

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: New York, USA

Meeting Date: March 12–15, 2024

Agenda Item 6







For:

- ☒ Approval
☐ Discussion
☐ Information




OTHER LEASE-TYPE ARRANGEMENTS

Project summary	Develop additional guidance identifying and addressing lease-related accounting issues associated with lease-type arrangements.	
Project staff lead	<ul style="list-style-type: none"> João Fonseca, Principal 	
Task Force members	<ul style="list-style-type: none"> Lynn Pamment, IPSASB Member (Task Force Chair) Abdullah Al-Mehthil, IPSASB Member Andrew van der Burgh, IPSASB Member Claudia Beier, IPSASB Member 	
Meeting objectives Project management	Topic	Agenda Item
	Final Pronouncement Dashboard	6.1.1
	Instructions up to Previous Meeting	6.1.2
	Decisions up to Previous Meeting	6.1.3
	Project Roadmap	6.1.4
Decisions required at this meeting	Overview of Project Finalization	6.2.1
	[draft] Exposure Draft 88: Development	6.2.2
	[draft] Exposure Draft 88: Approval	6.2.3
	[draft] Final Pronouncement: Remaining Issues from Review of Responses to Exposure Draft 84	6.2.4
Other supporting items	Supporting Document 1 – [draft] Exposure Draft 88, Arrangements Conveying Rights over Assets (Amendments to IPSAS 47 and IPSAS 48)	6.3.1

**OTHER LEASE-TYPE ARRANGEMENTS:
FINAL PRONOUNCEMENT DASHBOARD**

Topic	Past Meetings	Mar 2024	June 2024
Final Pronouncement (ED 84 + ED 88 sections)			
Review and Approval of Final Pronouncement			
Effective Date			
Basis for Conclusions			
ED 84 Section (IPSAS 43) – Authoritative Text			
Conceptual Rationale and Scope	✓		
Concessionary Leases for Lessors (SMC 2)	✓		
Concessionary Leases for Lessees and Right-of-Use Assets In-kind (SMC 1, SMC 3, and SMC 4)	✓		
Linkages with IPSAS 46, IPSAS 47, IPSAS 48, and Phase Two of the Measurement Project	✓		
Inclusion of Amendments to IPSAS 47 in the Final Pronouncement	✓		
Effective Dates (for discussion purposes)	✓		
Non-inclusion of amendments to IPSAS 23 in the Final Pronouncement	✓		
Enhancements to Concessionary Leases for Lessors	✓		
Enhancements to Concessionary Leases for Lessees	✓		
Enhancements to Right-of-Use Assets In-kind	✓		
ED 84 Section – Non-Authoritative Text			
Draft Basis for Conclusions	✓		
Implementation Guidance	✓		
Illustrative Examples	✓		
ED 84 Section – Other			
Analysis of Responses to ED 84	✓		
ED 88 Section – Authoritative Text			
Amendments to IPSAS 47			
ED 88 Section – Non-Authoritative Text			
Draft Basis for Conclusions (IPSAS 47 and IPSAS 48)			
Illustrative Examples (IPSAS 47 and IPSAS 48)			
ED 88 Section – Other			
Analysis of Responses to ED 88			

