

# Agenda Item 5: Leases

Supporting diagrams for Agenda Item 5.2.2 –Lessor—Options to account for the subsidy component in a concessionary lease

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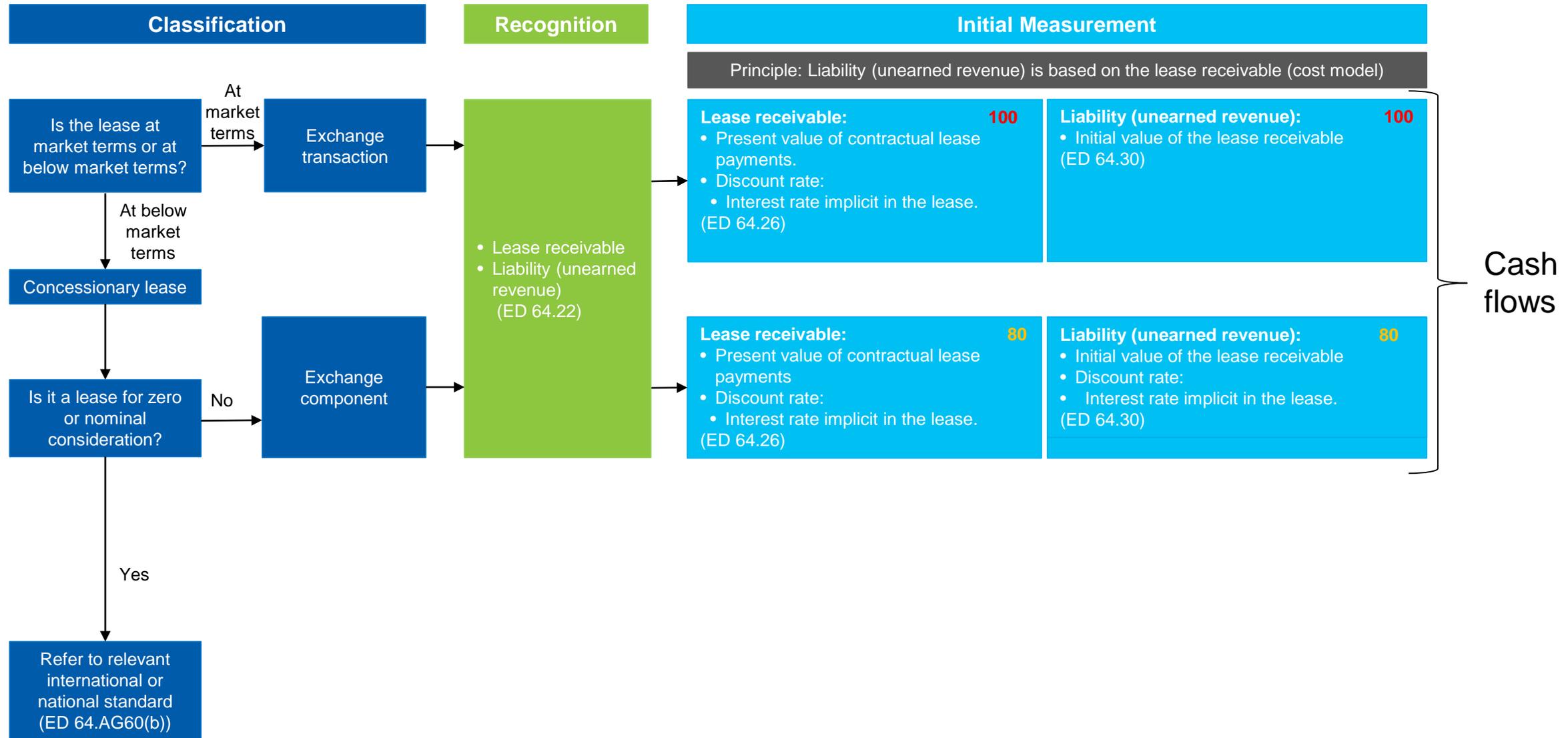
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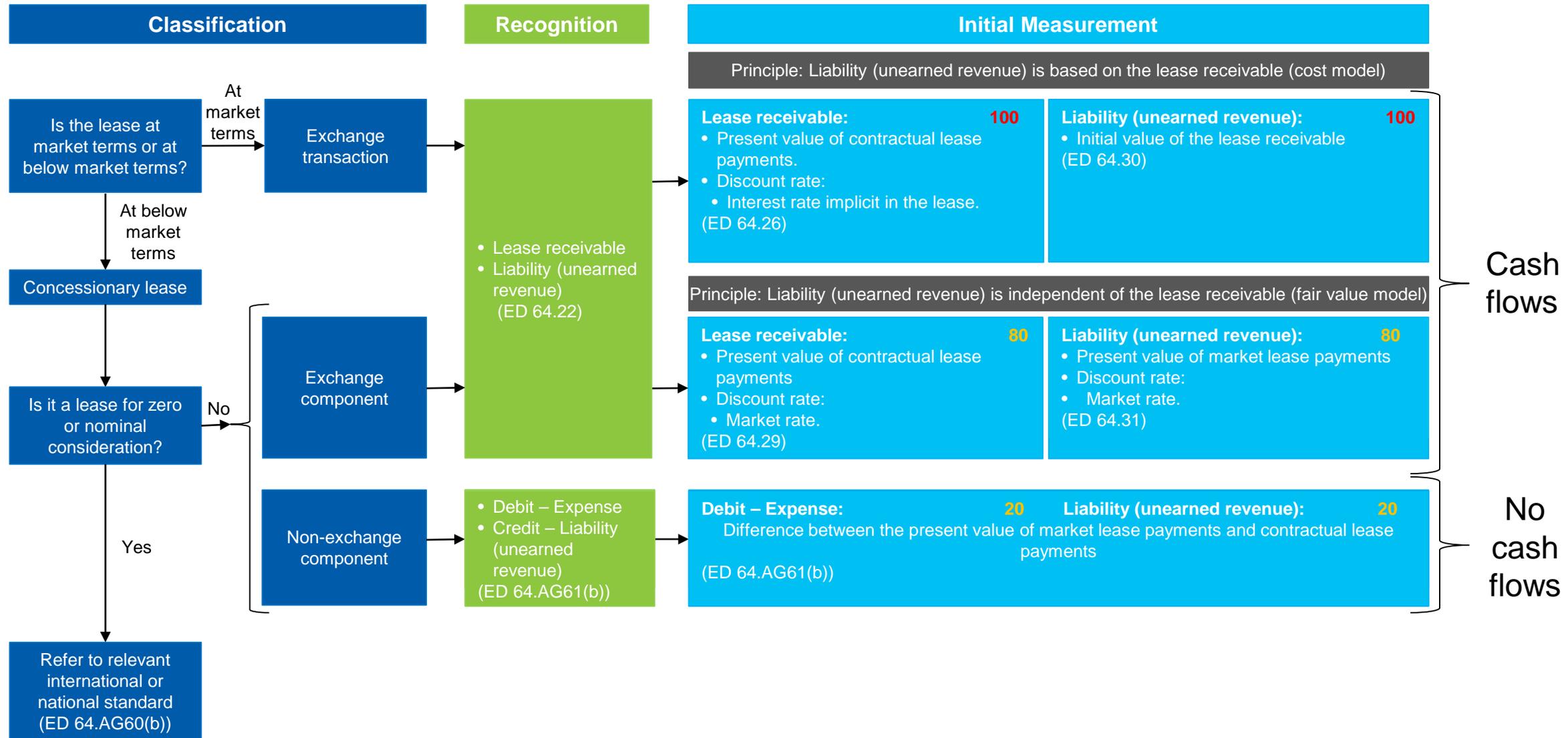
# Lessor – General guidance – Historical cost model

