

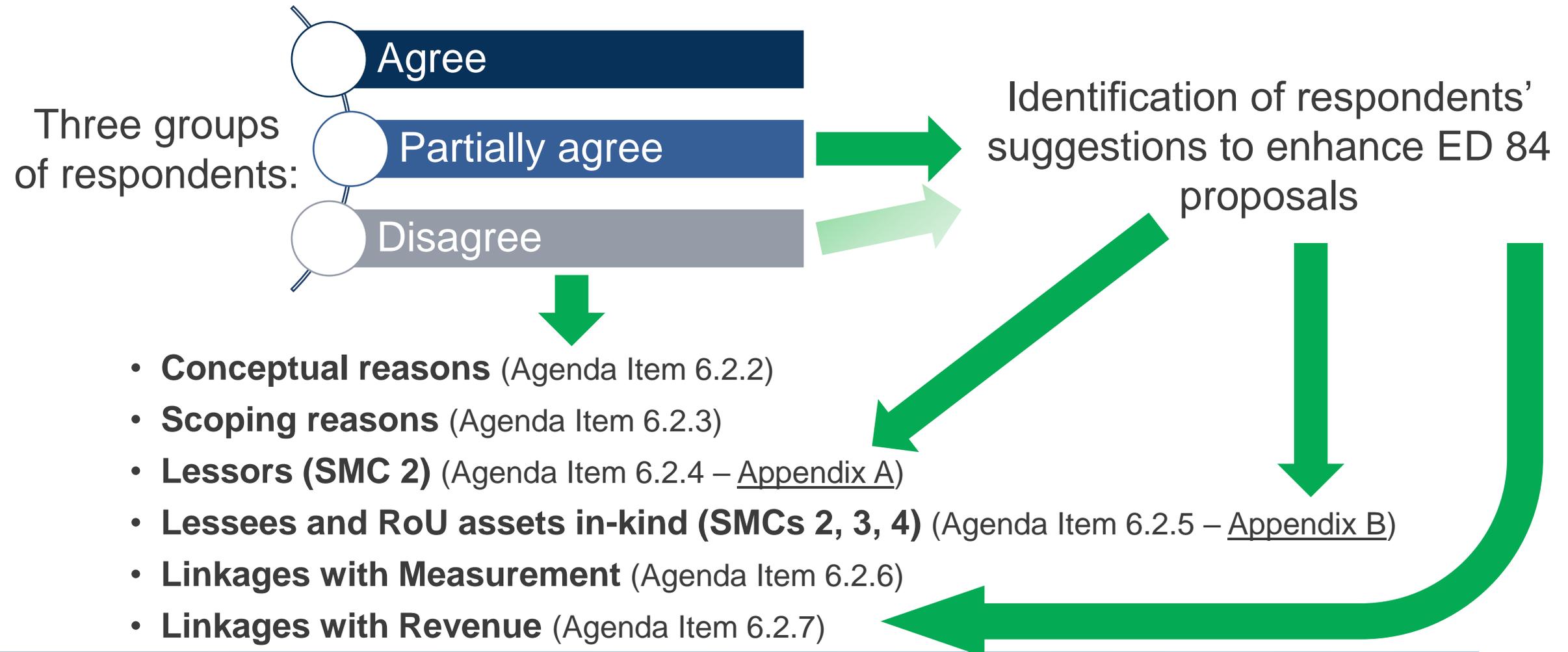
# OTHER LEASE- TYPE ARRANGEMENTS

IPSASB Meeting – September 2023

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# Review of Responses to ED 84: Approach to Analysis of Responses and Structure of Agenda Items



# Review of Responses to ED 84: Conceptual Rationale

Respondents' reasons	Staff and TF's Views	Recommendation
Lack of consistency between lessee and lessor accounting.	Outside of the scope of Phase Two of the Leases project.	<ul style="list-style-type: none"><li>• To reaffirm the conceptual rationale that underpins ED 84 proposals.</li></ul>
<b>Lessee:</b> a) Lack of consistency with services in-kind and service concession arrangements b) Conc. leases not analogous to conc. loans.	<b>Lessee:</b> a) Services, service concessions, and leases have different economics; b) Subsidy to the price of the resource received.	
<b>Lessors:</b> a) Conc. Fin. Lease – Not appropriate when there is no cashflow b) Conc. Op. Lease – No impairment.	<b>Lessors:</b> a) Derecognition consistent with IPSAS 16, IPSAS 31, IPSAS 17/45; b) Cost of the subsidy includes all costs with leased assets.	