Agenda Item
6.1.1

Legend	
	Task Completed
	Planned IPSASB Discussion
	Page-by-page Review

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
June 2023	1. Continue analyzing the issues raised by respondents to improve the proposals in ED 84, considering in particular the reasons why constituents only partially supported or disagreed with the IPSASB's proposals.	1. See all Agenda Items in the Issues Paper.
September 2023	1. Include the table presented in Agenda Item 6.2.2 and add the distinction between a finance lease and an operating lease in lessor accounting.	1. See paragraph IG2. of IPSAS 43 of Final Pronouncement, <i>Concessionary Leases and Right-of-Use Assets In-kind</i> .
	2. Develop illustrative examples drawn from the Feedback Statement to clarify the treatment of items not falling within the definition of a lease.	2. See examples 10A and 10B. of IPSAS 43 of Final Pronouncement, <i>Concessionary Leases and Right-of-Use Assets In-kind</i> .
	3. Add application guidance or implementation guidance to clarify the scope of the amendments.	3. See paragraph IG2. of IPSAS 43 of Final Pronouncement, <i>Concessionary Leases and Right-of-Use Assets In-kind</i> .
	4. Analyze responses to enhance the ED 84 proposals for concessionary leases for lessors identified in Appendix A of Agenda Item 6.2.4.	4. See Agenda Item 12.2.5 of the December 2023 meeting.
	5. Analyze responses to enhance the ED 84 proposals for concessionary leases for lessees and right-of-use assets in-kind identified in Appendix B of Agenda Item 6.2.5.	5. See Agenda Item 12.2.6 and Agenda Item 12.2.7 of the December 2023 meeting.
	6. Develop Basis for Conclusions to explain the IPSASB's views on the consistency of the application of the present value technique to measure lease payments in ED 84 with IPSAS 43 and IPSAS 46 in relation to the inconsistencies raised by the respondents as discussed in Agenda Item 6.2.6.	6. See BC164–BC166 of IPSAS 43 of Final Pronouncement, <i>Concessionary Leases and Right-of-Use Assets In-kind</i> .
	7. Develop alternatives on how to approach the inclusion of amendments to IPSAS 47 in due process terms, including the effective date.	7. See Agenda Item 12.2.2 of the December 2023 meeting.
December 2023	1. Develop a new ED for approval in the March 2024 meeting that includes the amendments to IPSAS 47 identified in Agenda Item 12.3.1 and illustrative material on the remaining arrangements included in the Request for Information, <i>Concessionary and Other Arrangements Similar to Leases</i> , for inclusion in the relevant IPSAS; and	1. See Agenda Item 6.3.1 of the March 2024 meeting.
	2. Consider clarifying how to apply the term “market rates” to concessionary leases for lessees.	2. See Agenda Item 6.2.4 of the March 2024 meeting.

Agenda Item 6.1.2

Meeting	Instruction	Actioned
	3. Enhance the communication of changes to ED 84 in the Basis for Conclusions of the Final Pronouncement.	3. In progress

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
June 2023	1. There were no decisions.	1. N/A
September 2023	1. Principles proposed in ED 84 should proceed for the Final Pronouncement.	1. See paragraphs BC125, BC130, BC157–BC170 and BC187–BC189 of IPSAS 43 in Agenda Item 12.3.1 of the December 2023 meeting.
	2. The Final Pronouncement should have a section on consequential amendments to IPSAS 47, <i>Revenue</i> drawn from ED 84 proposed amendments to IPSAS 23, <i>Revenue from Non-Exchange Transaction (Taxes and Transfers)</i> .	2. See Agenda Item 12.3.1 of the December 2023 meeting.
December 2023	1. Scope of IPSAS 48, <i>Transfer Expenses</i> should not be amended;	1. In progress
	2. Final Pronouncement should have an effective date of January 1, 2027;	2. In progress
	3. Effective date of IPSAS 43, <i>Leases</i> should be retained;	3. In progress
	4. Amendments to IPSAS 23 should not be included in the Final Pronouncement;	4. In progress
	5. Subject to exposure, amendments to IPSAS 47 should be included in the Final Pronouncement, Concessionary Leases and Right-of-Use Assets In-kind;	5. In progress
	6. Respondents' suggestions on concessionary leases for lessors, lessees, and right-of-use assets in-kind identified in Appendices A.1 should be included in the Final Pronouncement;	6. In progress
	7. Respondents' suggestions on concessionary leases for lessors, lessees, and right-of-use assets in-kind identified in Appendices A.2 should not be included in the Final Pronouncement; and	7. In progress
	8. Draft Basis for Conclusions identified in Agenda Item 12.3.1 should proceed for Final Pronouncement.	8. In progress