(Option 1 – Cash-flow approach to the lease)



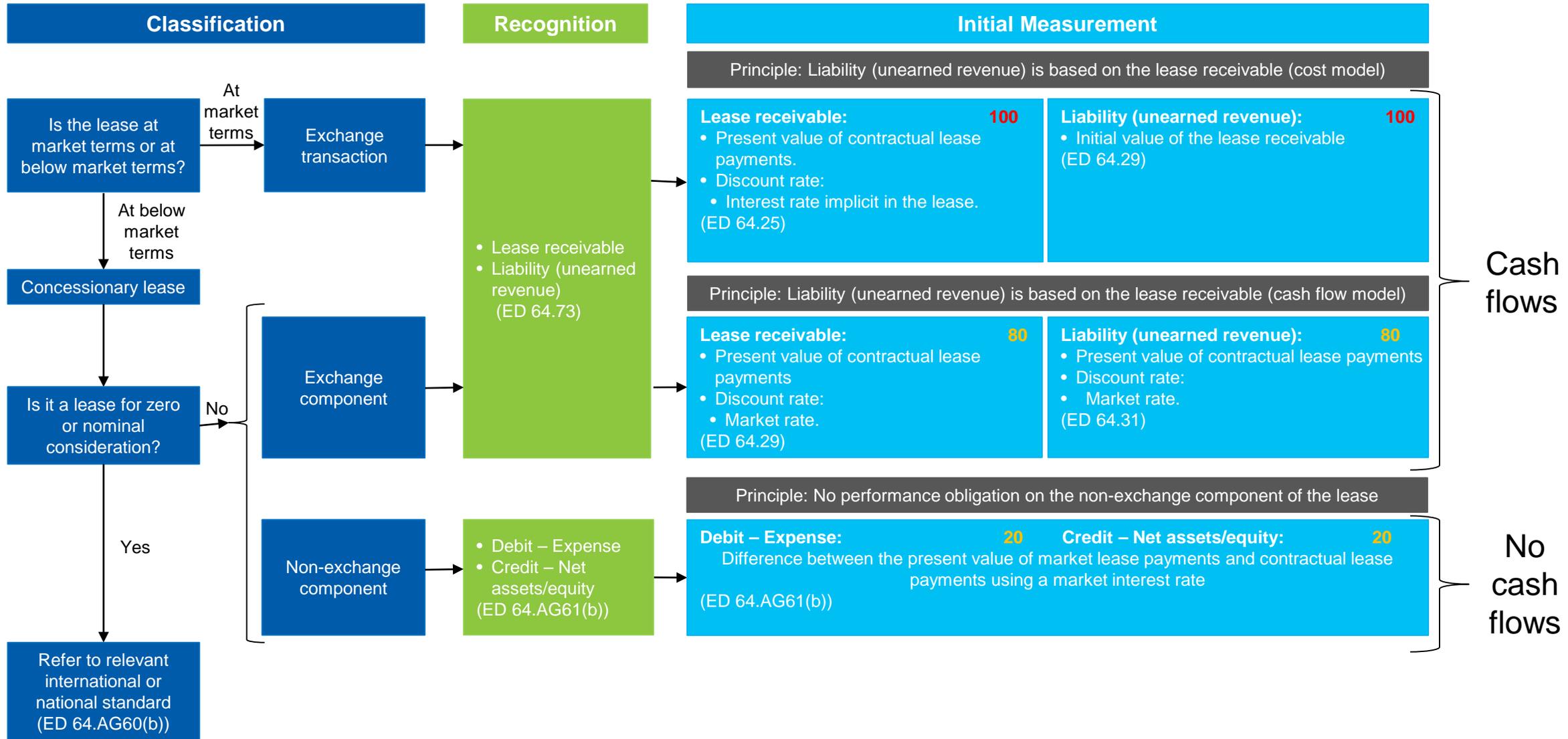
# Lessor – General guidance – Fair value model

(Option 2 – Performance obligation approach to the full economic value of the lease)

