

**Meeting 1:** International Public Sector Accounting Standards Board

**Meeting Location:** Virtual Meeting

**Meeting Date:** June 23–26, 2020

## Agenda Item 12

For:

- Approval  
 Discussion  
 Information

### LEASES

<b>Project summary</b>	Develop a new leases standard aligned with IFRS 16, <i>Leases</i> to replace IPSAS 13, <i>Leases</i> . Develop additional guidance identifying and addressing lease related accounting issues associated with lease-type arrangements.	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Project management</b>	<a href="#">Leases: Project Roadmap</a>	<a href="#">12.1.1</a>
	<a href="#">Instructions up to Previous Meeting</a>	<a href="#">12.1.2</a>
	<a href="#">Decisions up to Previous Meeting</a>	<a href="#">12.1.3</a>
<b>Decisions required at this meeting</b>	<a href="#">Process for Development of Exposure Draft 73, <i>Leases</i></a>	<a href="#">12.2.1</a>
	<a href="#">Request for Information on Lease Related Accounting Issues: Draft Framework</a>	<a href="#">12.2.2</a>
	<a href="#">Request for Information on Lease Related Accounting Issues: Types of Open Questions</a>	<a href="#">12.2.3</a>

<sup>1</sup> This meeting does not address outcomes from the [Agenda Item 4](#) of June 4, 2020 IPSASB meeting.

**LEASES:  
 PROJECT ROADMAP<sup>2</sup>**

<b>Meeting</b>	<b>Completed Actions or Discussions / Planned Actions or Discussions:</b>
June 2016	1. Approval of Project Brief, <i>Leases</i>
December 2017	1. Approval of Exposure Draft (ED) 64, <i>Leases</i>
September 2018 to September 2019	1. Review of responses to ED 64, <i>Leases</i> 2. Redeliberation of issues
March 2020	1. Project strategy and public interest 2. Leases project phasing and management 3. Framework of analysis for the options to make a decision on the Leases project 4. IFRS 16 variant 5. Stop or continue with the Leases project? 6. Which option should the IPSASB develop: Option 2–IFRS 16 or Option 3–ED 64?
June 2020	1. Process for development of Exposure Draft 73, <i>Leases</i> 2. Request for Information on Lease Related Accounting Issues: Draft Framework 3. Request for Information on Lease Related Accounting Issues: Types of Open Questions
September 2020	1. Review of draft Exposure Draft 73, <i>Leases</i> 2. Review of draft Request for Information on Lease Related Accounting Issues
December 2020	3. Approval of Exposure Draft 73, <i>Leases</i> 4. Approval of Request for Information on Lease Related Accounting Issues

<sup>2</sup> This roadmap only contains the main steps, is forward-looking and therefore does not repeat all the actions taken since project commencement in March 2016.

**INSTRUCTIONS UP TO PREVIOUS MEETING<sup>3</sup>**

Meeting	Instruction	Actioned
March 2020	<ol style="list-style-type: none"> <li>1. Develop for June 2020 the Basis for Conclusions documenting the Board discussions and decisions, and the plan to externally communicate the IPSASB's decisions.</li> <li>2. Develop a draft of the Exposure Draft aligned with IFRS 16, with an associated paper(s) highlighting the key issues for consideration</li> <li>3. Develop initial proposals in regards to the 'Request For Information', as well as proposals on initial content and questions (i.e. strict IFRS 16 lease definition vs. public sector issues of access rights, concessionary leases, etc.)</li> </ol>	<ol style="list-style-type: none"> <li>1. <a href="#">Agenda Item 4</a></li> <li>2. <a href="#">Agenda Item 12.2.1</a></li> <li>3. <a href="#">Agenda Item 12.2.2</a> and <a href="#">Agenda Item 12.2.3</a>.</li> </ol>

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<sup>3</sup> As at the March 2020 meeting the IPSASB took a strategic decision on how to move the Leases project forward, this table only includes the decisions from March 2020 onwards.