**OTHER LEASE-TYPE ARRANGEMENTS:
PROJECT ROADMAP**

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
December 2020	1. Approve Request for Information (RFI), <i>Concessionary Leases and Other Arrangements Similar to Leases</i>
December 2022	1. Exposure Draft 84: Approval 2. Feedback Statement
June 2023	1. Exposure Draft 84: High-level review of responses and project direction
September 2023	1. Discussion of issues
December 2023	1. Discussion of issues 2. Develop [draft] Final Pronouncement
March 2024	1. Discussion of issues 2. Review and Approval of [draft] Exposure Draft 88
June 2024	1. Review of Responses to Exposure Draft 88 2. Review and Approval of [draft] Final Pronouncement (ED 84 + ED 88 sections)

Overview of Project Finalization

Purpose

1. Enable the IPSASB to have an overview of how the proposals in Exposure Draft (ED) 84, *Concessionary Leases and Right-of-Use Assets In-kind* (Amendments to IPSAS 43 and IPSAS 23) and ED 88¹, *Arrangements Conveying Rights over Assets* (Amendments to IPSAS 47 and IPSAS 48) may inform the content of the Final Pronouncement, *Concessionary Leases and Other Arrangements Conveying Rights over Assets* expected to be approved in June 2024.
2. This paper is for discussion purposes only. The IPSASB will decide on the content of ED 88 and the Final Pronouncement at the March and June 2024 meetings, respectively, subject to the review of responses to ED 88.

Background

3. At the December 2023 meeting, the IPSASB instructed staff to develop a new ED for approval at the March meeting that would include the amendments to IPSAS 47, *Revenue* identified in [Agenda Item 12.3.1 of the December 2023](#) meeting and the illustrative material on the remaining arrangements included in the [Request for Information \(RFI\), *Concessionary and Other Arrangements Similar to Leases*](#), for inclusion in the relevant IPSAS.
4. This Agenda Item presents an integrated overview of how the proposals in ED 84 and ED 88 may form part of the Final Pronouncement, subject to the review of responses to ED 88.

Analysis

5. The issuance of ED 88 and its integration in the Final Pronouncement together with the proposed guidance in ED 84 is of critical importance to constituents from a communication and project management perspectives.
6. At the time of approval of ED 84, both IPSAS 47 and IPSAS 48, *Transfer Expenses* had not yet been issued by the IPSASB. Therefore, the objective of ED 88 is to provide additional guidance for the concession in concessionary leases and for other arrangements that convey rights over assets by updating the most recent IPSAS on Revenue and Transfer Expenses because IPSAS 47 supersedes IPSAS 9, *Revenue from Exchange Transactions* and IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*.
7. This phased approach to the development of the Final Pronouncement will impact the following areas:
 - (a) Titles of ED 88 and [combined] Final Pronouncement;
 - (b) Structure of ED 88 and [combined] Final Pronouncement; and
 - (c) Content of ED 88 and [combined] Final Pronouncement.

Titles of EDs and [Combined] Final Pronouncement

8. ED 84 had the title “*Concessionary Leases and Right-of-Use Assets In-kind* (Amendments to IPSAS 43 and IPSAS 23)” because:

¹ The final number of the ED may change depending whether the IPSASB approves first the ED on IFRIC Alignment during the March 2024 meeting (see Agenda Item 5).

- (a) They were the only transactions for which ED 84 proposed new guidance; and
 - (b) IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)* was the applicable IPSAS at the time of approval of ED 84².
9. [Agenda Item 6.2.2](#) proposes the ED 88 title “*Arrangements Conveying Rights over Assets* (Amendments to IPSAS 47 and IPSAS 48)” because ED 88 proposes guidance on arrangements:
- (a) Conveying rights over assets;
 - (b) That are not leases³; and
 - (c) Within the scope of IPSAS 47 and IPSAS 48.
10. Staff and the Task Force will recommend at the June 2024 meeting the title of the [combined] Final Pronouncement to be as follows “*Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48) because it:
- (a) Clearly distinguishes arrangements that meet the definition of a lease (concessionary leases) from other types of arrangements that do not meet the definition of a lease but do convey rights over assets;
 - (b) Encompasses all arrangements identified in the Request for Information, *Concessionary Leases and Other Arrangements Similar to Leases*; and
 - (c) Merges the titles of ED 84 and ED 88.

