

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Toronto, Canada

Meeting Date: June 25–28, 2024

Agenda Item 4

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 | 4.1.1 |
| | Instructions up to Previous Meeting | 4.1.2 |
| | Decisions up to Previous Meeting | 4.1.3 |
| | Project Roadmap | 4.1.4 |
| Decisions required at this meeting | ED 88: High-level Review of Responses and Project Direction | 4.2.1 |
| | ED 88: IPSAS 47 Authoritative Guidance (SMC 1) | 4.2.2 |
| | ED 88: IPSAS 47 Non-Authoritative Guidance (SMC 2) | 4.2.3 |
| | ED 88: IPSAS 48 Non-Authoritative Guidance (SMC 3) | 4.2.4 |
| | ED 88: Miscellaneous Issues | 4.2.5 |
| | [draft] Final Pronouncement: Development | 4.2.6 |
| | Approval of Final Pronouncement: <i>Concessionary Leases and Other Arrangements Conveying Rights over Assets</i> (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48) | 4.2.7 |
| Other supporting items | Supporting Document 1 – ED 88: Analysis of Respondents by Region, Function and Language, List of Respondents, Summary of Responses to SMCs | 4.3.1 |
| | Supporting Document 2 – [draft] Final Pronouncement, <i>Concessionary Leases and Other Arrangements Conveying Rights over Assets</i> (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48) | 4.3.2 |

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| | <u>Responses to Exposure Draft 88, <i>Arrangements Conveying Rights over Assets</i> (Amendments to IPSAS 47 and IPSAS 48)</u> | <u>Posted Separately</u> |
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**OTHER LEASE-TYPE ARRANGEMENTS:
FINAL PRONOUNCEMENT DASHBOARD**

| Topic | Past Meetings | June 2024 | July 2024 Check-in |
|--------------------------------------------------------------------------------------------|---------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Final Pronouncement (ED 84 + ED 88 sections) | | | |
| Review and Approval of Final Pronouncement | |  | |
| Effective Date | |  | |
| Basis for Conclusions | | |  |
| ED 84 Section (IPSAS 43) | | | |
| 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 | ✓ | | |
| Basis for Conclusions | ✓ | | |
| Implementation Guidance | ✓ | | |
| Illustrative Examples | ✓ | | |
| Analysis of Responses to ED 84 | ✓ | | |
| ED 88 Section (IPSAS 47 and IPSAS 48) | | | |
| Amendments to IPSAS 47 | ✓ | | |
| Basis for Conclusions (IPSAS 47 and IPSAS 48) | ✓ | | |
| Illustrative Examples (IPSAS 47 and IPSAS 48) | ✓ | | |
| Analysis of Responses to ED 88 | | | |

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

INSTRUCTIONS UP TO PREVIOUS MEETING

| Meeting | Instruction | Actioned |
|---------|-----------------------------------------------------------------|----------------------------------------------------------|
| | 1. All instructions provided were reflected in ED 84 and ED 88. | 1. See ED 84 and ED 88 . |

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; | 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 |
| March 2024 | 1. Additional guidance on the “reasonable level of effort” should not be added in the authoritative part of the Final Pronouncement. | 1. In progress |
| | 2. The wording “not readily available” should not be replaced with the wording “impracticable” in proposed IPSAS 43.26C. | 2. In progress |
| | 3. The wording “market terms” should be retained in IPSAS 43.26A. | 3. In progress |
| | 4. All decisions were reflected in ED 88. | 4. See ED 88 . |

**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, <i>Concessionary Leases and Other Arrangements Conveying Rights over Assets</i> (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48) |

Exposure Draft 88: High-level Review of Responses and Project Direction

Purpose

1. To provide the IPSASB with a high-level review of responses to Exposure Draft (ED) 88, *Arrangements Conveying Rights over Assets* (Amendments to IPSAS 47 and IPSAS 48) and the project direction.