**DECISIONS UP TO PREVIOUS MEETING<sup>4</sup>**

Meeting	Decision	BC Reference <sup>5</sup>
March 2020	<p>The IPSASB <b>decided</b> to:</p> <ol style="list-style-type: none"> <li>1. Agree with the Staff recommendation in Issues Paper 11.2.4, to not pursue the IFRS variants, including the specific proposal from the December 2019 meeting.</li> <li>2. Undertake a process of informal voting which considered the strategic options to move the project forward. Members voted to eliminate Option 1 (Retain IPSAS 13). Members then considered the remaining options and voted to continue the project by pursuing option 2 to develop an IFRS 16 aligned ED for lessees and lessors.</li> <li>3. Take a phased approach to the Leases project through:             <ul style="list-style-type: none"> <li>• Phase One—addressing the lease accounting model for both lessors and lessees</li> <li>• Phase Two—addressing the public sector specific issues, including concessionary leases, access rights, modifications to the definition of a lease to include other types of arrangements in the public sector.</li> </ul> </li> <li>4. Continue with the Leases project by developing an ED (Phase One) aligned with IFRS 16 for both lessors and lessees; and</li> <li>5. Publish a Request for Information on public sector specific issues alongside the Phase One ED.</li> </ol>	<ol style="list-style-type: none"> <li>1. BC.17—BC18</li> <li>2. BC19—BC31</li> <li>3. BC16</li> <li>4. BC30</li> <li>5. BC16(b)</li> </ol>

<sup>4</sup> As at the March 2020 meeting the IPSASB took a strategic decision on how to move the Leases project forward, this table only includes the relevant decisions consistent with that strategic decision.

<sup>5</sup> These paragraphs of Basis for Conclusions were discussed at the June 4, 2020 IPSASB meeting ([Agenda Item 4](#)).

## Agenda Item 12.1.3

Meeting	Decision	BC Reference <sup>5</sup>
December 2018	<ol style="list-style-type: none"> <li>1. To confirm the provisional decision made in September to adopt the lessee accounting requirements in ED 64, subject to decisions on the approach to be taken to lessor accounting, and where relevant, concessionary leases;</li> <li>2. Not to publish lessee accounting requirements based on ED 64 ahead of the decisions on lessor accounting, and where relevant, concessionary leases;</li> <li>3. To create a Task Force to consider all the issues raised by respondents;</li> <li>4. Not to adopt the "bundle of rights" approach to lessee accounting;</li> <li>5. Not to adopt exemption for leases between public sector entities;</li> <li>6. Not to provide additional guidance on transfer of assets;</li> <li>7. To create a Task Force for the Leases project to be established at March 2019 meeting;</li> <li>8. Review all IPSASB's decisions in light of respondents' views;</li> <li>9. Only take a final decision on lessee accounting, lessor accounting and concessionary leases after all issues have been discussed;</li> </ol>	<ol style="list-style-type: none"> <li>1. BC24-BC30</li> <li>2. BC19</li> <li>3. BC14(a)</li> <li>4. BC13(ii) and BC22</li> <li>5. BC13(iii) and BC22</li> <li>6. BC13(iv) and BC22</li> <li>7. BC19-BC30</li> <li>8. BC14-BC30</li> <li>9. BC14-BC30</li> </ol>
September 2018	<ol style="list-style-type: none"> <li>1. To provisionally adopt the proposals in ED 64, Leases, on lessee accounting in the draft IPSAS on Leases, subject to a more detailed analysis of the responses;</li> <li>2. To extend the timeline of the Leases project in order to carry out a detailed analysis of all the issues raised by respondents;</li> </ol>	<ol style="list-style-type: none"> <li>1. BC14-BC30</li> <li>2. BC14-BC17</li> </ol>

## **Process for Development of Exposure Draft 73, Leases**

### **Question**

1. Whether the IPSASB agrees with the proposed approach to develop Exposure Draft (ED) 73, *Leases*.

### **Recommendation**

2. Staff, Task Force Chair and IPSASB Chair recommend that the IPSASB approves the proposed approach to:
  - (a) The ED 73 outline based on IFRS 16 (in [Appendix A](#));
  - (b) The IFRS 16 guidance to be retained in ED 73 (in [Appendix A](#));
  - (c) Include the ED 64 lessee accounting requirements in ED 73 (which are based on IFRS 16 and will take into consideration the responses to ED 64);
  - (d) Include the lessor accounting requirements based on IFRS 16 in ED 73;
  - (e) Exclude the IFRS 16 manufacturer or dealer lessor requirements in ED 73; and
  - (f) The public sector terminology changes to IFRS 16 to include in ED 73 (in [Appendix B](#)).