Structure of ED 88 and [Combined] Final Pronouncement

11. [Agenda Item 6.3.1](#) shows that ED 88 is divided into proposed amendments to IPSAS 47 and IPSAS 48.
12. The [draft] Final Pronouncement, *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48) will be divided as follows:
- (a) Amendments to IPSAS 43, *Leases* (drawn from ED 84 taking into consideration IPSASB’s decisions up to the December 2023 meeting, and Staff and Task Force recommendations at the March 2024 meeting);
 - (b) Amendments to IPSAS 47, *Revenue* (drawn from ED 88, subject to the review of responses); and
 - (c) Amendments to IPSAS 48, *Transfer Expenses* (drawn from ED 88, subject to the review of responses).
13. [Appendix A](#) shows the location of the 19 new illustrative examples in the [draft] Final Pronouncement distributed by IPSAS 43, IPSAS 47, and IPSAS 48, as a result of the combination of the ED 84 and ED 88.

² ED 84 was published in January 2023. IPSAS 47 was published in May 2023. IPSAS 47, *Revenue* will supersede IPSAS 23 on January 1, 2026.

³ The word “Leases” is intentionally not included in the title because the majority of the arrangements included in ED 88 do not meet the definition of a lease.

Content of ED 88 and [Combined] Final Pronouncement

14. [Agenda Item 6.3.1](#) shows that the content of ED 88 contains proposed:
- (a) Authoritative and non-authoritative amendments to IPSAS 47 because it is proposing new guidance on all arrangements identified in the RFI; and
 - (b) Non-authoritative amendments to IPSAS 48 because it is proposing new scoping guidance on how to apply the principles in this IPSAS to some of the specific arrangements identified in the RFI.
15. The proposed new public sector specific illustrative examples are drawn from the RFI. Some of them are replicated in IPSAS 47 and IPSAS 48 but with specific application of the principles of the respective IPSAS.
16. The illustrative examples on Access Rights, Arrangements Allowing Right to Use an Asset, Social Housing without Consideration, and Shared Properties focus on identification/scoping because many respondents to the RFI did not know how to identify these arrangements in accordance to IPSAS, and, therefore, were not able to account for them in accordance to the appropriate IPSAS.
17. The fact patterns on Access Rights, Arrangements Allowing Right to Use an Asset, Social Housing without Consideration, and Shared Properties will be added as illustrative examples accompanying IPSAS 43 in the [draft] Final Pronouncement with the analysis on why they are not leases.
18. Subject to approval of ED 88 at the March 2024 meeting and the staff and Task Force recommended 60-day exposure period, at the June 2024 meeting, the IPSASB is expected to approve the content of the [combined] Final Pronouncement with the following topics:
- (a) Amendments to IPSAS 47 and IPSAS 48 (drawn from ED 88, subject to the review of responses);⁴
 - (b) Consolidated [draft] Basis for Conclusions (ED 84 + ED 88) with new structure and content; and
 - (c) Effective Date of Final Pronouncement.⁵

Decision Required

19. No decision required. This paper is for discussion purposes only.

⁴ The amendments to IPSAS 43 drawn from ED 84 were approved by the IPSASB at the September 2023 and December 2023 meetings and will be approved in the March 2024 meeting following the review of responses to ED 84.

⁵ The recommended effective date will be January 1, 2027, which is consistent with IPSASB's decision at the December 2023 meeting.