Background

2. On March 28, 2024, the IPSASB issued [ED 88](#). The proposed amendments to IPSAS 47, *Revenue* are consistent with the strongly supported principles exposed in [ED 84, *Concessionary Leases and Right-of-Use Assets In-kind* \(Amendments to IPSAS 43 and IPSAS 23\)](#). Additionally, ED 88 proposes illustrative examples to accompany IPSAS 47 and IPSAS 48, *Transfer Expenses* on other types of arrangements conveying rights over assets that are common in the public sector.
3. ED 88 received 28 responses. This agenda item provides the IPSASB with a high-level review of responses to ED 88 and the project direction.
4. Staff highlights that responses to ED 88 are generally structured as follows:
 - (a) Responses to the three Specific Matter for Comments (SMC), which corresponds to the three sections of ED 88:
 - (i) SMC 1 – IPSAS 47 Authoritative Guidance;
 - (ii) SMC 2 – IPSAS 47 Non-authoritative Guidance;
 - (iii) SMC 3 – IPSAS 48 Non-authoritative Guidance; and
 - (b) Other topics of ED 88 or ED 84.
5. The review of responses is made in two steps. The **first step** of the review of responses includes their classification in three types, as follows:
 - (a) **Agree**—the response only says that it agrees with ED 88 proposals, either by not making any further suggestions to enhance ED 88 proposals or by providing additional reasons to support ED 88 proposals.
 - (b) **Partially agree**—the response says that it agrees with the ED 88 proposals and provides suggestions to enhance those proposals, without modifying the ED 88 proposed principles. The suggestions have a nature of clarifications, drafting, editorials, adding more guidance to support the proposed principles, remove guidance where the respondent is of the view that is not necessary in the context of the whole proposed principles.
 - (c) **Disagree**—the response says that it disagrees with ED 88 proposals. In case the response suggests enhancements to ED 88 proposals, those suggestions are considered together with the suggestions made by the responses that partially agree with ED 88 proposals.
6. The **second step** of the review of responses is the qualitative analysis of the responses, which includes the assertion of the staff's recommendation to accept or not the respondents' suggestions.
7. Detailed response information on ED 88 is listed in Agenda Item [4.3.1](#), including:
 - (a) [Appendix A](#): the analysis of responses received by region, function, and language;

- (b) [Appendix B](#): the list of organizations or individuals that responded; and
- (c) [Appendix C](#): the summary of responses of each SMC, including the SMC text.

Preliminary Analysis

High-level Review of Responses

8. Table 1 shows that the majority of respondents supported the ED 88 proposals. A minority of respondents disagreed with the ED 88 proposals.

Table 1—Responses to SMC 1, SMC 2, and SMC 3

| Response | Respondents | | | | | |
|-----------------|-------------|------------|-----------|------------|-----------|------------|
| | SMC 1 | | SMC 2 | | SMC 3 | |
| | # | % | # | % | # | % |
| Agree | 16 | 57 | 16 | 57 | 19 | 68 |
| Partially Agree | 8 | 29 | 8 | 29 | 6 | 21 |
| Disagree | 4 | 14 | 4 | 14 | 3 | 11 |
| Total | 28 | 100 | 28 | 100 | 28 | 100 |