### **Background**

3. At the March 2020 meeting, the IPSASB agreed to develop a draft ED aligned with IFRS 16, *Leases*.
4. The "[Process for Reviewing and Modifying IASB Documents](#)" is the IPSASB's IFRS alignment policy paper that establishes the process for considering IASB standards during an alignment project and is applicable to the development of ED 73. Application of this policy is explained in paragraphs 6 to 11.
5. The ED incorporating the IPSASB decisions from June 2020 meeting will be developed for review at the September 2020 meeting. The intention is that ED 73 will be approved at the December 2020 meeting.

### **Analysis**

6. [Appendix A](#) presents the:
  - (a) Proposed outline of ED 73 based on IFRS 16, incorporating public sector differences; and
  - (b) IFRS 16 guidance to be retained in ED 73.
7. Lessee accounting requirements in ED 73 will:
  - (a) Incorporate the proposed text on lessee accounting from ED 64, which was drawn from IFRS 16 and assessed through the [Process for Reviewing and Modifying IASB Documents](#) (see lessee requirements outline in the table of paragraph 2 of [Appendix A](#)); and
  - (b) Consider responses to the ED 64 lessee accounting proposals<sup>1</sup>.
8. Lessor accounting requirements in ED 73 will:

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<sup>1</sup> Paragraph BC22 of the draft Basis for Conclusions in [Agenda Item 4.3](#) of the IPSASB's meeting on June 4, 2020 explains how the IPSASB addressed respondents' concerns on ED 64 as this relates to lessee accounting.

- (a) Include the IFRS 16 guidance for lessors following the application of the IPSASB's IFRS Alignment policy paper; and
  - (b) Be analyzed by staff with recommendations to the IPSASB for its approval.
9. The IFRS 16 manufacturer or dealer lessor requirements are not proposed for retention in ED 73 because these are not expected to be applicable in the public sector. These IFRS 16 requirements were developed mainly for the private sector and are most commonly applied by the automotive industry.<sup>2</sup>
10. All other sections of IFRS 16 will be retained in ED 73 taking into consideration the responses to ED 64.
11. [Appendix B](#) presents the detailed standard IPSAS terminology and style changes to IFRS 16.

**Decision Required**

12. Does the IPSASB agree with the Staff, Task Force Chair and IPSASB Chair recommendation in paragraph 2?

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<sup>2</sup> Staff notes that the manufacturer or dealer lessor requirements were not included in ED 64 for the same reason.

## Appendix A—Draft outline of ED 73, *Leases*

### Purpose

1. To illustrate the IFRS 16, *Leases* guidance proposed by Staff, Task Force Chair and IPSASB Chair for inclusion in ED 73.

### Analysis

2. This table provides an outline of the IFRS 16 guidance recommended for retention in ED 73. Further it sets out the proposed structure of ED 73.
3. The content of IFRS 16 sections included in ED 64 will be reassessed when developing ED 73 taking into consideration the responses to ED 64.