Agenda Item 6.2.1

Appendix A—Location of New Illustrative Examples

Illustrative Examples	ED 84				[draft] ED 88				[draft] Final Pronouncement					
	IPSAS 43		IPSAS 23		IPSAS 47		IPSAS 48		IPSAS 43		IPSAS 47		IPSAS 48	
	IE #	In-scope	IG #	In-scope	IE #	In-scope	IE #	In-scope	IE #	In-scope	IE #	In-scope	IE § #	In-scope
Concessionary leases	-	✓	-	-	-	✓	-	-	-	✓	-	✓	-	-
Assessing whether the lease is at market terms or at below-market terms	10A	✓	-	-	-	-	-	-	10E	✓	-	-	-	-
Lease incentives	10B	✓	-	-	-	-	-	-	10F	✓	-	-	-	-
Lease concessions	10C	✓	-	-	-	-	-	-	10G	✓	-	-	-	-
Concessionary lease (Lessee)	13B	✓	60	✓	54A	✓	-	-	13B	✓	54A	✓	-	-
Concessionary operating lease (Lessor)	23A	✓	-	-	-	-	-	-	23A	✓	-	-	-	-
Concessionary finance lease (Lessor)	-	-	-	-	-	-	-	-	23B	✓	-	-	-	-
Sale at market terms and leaseback at below-market terms	25	✓	-	-	-	-	-	-	25	✓	-	-	-	-
Right-of-use assets in-kind	-	-	-	-	59	✓	12A	✓	-	-	59/A/B	✓	2A/C ase A	✓
Access rights	-	-	-	-	0A	✓	-	-	10A	✗	0A	✓	-	-
Arrangements allowing right to use an asset	-	-	-	-	0B	✓	-	-	10B	✗	0B	✓	-	-
Social housing without consideration	-	-	-	-	0C	✓	12B	✓	10C	✗	0C	✓	2A/C ase B	✓
Shared properties	-	-	-	-	0D	✓	-	-	10D	✗	0D	✓	-	-

[draft] Exposure Draft 88: Development

Question

1. Does the IPSASB agree with the staff and Task Force's recommendation on the development of [draft] Exposure Draft (ED) 88?

Recommendation

1. Staff and Task Force recommend the IPSASB to approve the following sections of [draft] ED 88:
 - (a) Title of [draft] ED 88, *Arrangements Conveying Rights over Assets* (Amendments to IPSAS 47 and IPSAS 48);
 - (b) Specific Matter for Comment;
 - (c) Proposed amendments to IPSAS 47 and IPSAS 48; and
 - (d) Basis for Conclusions.

Background

2. At the December 2023 meeting, the IPSASB instructed staff to develop a new ED for approval in the March 2024 meeting that includes the amendments to IPSAS 47 identified in [Agenda Item 12.3.1](#) of the December 2023 meeting and illustrative material on the remaining arrangements included in the Request for Information, *Concessionary and Other Arrangements Similar to Leases*, for inclusion in the relevant IPSAS.
3. The Agenda Item addresses the main items considered during the development of [draft] ED 88.

Analysis

4. The development of [draft] ED 88 includes the following sections:
 - (a) **Title of [draft] ED 88**—[draft] ED 88 has the following staff and Task Force recommended title "*Arrangements Conveying Rights over Assets* (Amendments to IPSAS 47 and IPSAS 48)" because all the arrangements within the scope of ED 88 convey rights over assets.
 - (b) **Specific Matter for Comment (SMC)**—[draft] ED 88 includes two specific matter for comments (SMC) on the proposed:
 - (i) New accounting guidance in IPSAS 47 for the concession in concessionary leases (SMC 1); and
 - (ii) Non-authoritative guidance in IPSAS 47 and IPSAS 48 for other arrangements conveying rights over assets (SMC 2).
 - (c) **Proposed amendments to IPSAS 47 and IPSAS 48**—[draft] ED 88 has the following proposed amendments:
 - (i) Authoritative guidance in IPSAS 47 on:
 - a. Concessionary leases (IPSAS 47.AG153A–AG153B); and
 - b. Right-of-use assets in-kind (IPSAS 47.AG154, IPSAS 47.AG202A–AG202K);

- (ii) Non-authoritative guidance in IPSAS 47 and IPSAS 48 for the following illustrative examples⁶:

Illustrative Examples	IPSAS 47		IPSAS 48	
	IE #	In-scope	IE #	In-scope
Concessionary lease (Lessee)	54A	✓	-	-
Right-of-use assets in-kind	59A / 59B	✓	2A	✓
Access rights*	0A	✓	-	-
Arrangements allowing right to use an asset*	0B	✓	-	-
Social housing without consideration*	0C	✓	2B	✓
Shared properties*	0D	✓	-	-

The new illustrative examples in [draft] ED 88 (identified with an asterisk in the above table) were developed based on the criteria identified in [Appendix A](#).

- (d) **Basis for Conclusions**—[draft] ED 88 includes draft Basis for Conclusions (BCs) paragraphs to IPSAS 47 (see BC141–BC147) and IPSAS 48 (see BC41–BC44).
5. [Appendix B](#) shows a table of concordance comparing ED 84 proposed amendments to IPSAS 23 and [draft] ED 88 proposed amendments to IPSAS 47, as it was presented at the December 2023 meeting (see [Appendix A of Agenda Item 12.2.2](#)).
6. Staff and Task Force recommend the IPSASB approve the above sections of [draft] ED 88.

Decision Required

7. Does the IPSASB agree with the staff and Task Force's [recommendation](#)?

⁶ The proposed illustrative examples encompass the six types of arrangements included in the [Request for Information \(RFI\)](#), [Concessionary Leases and Other Arrangements Similar to Leases](#).

Appendix A—Applicability of IPSAS 43 Criteria to Illustrative Examples

Illustrative Examples	Access Rights	Arrang. Allow. Right to Use	Social Housing	Shared Properties
1. Identification of the Asset				
Meets the definition of a lease			X	
Underlying asset is explicitly specified in a contract or implicitly specified at the time that the asset is made available for use by the customer.	✓	X		
Supplier has the substantive right to substitute the asset throughout the period of the use:	✓	✓		
Supplier has the practical ability to substitute alternative assets throughout the period of use; and	✓	✓		
Supplier would benefit economically from the exercise of its right to substitute the asset.	✓	✓		
2. Control of the Asset				
Customer has the right to obtain substantially all of the economic benefits or service potential from the use of the identified asset.	X	X		X
Customer has the right to direct the use of the identified asset:	X	X		✓
Right to direct how and for what purpose the asset is used throughout the period of use; or	X	X		✓
The relevant decisions about how and for what purpose the asset is used are predetermined.				

Agenda Item

6.2.2

Appendix B—Table of Concordance Comparing ED 84 Proposed Amendments to IPSAS 23 and ED 88 Proposed Amendments to IPSAS 47

Amendments to IPSAS 23	Amendments to IPSAS 47	Staff and Task Force Comments
Authoritative Text		
-	AG1(va)	List of paragraphs specific in IPSAS 47
-	AG1(xv)	List of paragraphs specific in IPSAS 47
28A	AG202A	Terminology changes in IPSAS 47
43A	AG202D	Proposed IPSAS 47.202D refers only to right-of-use assets in-kind. Proposed IPSAS 47. AG154(d) refers only to right-of-use assets.
43B	AG202E	Terminology changes in IPSAS 47
83	AG154(d)	Proposed IPSAS 47.154(d) refers only to right-of-use assets held by a lessee under concessionary lease. Proposed IPSAS 47.202D refers to only right-of-use assets in-kind.
93	AG202B	Terminology changes in IPSAS 47 and wording added in IPSAS 47 to be technically consistent with IPSAS 47.
96	AG202C	Terminology changes in IPSAS 47 and wording added in IPSAS 47 to be technically consistent with IPSAS 47.
105C	AG153A	Terminology changes in IPSAS 47
105D	AG153B	Terminology changes in IPSAS 47
105E	AG202F	Amendments in IPSAS 23 have the same wording in IPSAS 47
105F	AG202G	Amendments in IPSAS 23 have the same wording in IPSAS 47
107(d)	AG202H	Amendments in IPSAS 23 have the same wording in IPSAS 47
107A	AG202I	Terminology changes in IPSAS 47
107B	AG202J	Amendments in IPSAS 23 have the same wording in IPSAS 47
107C	AG202K	Amendments in IPSAS 23 have the same wording in IPSAS 47. Reference to IPSAS 17 replace with IPSAS 45.
123A	203A	Terminology changes in IPSAS 47
124H	194A	Terminology changes in IPSAS 47
Non-Authoritative Text		
IG60	IE296A	Terminology changes in IPSAS 47
BC28	BC141	Amendments in IPSAS 23 have the same wording in IPSAS 47
BC29	BC142	IPSAS number change from IPSAS 23 to IPSAS 47
BC30	BC143	Terminology changes in IPSAS 47