9. Some respondents who agree with ED 88 noted that their thinking was generally consistent with IPSASB's reasoning set out in the Basis for Conclusions (BC) to ED 88. Other respondents agreed with ED 88 without providing additional reasons.
10. The respondents that partially agree with ED 88 proposals made several suggestions to enhance ED 88. Staff's detailed analysis of the respondents' suggestions to enhance ED 88 proposals are presented in:
 - (a) [Agenda Item 4.2.2 – Exposure Draft 88: IPSAS 47 Authoritative Guidance \(SMC 1\)](#):
 - (b) [Agenda Item 4.2.3 – Exposure Draft 88: IPSAS 47 Non-authoritative Guidance \(SMC 2\)](#); and
 - (c) [Agenda Item 4.2.4 – Exposure Draft 88: IPSAS 48 Non-authoritative Guidance \(SMC 3\)](#).
11. A minority of respondents disagreed with ED 84 proposals because:
 - (a) They are the same conceptual disagreement reasons with ED 84 (R01, R11, and R20);
 - (b) IPSAS 23 and IPSAS 47 have different accounting principles on revenue (R05);
 - (c) Of apparent inconsistency with IPSAS 46, *Measurement* and IPSAS 47 (R05);
 - (d) Of lack of guidance in determining the lease payments at market terms (R05) or incentive (R14).
 - (e) Lack of feasibility in applying the ED 88 proposals in the respondent's jurisdiction (R06).
 - (f) The illustrative examples proposed to ED 88 may be inconsistent with IPSAS 48 and IPSAS 19, *Provisions, Contingent Liabilities, and Contingent Assets* (R17).
12. Based on staff's analysis (see [Appendix A](#)), respondents that disagreed with ED 88 proposals:
 - (a) Were minority views;
 - (b) Were jurisdiction specific;

- (c) Were inconsistent with IPSASB's literature; or
- (d) Did not raise new issues that the IPSASB did not consider as part of the development of ED 84 and ED 88.

Project Direction

- 13. Staff analyzed all the issues raised by respondents to ED 88 in this Issues Paper.
- 14. Staff's recommendation for the approval of the Final Pronouncement at the June 2024 meeting in [Agenda Item 4.2.7](#) is based on the:
 - (a) Judgement after the qualitative review of responses and acceptance of respondents' suggestions that there has not been a substantial change to the principles proposed in ED 84 and ED 88; and
 - (b) Respondents' broad support for ED 84 and ED 88 proposals.
- 15. The [draft] Basis for Conclusions will be discussed at the July 2024 check-in meeting.

Decision Required

- 16. No decision required. This paper is for discussion purposes only.

Appendix A—Respondents' Reasons that Disagree with ED 88 Proposals and Staff's Analysis

| Respondents' Reasons | Staff's Analysis |
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| SMC 1 – IPSAS 47 Authoritative Guidance | |
| 1. Not clear unmet user needs or public financial managements issues (R01) | 1. Respondent's reason analysed in Agenda Item 10.2.1 of the June 2023 meeting, and the IPSASB agreed with staff and Task Force's recommendation. |
| 2. Arbitrary distinction between concessionary leases and other lease-like arrangements (R01) | 2. Respondent's reason analysed in Agenda Item 10.2.1 of the June 2023 meeting, and the IPSASB agreed with staff and Task Force's recommendation . |
| 3. Cost-benefit reasons (R01, R20) | 3. Respondents' reason analysed in Agenda Item 10.2.1 of the June 2023 meeting, and the IPSASB agreed with staff and Task Force's recommendation . |
| 4. Concessionary leases are analogous to service concession arrangements (R01) and services in-kind (R01, R20) | 4. Respondents' reason analysed in Agenda Item 10.2.1 of the June 2023 meeting, and the IPSASB agreed with staff and Task Force's recommendation . |
| 5. "IPSAS 23 and IPSAS 47 have different principles about revenue" (R05) | 5. The accounting principles in IPSAS 23 and IPSAS 47 for revenue without binding arrangements are consistent because revenue recognition is based on whether the revenue is associated with an enforceable obligation. |
| 6. Measurement of right-of-use assets and right-of-use assets in-kind inconsistent with deemed cost in IPSAS 46. (R05) | 6. No consistency is required between IPSAS 46 and ED 88 because ED 88 provides a specific measurement technique to right-of-use assets and right-of-use assets in-kind and IPSAS 46.(a) excludes leasing transactions in scope of IPSAS 43 and IPSAS 46.5 states that the requirements are only applicable, unless specific guidance is included in the individual IPSAS. |
| 7. "ED 84 and ED 88 are silent about the change in the feasibility of determining the lease payment at market term after the initial recognition of concessionary leases based on contractual lease payment or right-of-use in kind that was not recognized because it was not possible to determine the lease payment at market term." (R05) | 7. ED 88.IPSAS 43.AG154(d) and ED 88.IPSAS 43.AG202E cross-refers to IPSAS 43.30–36 for subsequent measurement of right-of-use assets and right-of-use assets in-kind, respectively. |
| 8. "these arrangements are already disclosed within service performance reporting and/or related party transactions". (R20) | 8. Respondent's reason analysed in Agenda Item 10.2.1 of the June 2023 meeting, and the IPSASB agreed with staff and Task Force's recommendation. |
| SMC 2 – IPSAS 47 Non-Authoritative Guidance | |
| 1. "In the country there is internal legislation that provides that in the public sector only what is established in the standard should be done, so the proposal of unauthorized guides for | 1. The respondent's reason is jurisdiction specific and the non-authoritative guidance is meant to help preparers applying the principles in the Standard. |