# Review of Responses to ED 84: Scope

Respondents' reasons	Staff and TF's Views	Recommendation
Modify the definition of a lease/contract.	Outside of the scope of ED 84 proposals as it also applies to leases at market terms.	<ul style="list-style-type: none"><li>• To proceed with ED 84 proposals on scope for the Final Pronouncement.</li></ul>
Provide additional guidance on scope (inclusion & exclusion).		
Provide additional scope exclusion to specific entities.	Impairs accountability and decision-making at entity level.	
Provide guidance on right-of-use assets for nominal or zero consideration in a single IPSAS.	Cross-referencing is normal in IPSAS.	

See Appendix A – for more details

# Review of Responses to ED 84: Concessionary Leases for Lessors (SMC 2)

Respondents' reasons	Staff and TF's Views	Recommendation
In a conc. fin. lease, the underlying asset should not be derecognized if it continues to embody service potential.	Derecognition criteria is in scope of IPSAS 16, IPSAS 17/45, IPSAS 31, not in scope of IPSAS 43.	<ul style="list-style-type: none"><li>• To proceed with ED 84 proposals for concessionary leases for lessors.</li></ul> <ul style="list-style-type: none"><li>• If the IPSASB agrees with staff and Task Force recommendation, the respondents' suggestions in <b>Appendix A</b> will be brought for IPSASB's consideration in future meetings.</li></ul>
Inconsistent accounting with loss on a conc. fin. lease and no loss in a conc. op. lease.	Outside of the scope of Phase Two of the Leases project to amend lessor accounting model in IPSAS 43.	
There is lack of information on foregone revenue.	ED 84 proposes disclosures related to the accounting model, not beyond.	

# Review of Responses to ED 84: Concessionary Leases for Lessees and Right-of-Use Assets In-kind (SMCs 2, 3, 4)

## Analysis

- Respondents' reasons for disagreement:
  - a) Are jurisdiction specific;
  - b) Were considered by the IPSASB during the development of ED 84;
  - c) Are inconsistent with IPSASB's literature; and
  - d) Can be addressed through additional guidance in the Final Pronouncement.

## Recommendation

- To proceed with ED 84 proposals for concessionary leases for lessees and right-of-use assets in-kind.

- If the IPSASB agrees with staff and Task Force recommendation, the respondents' suggestions in **Appendix B** will be brought for IPSASB's consideration in future meetings.

# Review of Responses to ED 84: Linkages with IPSAS 46 and Phase Two of the Measurement Project

Respondents' reasons	Staff and TF's Views	Recommendation
<p>Inconsistency with IPSAS 46:</p> <ol style="list-style-type: none"><li>1. ED 84 does not use fair value;</li><li>2. Usage of the term "cost";</li><li>3. Deemed cost for non-exchange transactions</li></ol>	<ul style="list-style-type: none"><li>• ED 84 present value technique to measure the lease payments is consistent with IPSAS 43 and IPSAS 46.</li></ul>	<ul style="list-style-type: none"><li>• To proceed with ED 84 proposals on measurement of right-of-use assets and right-of-use assets in-kind.</li></ul>
<ul style="list-style-type: none"><li>• Linkages with Phase Two of the Measurement project<ul style="list-style-type: none"><li>➤ Apply Current Operational Value (COV) to right-of-use assets.</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Applicability of COV to right-of-use assets to be discussed at the Measurement session.</li></ul>	

# Review of Responses to ED 84: Linkages with IPSAS 47, *Revenue*

## Analysis

- ED 84 proposed amendments to IPSAS 23.
- IPSAS 47 supersedes IPSAS 23.
- The IPSAS 23 principles are broadly consistent with some principles in IPSAS 47.
- There is precedence with both ED 70 and ED 71 (which included amendments to IPSAS 17, *Property, Plant, and Equipment*) and IPSAS 47 (which included amendments to both IPSAS 17 and IPSAS 45) on guidance that was carried over from IPSAS 17 to IPSAS 45.

## Recommendation

- To add in the Final Pronouncement a section of amendments to IPSAS 47 drawn from the amendments to IPSAS 23.