[draft] Exposure Draft 88: Approval

Question

1. Does the IPSASB agree with the staff and Task Force's recommendation to approve:
 - (a) [draft] Exposure Draft (ED) 88 for exposure; and
 - (b) The 2-month comment period?

Recommendation

2. Staff and the Task Force recommend that the IPSASB approve:
 - (a) [draft] ED 88 for exposure (see [Agenda Item 6.3.1](#)); and
 - (b) The 2-month exposure period.

Analysis

3. Staff and the Task Force are of the view that the proposed amendments to IPSAS 47 and IPSAS 48 in [draft] ED 88 (see [Agenda Item 6.3.1](#)) are consistent with the objective of the Other Lease-Type Arrangements project to develop additional guidance identifying and addressing lease-related accounting issues associated with lease-type arrangements.
4. Additionally, the [draft] ED 88 includes proposals to account for the remaining arrangements identified in the Request for Information (RFI), *Concessionary Leases and Other Arrangements Similar to Leases* and that were not included in ED 84, *Concessionary Leases and Right-of-Use Assets In-kind* (Amendments to IPSAS 43 and IPSAS 23).
5. This means that with the publication of [draft] ED 88 all arrangements identified in the RFI will have proposed guidance on where/how account for them.
6. Therefore, staff and the Task Force are of the view that [draft] ED 88 is ready for approval and recommend the IPSASB approval of [draft] ED 88.
7. If the IPSASB approves [draft] ED 88, then ED 88 is scheduled to be issued for comment in March 2024. Staff recommends a 2-month exposure period, which is in accordance with IPSASB's Due Process where there is a need to conclude a matter more quickly, as it is this case.
8. Staff plans to bring to the IPSASB a review of responses at the June 2024 meeting.

Decision Required

9. Does the IPSASB agree with the staff and Task Force's [recommendation](#)?

[draft] Final Pronouncement: Remaining Issues from Review of Responses to Exposure Draft 84

Question

1. Does the IPSASB agree with the staff and Task Force's recommendation on the remaining issues raised by respondents to Exposure Draft (ED) 84?

Recommendation

2. Staff and Task Force recommend the IPSASB to:
 - (a) Not to add additional guidance on the "reasonable level of effort" in the authoritative part of the Final Pronouncement;
 - (b) Not to replace the wording "not readily available" with "impracticable"; and
 - (c) Retain the wording "market terms" in proposed IPSAS 43.26A.

Background

3. At the December 2023 meeting, the IPSASB instructed staff to consider clarifying how to apply the term "market rates" to concessionary leases for lessees and address the remaining two issues from the review of responses to ED 84 and address the two remaining suggestions made respondents on "reasonable level of effort" and "not readily available".