| Respondents' Reasons | Staff's Analysis |
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| <p>agreements that transfer rights over assets would not be feasible." (R06)</p> <p>2. "In paragraph AG153A regarding the present value of lease payments must include consideration of IPSAS 43, Lease Term P.20 to define the term based on certainties and incentives." (R14)</p> <p>3. "the proposed illustrative examples in IPSAS 47 lack clarity and may not be helpful as they are in the context of the resource provider (potential lessor). It would be more useful for the analysis to be from the perspective of the resource recipient (potential lessee). Particularly given that there is no change in accounting by lessors for concessionary leases. (R20)</p> <p>4. "For example, Example 59 – Right-of-Use Assets In-Kind (paragraph IE308), it is not realistic for an entity to have two similar sporting fields built at a similar time, and the terms of the arrangement would not usually be publicly available on the entity's website." (R20)</p> <p>5. "We note that some of the critical key principles for initial measurement of concessionary leases are included in the non-authoritative Application Guidance (AG) of IPSAS 47 (paragraphs AG153A and AG153B). The inclusion of key principles in AG departs from the approach taken in ED 84 where the requirements for the initial measurement of concessionary leases were proposed to be included in the body of the standard. We are also concerned that treating the principles as non-authoritative guidance could reduce the comparability of financial statements, as adopting such guidance would not be mandatory. Therefore, we recommend paragraphs AG153A and AG153B be moved to the body of the standard for consistency in application." (R20)</p> <p>6. "Additionally, we found some aspects of ED 88 to be potentially confusing. For example, in paragraph AG202F 'An entity shall present', whilst in paragraph AG202G, 'An entity may present ...' We recommend the wording in ED</p> | <p>2. There is no need to explicitly refer to the several elements of the lease payments in ED 88. IPSAS 43. AG153A because there is already a cross-reference in the same paragraph to IPSAS 43 for the measurement of lease payments.</p> <p>3. The scope of ED 88 proposals on access rights, arrangements allowing the right to use an asset, and shared properties are related to the conveyor of the rights, i.e., the entity that earns the revenue from those arrangements.</p> <p>4. The examples are meant to help preparers to apply the the principles to specific cases. There are real life examples of several sports fields built to host regional or world championships.</p> <p>5. The location of the proposals in ED 88 are consistent with IPSAS 47 guidance location for concessionary loans in IPSAS 47. AG152–AG153 and follows the structure of IPSAS 47. In IPSAS, Application Guidance is as much authoritative as Core Text.</p> <p>6. The word "shall" is meant to be a requirement. The word "may" is meant to be an election.</p> |