Section in IFRS 16	Section in ED 64	Section in ED 73	Conclusion
<b>OBJECTIVE</b>	<b>OBJECTIVE</b>	<b>OBJECTIVE</b>	<b>Retain</b>
<b>SCOPE</b>	<b>SCOPE</b>	<b>SCOPE</b>	<b>Retain</b>
<b>Appendix A Defined Terms</b>	<b>Appendix A Defined Terms</b>	<b>DEFINITIONS</b>	<b>Retain</b>
<b>RECOGNITION EXEMPTIONS</b>	<b>RECOGNITION EXEMPTIONS</b>	<b>RECOGNITION EXEMPTIONS</b>	<b>Retain</b>
<b>IDENTIFYING A LEASE</b>	<b>IDENTIFYING A LEASE</b>	<b>IDENTIFYING A LEASE</b>	<b>Retain</b>
<b>Separating components of a contract</b>	<b>Separating components of a contract</b>	<b>Separating components of a contract</b>	<b>Retain</b>
<b>LEASE TERM</b>	<b>LEASE TERM</b>	<b>LEASE TERM</b>	<b>Retain</b>
<b>LESSEE</b>	<b>LESSEE</b>	<b>LESSEE</b>	<b>Retain</b>
<b>Recognition</b>	<b>Recognition</b>	<b>Recognition</b>	<b>Retain</b>
<b>Measurement</b>	<b>Measurement</b>	<b>Measurement</b>	<b>Retain</b>
<b>Presentation</b>	<b>Presentation</b>	<b>Presentation</b>	<b>Retain</b>
<b>Disclosure</b>	<b>Disclosure</b>	<b>Disclosure</b>	<b>Retain</b>
<b>LESSOR</b>		<b>LESSOR</b>	<b>Retain</b>
<b>Classification of leases</b>		<b>Classification of leases</b>	<b>Retain</b>
<b>Finance leases</b>		<b>Finance leases</b>	<b>Retain</b>

<b>Section in IFRS 16</b>	<b>Section in ED 64</b>	<b>Section in ED 73</b>	<b>Conclusion</b>
<b>Manufacturer or dealer lessors</b>		(excludes the section on Manufacturer or dealer lessors)	<b>Not retained</b>
<b>Operating leases</b>		<b>Operating leases</b>	<b>Retain</b>
<b>Disclosure</b>		<b>Disclosure</b>	<b>Retain</b>
<b>SALE AND LEASEBACK TRANSACTIONS</b>	<b>SALE AND LEASEBACK TRANSACTIONS</b>	<b>SALE AND LEASEBACK TRANSACTIONS</b>	<b>Retain</b>
<b>Assessing whether the transfer of the asset is a sale</b>	<b>Assessing whether the transfer of the asset is a sale</b>	<b>Assessing whether the transfer of the asset is a sale</b>	<b>Retain</b>
<b>Appendix C Effective date and transition</b>	<b>Appendix C Effective date and transition</b>	<b>EFFECTIVE DATE AND TRANSITION</b>	<b>Retain</b>
<b>Effective date</b>	<b>Effective date</b>	<b>Effective date</b>	<b>Retain</b>
<b>Transition</b>	<b>Transition</b>	<b>Transition</b>	<b>Retain</b>
<b>Withdrawal of other Standards</b>	<b>Withdrawal of other Standards</b>	<b>WITHDRAWAL AND REPLACEMENT OF IPSAS 13</b>	<b>Retain</b>
<b>Appendix B Application Guidance</b>	<b>Appendix B Application Guidance</b>	<b>APPENDIX A: APPLICATION GUIDANCE</b>	<b>Retain</b>
<b>Appendix D Amendments to other Standards</b>	<b>Appendix B Amendments to other Standards</b>	<b>APPENDIX B: AMENDMENTS TO OTHER STANDARDS</b>	<b>Retain</b>
<b>BASIS FOR CONCLUSIONS</b>	<b>BASIS FOR CONCLUSIONS</b>	<b>BASIS FOR CONCLUSIONS</b>	<b>ED 73 specific</b>

Section in IFRS 16	Section in ED 64	Section in ED 73	Conclusion
<b>Illustrative Examples</b>	<b>Illustrative Examples</b>	<b>ILLUSTRATIVE EXAMPLES</b>	<ul style="list-style-type: none"><li>• Retain public sector relevant examples</li><li>• Modify examples as appropriate to make them public sector relevant</li></ul>

**Appendix B—IFRS 16 style and terminology to be amended in ED 73, Leases**

1. These tables summarize the terminology and style in IFRS 16, ED 64 and what is proposed in ED 73.

(a) **Public sector terminology**

The following terminology changes are proposed to maintain consistency with existing IPSASs:

<b>IFRS 16</b>	<b>ED 64</b>	<b>ED 73</b>
profit or loss	surplus or deficit	surplus or deficit
other comprehensive income	net assets/equity	net assets/equity
IFRS	IPSAS	IPSAS
statement of profit or loss	statement of financial performance	statement of financial performance
statement of cash flows	cash flow statement	cash flow statement
Income	revenue	revenue

(b) **IPSASB formatting**

Formatting changes are noted and required to maintain consistency with existing IPSAS. These include, but are not limited to:

<b>IFRS 16</b>	<b>ED 64</b>	<b>ED 73</b>
eg / ie	e.g., / i.e.,	e.g., / i.e.,
lower case for sub-bullets	upper case for sub-bullets	upper case for sub-bullets
British spelling	American spelling	American spelling
references to other IFRSs	references to other IPSAS	references to other IPSAS

## **Request for Information on Lease Related Accounting Issues: Draft Framework**

### **Question**

1. Whether the IPSASB agrees with the proposed framework for the Request for Information (RFI) on Lease Related Accounting Issues.

### **Recommendation**

2. Staff, Task Force Chair, and IPSASB Chair recommend the approval of the proposed framework for the RFI on Lease Related Accounting Issues including:
  - (a) Title as “Request for Information on Lease Related Accounting Issues”;
  - (b) Outline for the RFI identified in [Appendix A](#);
  - (c) Objective for the RFI identified in [Appendix A](#); and
  - (d) Lease Related Accounting Issues to be included in the RFI identified in [Appendix A](#).

### **Background**

3. At the March 2020 meeting, the IPSASB instructed staff to develop initial proposals for the RFI, which is part of Phase Two of the Leases project. Specifically, the IPSASB indicated that information related to the public sector issues of concessionary leases and access rights were important to highlight for feedback through a RFI.
4. As this is the first time the IPSASB will issue a RFI<sup>1</sup>, Staff, Task Force Chair and IPSASB Chair propose:
  - (a) The draft framework for the RFI in [Appendix A](#) to this Agenda Item; and
  - (b) Types of open questions for the lease related accounting issues to be included the RFI in [Agenda Item 12.2.3](#).
5. The overarching objective of the RFI is to gather information on lease related accounting issues that IPSASB’s constituents have and how they have been addressed in their jurisdictions, if applicable. The IPSASB will determine next steps in Phase Two after consideration of feedback from constituents to the RFI. The RFI is not intended to be a Consultation Paper or Exposure Draft.
6. Based on the IPSASB’s decisions at the June 2020 meeting, staff will bring a first draft of the RFI to the September 2020 meeting. The project timetable and next steps of Phase Two will be decided after the review of the RFI results.

### **Analysis**

7. [Appendix A](#) provides the proposed outline of the RFI, which includes the:
  - (a) **Introduction** to the RFI (Relationship with the IPSASB’s Leases project, Objective and Content of the RFI).

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<sup>1</sup> The IPSASB usually issues the following documents for consultation: Invitation to Comment, Consultation Papers, and Exposure Drafts. However, the objectives of these documents are different from a Request for Information.

- (b) Identification of the **Lease Related Accounting Issues** (Concessionary leases, Access rights, and Other types of lease-like transactions).
  - (c) Details on the **RFI**, including deadline and how to provide information.
8. Staff requests that IPSASB members raise only **substantive points** during the session to maximize the limited meeting time available. Editorial comments should be shared with staff directly offline.

