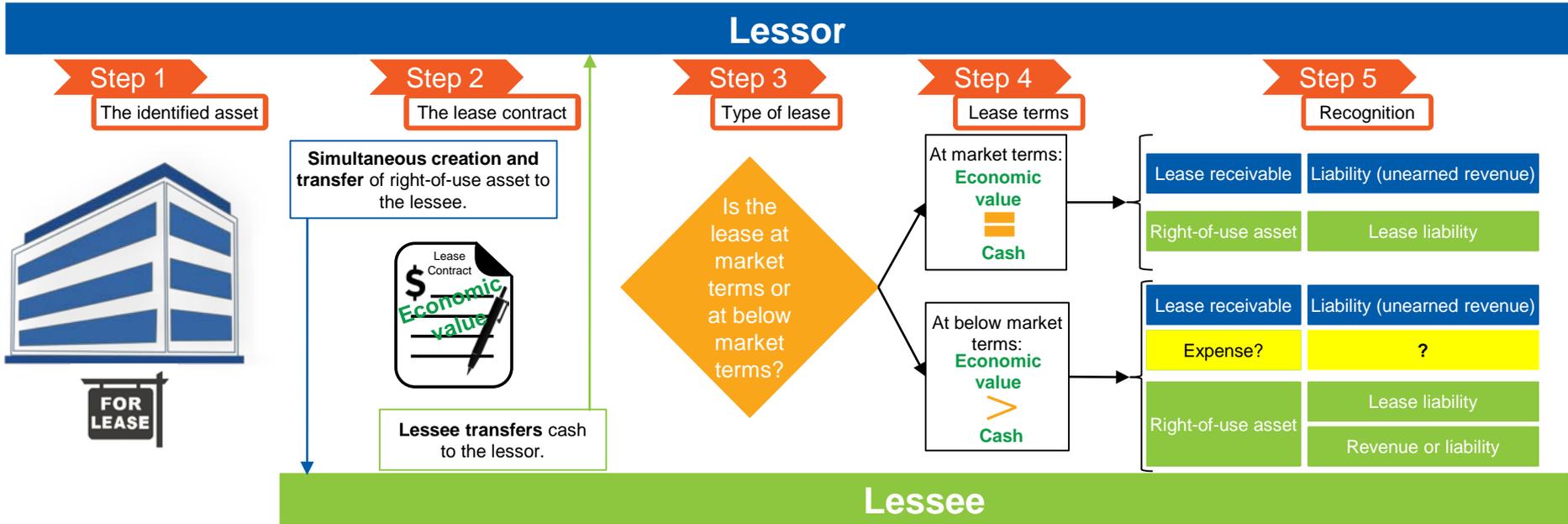
1		Objective	1
2		Scope	2
3		Definitions	3
4		Identifying a Lease	4
5	Accounting for the Underlying Asset	Lease Term	5
6		Lessor Recognition Exemption	6
7	Accounting for the Lease	Lessee Recognition Exemptions	7
8		Sale and Leaseback Transactions	8
9		Effective Date and Transition	9
10		Implementation Guidance	

Restructuring of the ED 64, *Leases* (Agenda Item 5.2.1)