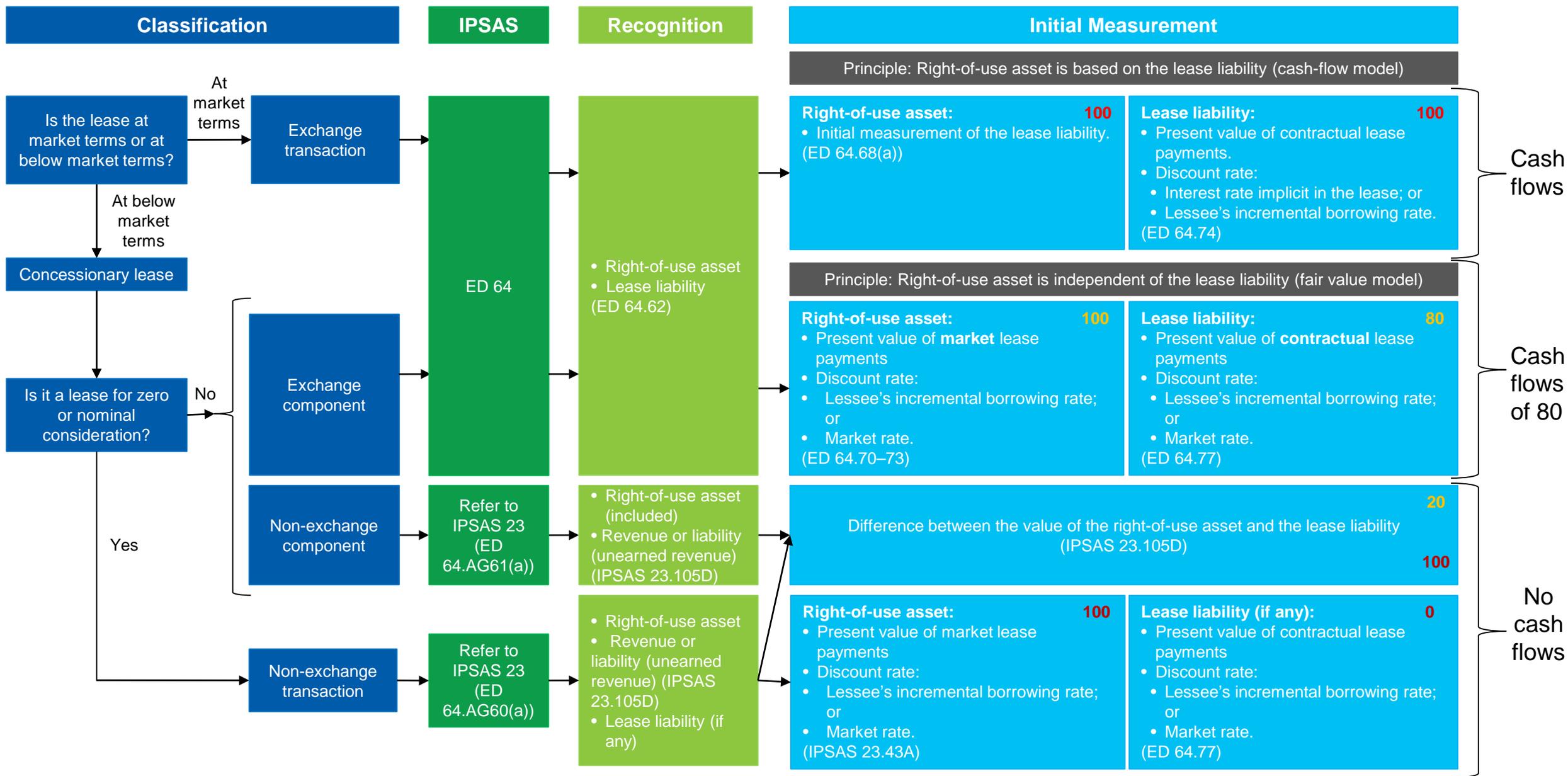


# Lessor – General guidance – Fair value model

(Option 3 – Performance obligation approach to the exchange component of the lease)



# Lessee – General guidance



# Comparison between a concessionary loan and a concessionary lease

## Lender – Concessionary Loan

Loan: CU5.000  
 Contractual Interest Rate: 5%  
 Market Interest Rate: 10%  
 Loan Term: 5 years