Analysis

Add Guidance on Reasonable Level of Effort

4. ED 84.IPSAS 43.26A proposes to initially measure the right-of-use asset at the present value of payments for the lease at market rates based on the current use of the underlying asset as at the commencement date.
5. In ED 84.IPSAS 43.BC133, the IPSASB stated that "expects preparers to apply a reasonable level of effort in the determining the present value of lease payments at market rates based on the current use of the underlying asset".
6. Respondent (R) 20, R23, and R33 have the following views on the wording "reasonable level of effort":
 - (a) The wording in ED 84.IPSAS 43.BC133 should be in the body of the Standard (R20);
 - (b) Additional guidance should be added to the authoritative part of the Final Pronouncement (R33); and
 - (c) The wording is highly subjective (R23).
7. Staff and Task Force recommend the IPSASB not to add the guidance "reasonable level of effort" in the authoritative part of the Final Pronouncement because:
 - (a) The wording "readily available" is already used in IPSAS 43 without the wording "reasonable level of effort";
 - (b) It is dependent on the context in which it is applied as:

- (i) IPSAS 43.AG15(a) already uses the term “reasonable” in the context of identifying substantive substitution rights; and
- (ii) The term “reasonable” is a commonly used term in IPSAS without having additional guidance to explain it.

Replace the wording “not readily available” with “impracticable”

- 8. ED 84.IPSAS 43.26C proposes that if the payments for the lease at market rates based on the current use of the underlying asset are not readily available for the right-of-use asset, the lessee should measure the right-of-use asset in a concessionary lease using the contractual payments.
- 9. R11 suggests to replace the wording “not readily available” with “impracticable” in the above exception for initial measuring of the right-of-use asset in a concessionary lease “in order to ensure the appropriate measurement of right-of-use assets at market rates and the disclosure thereof”.
- 10. Staff and Task Force recommend not to use the wording “impracticable” in the exception because it:
 - (a) Sets a higher bar of effort to apply the exception, thus leading to more costs in applying the ED 84 proposals than what was intended by the IPSASB;
 - (b) Creates an internal inconsistency in IPSAS 43 (i.e., separating components of a contract (IPSAS 43.15), initial measurement of the lease liability (IPSAS 43.27); reassessment of the lease liability (IPSAS 43.42), sale and leaseback transactions (IPSAS 43.101), etc) for similar situations; and
 - (c) Is used normally in the context of retrospective application of accounting policies or retrospective restatements to correct an error under IPSAS 3, *Accounting Policies, Changes in Accounting Estimates, and Errors*.

Add Guidance on “Market Rates”

- 11. For concessionary leases, ED 84.IPSAS 43.26A proposes to initially measure the right-of-use asset at the present value of payments for the lease at market rates based on the current use of the underlying asset as at the commencement date.
- 12. The IPSASB explains in the Basis for Conclusions that the term “market rates” intends to obtain the market lease payments the lessee would have to pay if the lease was made at market terms.
- 13. An IPSASB member is of the view that only having a Basis for Conclusions paragraph on the meaning of market rates is not sufficiently clear for preparers to apply the term “market rates” as there are no assumptions supporting the application of the term.
- 14. Therefore, this IPSASB member recommends to replace the reference to “market rates” with a different guidance in IPSAS 43.26A, as follows:

Where a right-of-use asset is acquired through a concessionary lease, its cost shall be measured at the present value of payments that the lessee would have to pay without concession for the lease ~~at market rates~~ based on the current use of the underlying asset as at the commencement date.

- 15. Staff and the Task Force recommend the IPSASB retain the wording “market rates” in ED 84.IPSAS 43.26C for the Final Pronouncement because:

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- (a) The Measurement–Application Phase project will clarify through proposed amendments to IPSAS 46 that market rates do not include concessions; and
- (b) It creates an unintended internal inconsistency in IPSAS 43 with sale and leaseback transactions where the term “market rates” is used by the seller-lessee and the buyer-lessor with the same meaning that is intended for concessionary leases.

Decision Required

16. Does the IPSASB agree with the staff and Task Force’s [recommendations](#)?

Supporting Document 1 – [draft] Exposure Draft 88, *Arrangements Conveying Rights over Assets* (Amendments to IPSAS 47 and IPSAS 48)

1. The [draft] ED 88 is posted separately for easier readability.
2. This Agenda Item is consistent with Staff and Task Force recommendations in the above Agenda Items.