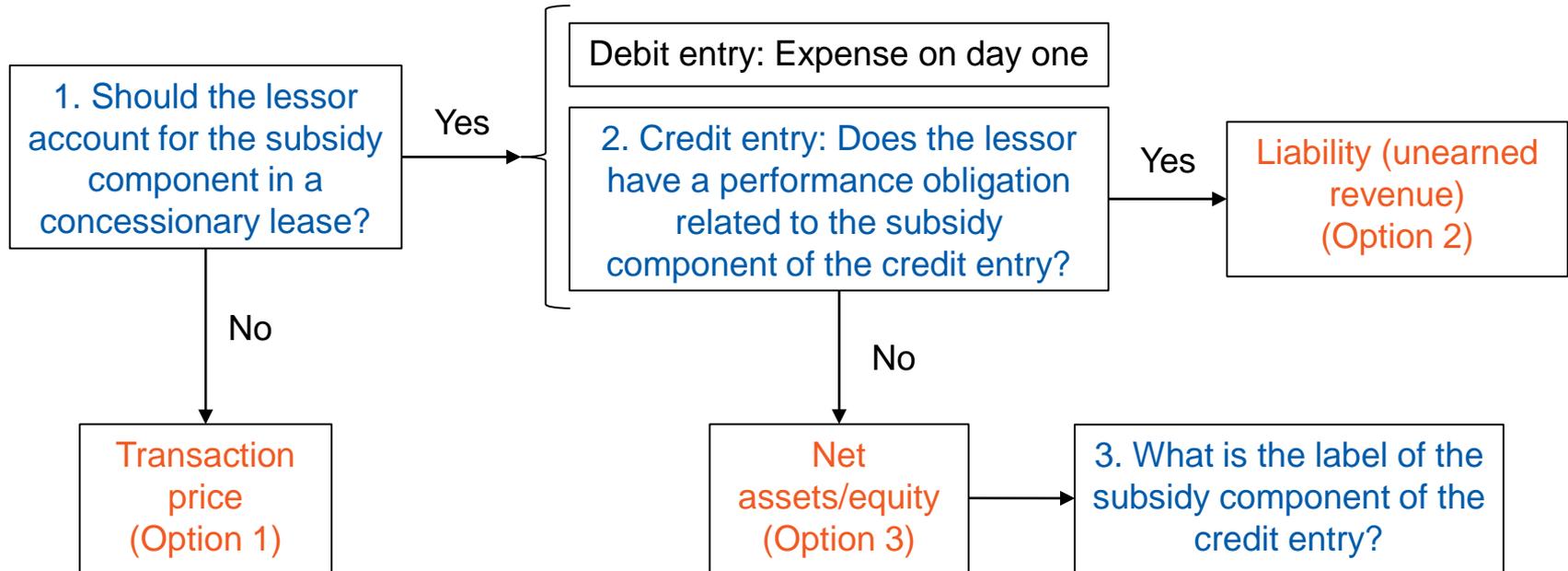
- **Staff's recommendation**
 - To adopt the new structure of draft ED 64
- **Matter for consideration**
 - Does the IPSASB agree with staff's recommendation to adopt the new structure of draft ED 64?

Lessor—Options to account for the subsidy component in a concessionary lease

- Background: Economics of a lease under the right-of-use model



Lessor—Options to account for the subsidy component in a concessionary lease



Lessor—Options to account for the subsidy component in a concessionary lease

- Results of the analysis: Focus on measurement basis**

Step 1—Should the lessor account for the subsidy component in a concessionary lease?

Options	Measurement basis	Recognition of subsidy component	Consistency lessee accounting and in sale and leaseback transaction	Consistency with IPSASB's literature
Transaction Price (Option 1)	Historical cost	x	x	x
Liability unearned revenue (Option 2)	Fair value	✓	✓	✓
Net assets/equity (Option 3)	Fair value	✓	✓	✓

Lessor—Options to account for the subsidy component in a concessionary lease

- **Results of the analysis: Focus on measurement basis**

Step 1—Should the lessor account for the subsidy component in a concessionary lease?

- **Staff's recommendation**

- Recognize the subsidy component in concessionary leases—Do not adopt Option 1

- **Matter for consideration**

- Does the IPSASB agree with staff's recommendation to recognize the subsidy component in concessionary leases—Do not adopt Option 1?

Lessor—Options to account for the subsidy component in a concessionary lease

- Results of the analysis**

Step 2—Does the lessor have a performance obligation related to the subsidy component of the credit entry?

Options	Consistency with IPSASB's literature			
	Conceptual framework		Concessionary loans (IPSAS 29)	IPSAS 1
	Revenue	Liability	Recognition of subsidy over time	
Liability unearned revenue (Option 2)	✓	✓	✓	✓
Net assets/equity (Option 3)	✓	?	x	x

Lessor—Options to account for the subsidy component in a concessionary lease

- **Results of the analysis**

Step 2—Does the lessor have a performance obligation related to the subsidy component of the credit entry?

- **Staff's view**

- Yes, a performance obligation exists to provide access to the underlying asset regardless of the amount of cash being transferred.

- **Staff's recommendation**

- To adopt Option 2.

Lessor—Options to account for the subsidy component in a concessionary lease

- **Results of the analysis**

Step 3—What is the label of the subsidy component of the credit entry?

- IPSAS 1 needs to be amended
- New permanent item in net assets/equity

- **Staff’s recommendation**

- If the IPSASB chooses Option 3, staff recommends to label the subsidy component of the credit entry as “settlement of the concessionary component in a lease”.

- **Matter for consideration**

- Does the IPSASB want to label the subsidy component of the credit entry as “settlement of the concessionary component in a lease”?