| Respondents' Reasons | Staff's Analysis |
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| 88 be reviewed and revised accordingly to achieve better clarity and consistency." | |
| SMC 3 – IPSAS 48 Non-Authoritative Guidance | |
| <p>1. "In the country there is internal legislation that provides that in the public sector only what is established in the standard should be done, so the proposal of unauthorized guides for agreements that transfer rights over assets would not be feasible." (R06)</p> <p>2. "Paragraphs IE12D and IE12F of Example 2A conclude that "the entity should measure the transfer expense using the cost of resources to be transferred (see paragraph 30), which may include depreciation, maintenance and other costs". IPSAS 48 paragraph 30 explains the transfer consideration is determined as the total carrying amount of the resources which an entity has transferred or is obligated to transfer. The examples do not illustrate that - because the transfer expense is considered as "with a binding arrangement" in both examples - the entity would need to estimate the total costs (depreciation, maintenance, employee costs, etc.) over the period (five and ten years respectively) and recognise an appropriate proportion as an expense each year as the service (right-of-use asset) is provided." (R17)</p> <p>3. "The guidance in Example 2A on how the transfer expense needs to be measured may be interpreted to mean that a new expense (i.e. a transfer expense) needs to be recognised. We found this confusing, because in these examples where a right-of-use asset is provided in-kind, the "transfer expense" consists of other expenses, such as depreciation, maintenance and other costs. These expenses are already accounted for in an entity's statement of financial performance.</p> | <p>1. The respondent's reason is jurisdiction specific and the non-authoritative guidance is meant to help preparers applying the principles in the Standard.</p> <p>2. After the review of all responses to Case B, staff recommends deleting Case B (see Item #2 of Appendix A.1 of Agenda Item 4.2.4)</p> <p>3. To delete the sentence: "The Entity would measure the transfer expense using the cost of resources to be transferred (see paragraph 30), which may include depreciation, maintenance, and other costs." and add the sentence: "The transfer consideration is already reflected in the cost of resources to be transferred (see paragraph 30), which may include depreciation, maintenance, and other costs." in paragraph IE12C.</p> |

| Respondents' Reasons | Staff's Analysis |
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| <p>This poses the question of what an entity is required to recognise and display, if anything, as a "transfer expense" when providing a service in-kind. We identified that IPSAS 48 could be interpreted to require one of two approaches:</p> <ol style="list-style-type: none"> 1. <u>Reclassify the "exchange" expenses incurred to provide the service in-kind (employee cost, maintenance, depreciation, etc.) from their nature or function to be displayed as a "transfer expense".</u> IPSAS 48 paragraph 49 requires "<i>As required by paragraph 109 of IPSAS 1, an entity shall present, either in the face of the statement of financial performance or in the notes, an analysis of expenses using a classification based on the nature of expenses or their function within the entity... In the context of transfer expenses, the analysis of expenses by nature results in the presentation of transfer expenses as a separate line item, while the analysis of expenses by function results in the allocation of transfer expenses to the various programs or purposes for which the transfers were made</i>". Paragraph 49 is understandable when assets (cash, goods or other assets) are transferred that are derecognised, resulting in an expense. It is, however, difficult to understand paragraph 49 when services are provided in-kind. We also did not find any specific guidance in IPSAS 48 that assists a preparer in coming to this approach. We further note that an approach to reclassify expenses when providing services in-kind is inconsistent with the guidance in IPSAS 19 on collective and individual services, while being similar in nature. Paragraphs AG18 to AG20 of IPSAS 19 explain that the expenses will not be reclassified for individual and collective services and will remain by nature (employee cost, depreciation, etc.) or function. 2. <u>Recognise a new "transfer expense" that is measured in accordance with paragraph 30 and displayed in accordance with paragraph 49 of IPSAS 48.</u> While this may be the simplest | |