Loan Plan						Cash Flow	Present Value	Dif.	Coef. 10%
Year	Op Bal	Int (5%)	Princ	Cash Flow	CI Bal				
1	5,000	250	905	1,155	4,095	1,155	1,050	105	0.909
2	4,095	205	950	1,155	3,145	1,155	954	200	0.826
3	3,145	157	998	1,155	2,147	1,155	868	287	0.751
4	2,147	107	1,048	1,155	1,100	1,155	789	366	0.683
5	1,100	55	1,100	1,155	0	1,155	717	438	0.621
<b>Total</b>		<b>774</b>	<b>5,000</b>	<b>5,774</b>		<b>5,774</b>	<b>4,378</b>	<b>1,396</b>	

Fair Value of Loan Plan				
Year	Op Bal	Int (10%)	Cash Flow	CI Bal
1	4,378	438	1,155	3,661
2	3,661	366	1,155	2,872
3	2,872	287	1,155	2,004
4	2,004	200	1,155	1,050
5	1,050	105	1,155	0
<b>Total</b>		<b>1,396</b>	<b>5,774</b>	

<b>Loan</b>	5,000
<b>FV Loan</b>	4,378
<b>Subsidy</b>	622

## Lessor – Concessionary Lease (Option 2)

Annual Market Lease Payments: CU1.500  
 Annual Contractual Lease Payments: CU1.155  
 Market Interest Rate: 10%  
 Lease Term:

	70% of:					Off-market portion of the lease
	Undiscounted Annual Market Lease Payments	Present Value of Annual Market Lease Payments	Undiscounted Annual Contractual Lease Payments	Present Value of Annual Contractual Lease Payments		
	1	2	3	4	5=2-4	
<b>Year 1</b>	1,500	1,364	1,155	1,050	314	
<b>Year 2</b>	1,500	1,240	1,155	955	285	
<b>Year 3</b>	1,500	1,127	1,155	868	259	
<b>Year 4</b>	1,500	1,025	1,155	789	236	
<b>Year 5</b>	1,500	931	1,155	717	214	
<b>Total</b>	<b>7,500</b>	<b>5,686</b>	<b>5,775</b>	<b>4,378</b>	<b>1,308</b>	