**Decision Required**

9. Does the IPSASB agree with the Staff, Task Force Chair and IPSASB Chair recommendation in paragraph 2?

**Appendix A – Draft Framework of Request for Information on Lease Related Accounting Issues**

**Purpose**

1. To illustrate the framework of the RFI on Lease Related Accounting Issues.

**Analysis**

2. This table provides the proposed framework of the RFI.

<b>Outline</b>	<b>Content description</b>
<b>Introduction</b>	
<b>IPSASB’s Leases project</b>	<ul style="list-style-type: none"> <li>• Brief explanation of the two phases of the Leases project and its relationship with ED 73.</li> <li>• Background information on ED 64 proposals.</li> </ul>
<b>Objective of the Request for Information</b>	<ul style="list-style-type: none"> <li>• Gather constituent input and information on lease related accounting issues</li> <li>• Seek constituent views on how to address lease related accounting issues</li> </ul>
<b>Content of the Request for Information</b>	Identifies at least three issues in the RFI: <ol style="list-style-type: none"> <li>a) Concessionary leases;</li> <li>b) Access rights; and</li> <li>c) Other types of lease-like transactions.</li> </ol>
<b>How responses to the Request for Information will help the IPSASB</b>	Explains how the RFI will help the IPSASB in Phase Two of the Leases project.
<b>Lease Related Accounting Issues</b>	
<b>Concessionary leases</b>	<ul style="list-style-type: none"> <li>• [See <a href="#">Agenda Item 12.2.3</a>]</li> </ul>
<i>Introduction</i>	<ul style="list-style-type: none"> <li>• [See <a href="#">Agenda Item 12.2.3</a>]</li> </ul>
<i>Lessee</i>	<ul style="list-style-type: none"> <li>• [See <a href="#">Agenda Item 12.2.3</a>]</li> </ul>
<i>Lessors</i>	<ul style="list-style-type: none"> <li>• [See <a href="#">Agenda Item 12.2.3</a>]</li> </ul>
<b>Access rights</b>	<ul style="list-style-type: none"> <li>• [See <a href="#">Agenda Item 12.2.3</a>]</li> </ul>
<b>Other types of lease-like transactions</b>	<ul style="list-style-type: none"> <li>• [See <a href="#">Agenda Item 12.2.3</a>]</li> </ul>
<b>Request for Information</b>	
<b>Comments</b>	<ul style="list-style-type: none"> <li>• Requests information on the questions</li> <li>• Encourages constituents to:               <ul style="list-style-type: none"> <li>○ Comment on any additional public sector issues; and</li> <li>○ Provide additional information on other lease-type / related transactions that the IPSASB should consider providing guidance in ED 73 or elsewhere and</li> </ul> </li> <li>• Suggestion on how to respond to the RFI</li> </ul>
<b>Deadline</b>	Provides the deadline for comment of the RFI
<b>How to provide information</b>	Provides the website details to respond to the RFI

## **Request for Information on Lease Related Accounting Issues: Types of Open Questions**

### **Question**

1. Whether the IPSASB agrees with the proposed types of open questions to include in the Request for Information (RFI).

### **Recommendation**

2. Staff, Task Force Chair and IPSASB Chair recommend the IPSASB to include in the RFI similar types of open questions as identified in paragraph 6.

### **Background**

3. At the March 2020 meeting, the IPSASB instructed staff to develop initial proposals for the RFI. Specifically, the IPSASB indicated that information related to the public sector issues of concessionary leases, access rights, and other types of lease-like transactions were important to highlight for feedback through the RFI.
4. Based on the IPSASB's decisions and instructions at the June 2020 meeting, the proposed RFI questions will be discussed in the September 2020 meeting.
5. This Agenda Item proposes the types of open questions for each of the lease related accounting issues in the RFI.

### **Analysis**

6. For each lease related accounting issue included in the RFI, Staff, Task Force Chair and IPSASB Chair propose the following **types of open questions**:
  - (a) In your jurisdiction, do you have the lease related accounting issues presented in this Request for Information? If yes, please explain how are they addressed in your jurisdiction?
  - (b) What are your views on the lease related accounting issues presented in this Request for Information? Please explain the reasoning supporting your views.
  - (c) In your jurisdiction, do you have other types of lease related accounting issues? If yes, please:
    - (i) Identify and describe them;
    - (ii) Explain how they are related to leases; and
    - (iii) Provide the accounting treatment options related to the issue in your jurisdiction.
7. Staff requests that IPSASB members raise only **substantive points** during the session to maximize the limited meeting time available. Editorial comments should be shared with staff directly offline.

### **Decision Required**

8. Does the IPSASB agree with the Staff, Task Force Chair and IPSASB Chair recommendation in paragraph 2?