Lessor and Lessee—Presentation (Agenda Item 5.2.3)

- **Lessor – Display (para. 47–50)**
 - Underlying assets according to the economic nature (IFRS 16)
 - Symmetrical requirements of lessee accounting, where appropriate.
- **Matter for consideration**
 - Does the IPSASB agree with the display requirements for lessors in draft ED 64?

Lessor and Lessee—Presentation (Agenda Item 5.2.3)

- **Lessor – Note disclosure (para. 51–60)**
 - IFRS 16 requirements on finance leases and operating leases, where appropriate
 - Symmetrical requirements of lessee accounting, where appropriate.
 - Disclosures requirements for concessionary leases based on IPSAS 30, *Financial Instruments: Disclosure*
- **Matter for consideration**
 - Does the IPSASB agree with the disclosure requirements for lessors in draft ED 64?

Lessors and Lessees—Presentation (Agenda Item 5.2.3)

- **Lessee – Display (para. 97–100)**
 - IFRS 16 guidance amended for IPSASB’s literature
- **Matter for consideration**
 - Does the IPSASB agree with the display requirements for lessees in draft ED 64?

Lessors and Lessees—Presentation (Agenda Item 5.2.3)

- **Lessee – Note disclosure (para. 51–60)**
 - IFRS 16 requirements adapted to IPSASB’s literature
 - Disclosures requirements for concessionary leases based on IPSAS 30, *Financial Instruments: Disclosure*

- **Matter for consideration**
 - Does the IPSASB agree with the disclosure requirements for lessees in draft ED 64?

Transitional Provisions (Agenda Item 5.2.4)

- **Lessors**
 - Mirror requirements for lessees to the extent possible
 - Specific transitional requirements for concessionary leases on an exception basis (see Appendix C of Agenda Item 5.2.2)
- **Lessees**
 - IFRS 16 modified to IPSASB's literature
 - Specific transitional requirements for concessionary leases on an exception basis
- **Matter for consideration**
 - Does the IPSASB agree with the amendments to other IPSASs in draft ED 64?

Amendments to Other IPSASs (Agenda Item 5.2.5)

- **Two types of amendments**
 - IFRS 16 related amendments to IPSASs that are drawn from IFRSs
 - IPSAS specific amendments to other IPSASs
 - Lessor accounting
 - Concessionary leases
- **Publication of full marked up IPSAS 16, *Investment Property***
- **Matter for consideration**
 - Does the IPSASB agree with the amendments to other IPSASs in draft ED 64?

Specific Matters for Comment in ED 64 (Agenda Item 5.2.6)

- **ED 64 includes three SMCs related to major IPSASB's decisions**
 - Departure from IFRS 16 lessor accounting model (SMC 1);
 - IPSASB's lessor accounting model (SMC 2); and
 - Accounting for the non-exchange component in concessionary leases for lessors (SMC 3) (see Appendix for Options 2 and 3).
- **Matter for consideration**
 - Does the IPSASB agree with the three recommended SMCs included in draft ED 64?

Specific Matters for Comment in ED 64 (Agenda Item 5.2.6)

- **SMCs decided by IPSASB during the project (see draft text in appendix)**
 - Manufacturer lessor
 - Lessor: Recognition exemption of leases of low-value assets
- **Staff's view:**
 - The above issues are a consequence of IPSASB's decisions included in the three SMCs in ED 64
- **Matter for consideration**
 - Does the IPSASB agree not to include the above SMCs in draft ED 64?

Approval of draft Exposure Draft 64, *Leases* (Agenda Item 5.2.7)

- **Section-by section review of draft ED 64 on an exception basis**
 - Core Text of draft ED 64 (Pages 6–34)
 - Application Guidance (Pages 35–48)
 - Basis for Conclusions (Pages 107–125)
 - Implementation Guidance (Pages 126–129)
 - Illustrative Examples (Pages 130–168)

- **Matter for consideration**
 - Does the IPSASB agree to vote to approve draft ED 64?

Exposure Period (Agenda Item 5.2.7)

- **Standard consultation period for EDs is four months**
- **Staff's view and recommendation**
 - Four months is appropriate for a document of this size and complexity
 - January 31, 2018 – Expected publication date
 - May 31, 2018 – Comment end date
- **Matter for consideration**
 - Does the IPSASB agree with a May 31, 2018 comment closing date?



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