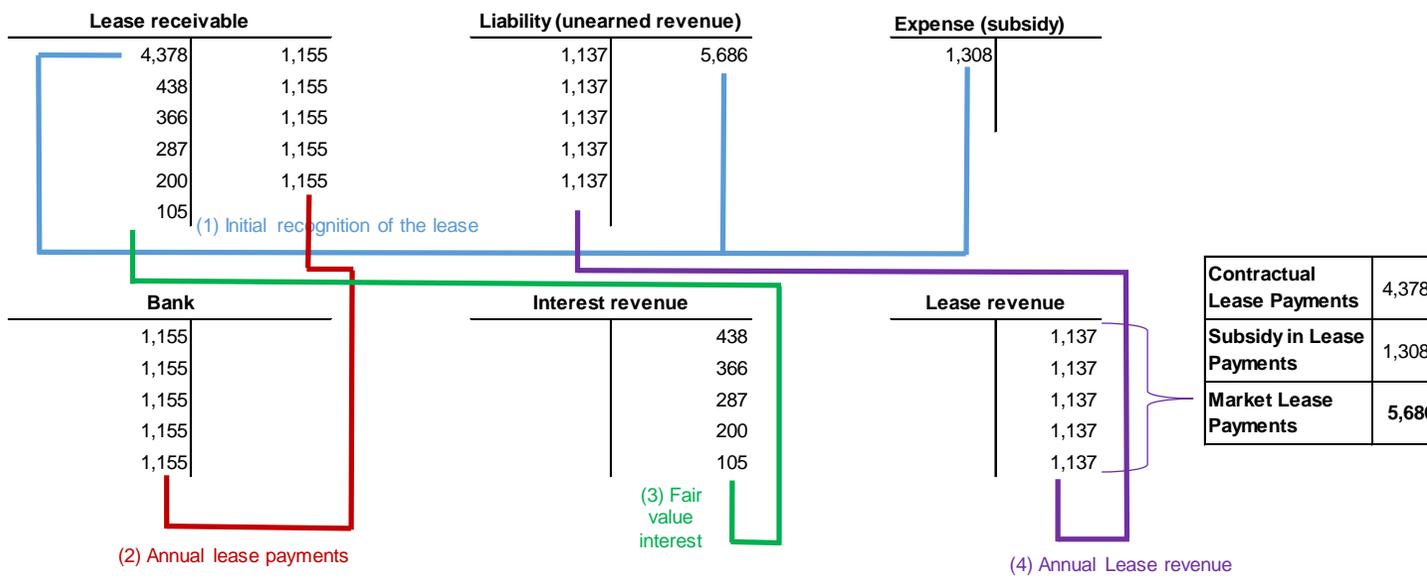
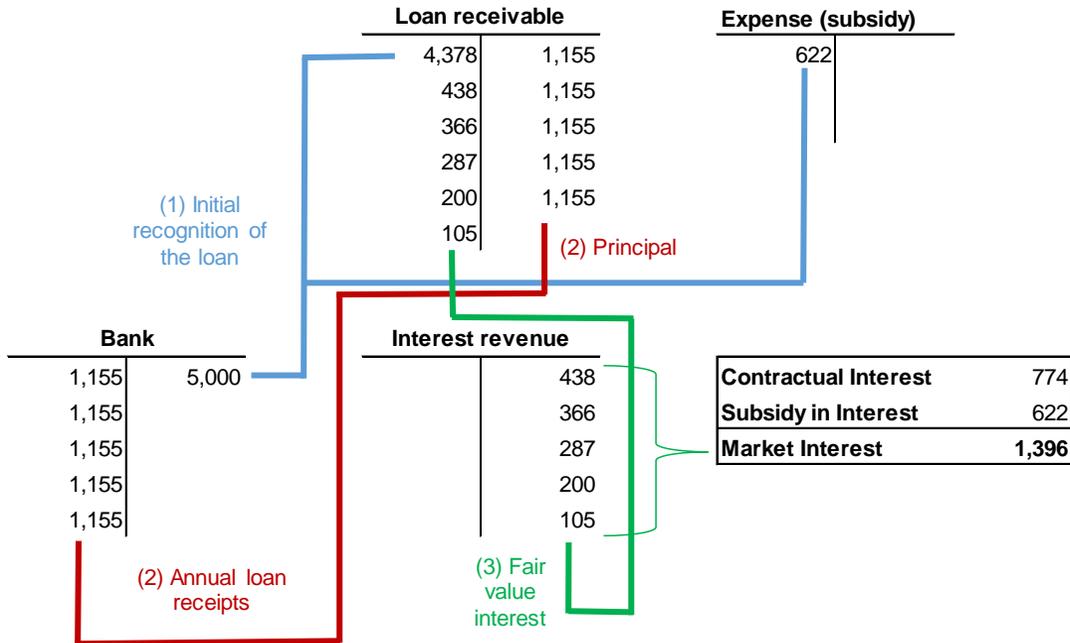
  

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Capital balance</b>	<b>4,378</b>	<b>3,661</b>	<b>2,872</b>	<b>2,005</b>	<b>1,050</b>
Interest payable	438	366	287	200	105
Principal	717	789	868	955	1,050
Contractual Lease payments	1,155	1,155	1,155	1,155	1,155
<b>Capital balance</b>	<b>3,661</b>	<b>2,872</b>	<b>2,005</b>	<b>1,050</b>	<b>0</b>

# Comparison between a concessionary loan and a concessionary lease – cont.

## Lender – Concessionary Loan

## Lessor – Concessionary Lease (Option 2)



**Conclusion:**  
 In a concessionary lease, the subsidy is recognized:  
 (a) As expense at initial recognition; and  
 (b) As lease revenue over the lease term.

**Conclusion:**  
 In a concessionary loan, the subsidy is recognized:  
 (a) As expense at initial recognition; and  
 (b) As interest revenue over the loan term.

	1,396	Market interest revenue
	-622	Subsidy
<b>Net impact on surplus or deficit</b>	<b>774</b>	<b>Contractual interest payments</b>

	5,686	Market lease revenue
	-1,308	Subsidy
<b>Net impact on surplus or deficit</b>	<b>4,378</b>	<b>Contractual lease payments</b>

**Overall conclusion:** The net impact on surplus or deficit of concessionary loans and concessionary leases is the contractual interest/lease payments, respectively.



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