| Respondents' Reasons | Staff's Analysis |
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| <p>interpretation of the requirements of IPSAS 48, an issue arises of what the credit entry is that an entity recognises when the transfer expense is recognised. The IPSASB previously debated and concluded that it is inappropriate to recognise revenue foregone in IPSAS.</p> <p>We recommend that the requirements in paragraphs 30 and 49 of IPSAS 48 are better explained in the context of services in-kind and that consistency with the guidance in IPSAS 19 on collective and individual services is considered. We further recommend that the application of the requirements is illustrated in Example 2A, in particular with reference to the presentation requirements in IPSAS 1 on <i>The Presentation of Financial Statements</i> that requires the classification of expenses by nature or function." (R17)</p> <p>4. "the proposed illustrative examples proposed in IPSAS 48, <i>Transfer Expenses</i> (IPSAS 48) lack clarity and may not be helpful as they focus on whether the arrangements are within the scope of IPSAS 48 or another standard. They do not illustrate the intended accounting treatment or explain how the principles and requirements of IPSAS 48 would be applied. It would be more useful for the analysis to include the intended accounting treatment and disclosures to assist consistency in application." (R20)</p> | <p>4. The objective of the illustrative examples in IPSAS 48 is to help preparers on whether the arrangements are within scope of IPSAS 48.</p> |

ED 88: IPSAS 47 Authoritative Guidance (SMC 1)

Question

1. Does the IPSASB agree with the staff's recommendations on ED 88 proposals for IPSAS 47 authoritative guidance identified in [Appendix A.1](#) and [Appendix A.2](#)?

Recommendation

2. Staff recommends the IPSASB to:
 - (a) Include in the Final Pronouncement the enhancements to ED 88 proposals identified in [Appendix A.1](#); and
 - (b) Not to include in the Final Pronouncement the respondents' suggestions identified in [Appendix A.2](#).

Background

3. ED 88 included the following Specific Matter for Comment (SMC):

Specific Matter for Comment 1:

The IPSASB decided to carry over the proposals in ED 84 in IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)* related to the concession in concessionary leases to IPSAS 47 (see paragraphs IPSAS 47.BC141–BC145). Do you agree with the proposed amendments to IPSAS 47? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

4. This Agenda Item addresses the respondents' suggestions to enhance the section of ED 88 proposals related to IPSAS 47 authoritative guidance for the Final Pronouncement.

Analysis

5. [Appendix A.1](#) details the staff's recommendations on **acceptance** of respondents' suggestions to enhance the section of ED 88 related to IPSAS 47 authoritative guidance for the Final Pronouncement.
6. [Appendix A.2](#) details the staff's recommendations on **non-acceptance** of respondents' suggestions to enhance the section of ED 88 related to IPSAS 47 authoritative guidance for the Final Pronouncement.

Decision Required

7. Does the IPSASB agree with the staff's [recommendations](#)?

Agenda Item 4.2.2

Appendix A.1—Respondents' Suggestions to Enhance ED 88 Proposals for IPSAS 47 Authoritative Guidance Accepted by Staff

| | Respondents' Suggestions | Staff's Recommendations |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| 1. | "Disclosure by way of note or in accounting policies should indicate that the there is no consideration and the background of the arrangement should be presented and disclosed." (R13) | Proposed paragraph IPSAS 47.AG202H provides the disclosure suggested by the respondent. |
| 2. | "Paragraph 203A. indicates that "The transition requirements for right-of-use assets in IPSAS 43 are also applicable to the measurement of the right-of-use assets in-kind held by an entity as appropriate". It may be difficult for an entity to identify the appropriate transition requirements in IPSAS 43 for right-of-use assets. We propose that the transition requirements applicable to right-of-use assets in-kind are included in IPSAS 47, or that a cross-reference to the applicable paragraphs in IPSAS 43 is included in paragraph 203A." (R17) | To proceed with respondent's suggestion of referencing the specific transition paragraph in IPSAS 43. |

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| <p>3.</p> <ul style="list-style-type: none"> “Since IPSAS 47 deals with binding arrangements and non-binding arrangements (see paragraphs AG202B and AG202C), both of which are different concepts than a “contract,” the IPSASB should explain how, in the context of IPSAS 47, an entity should apply the concept of a “contract” as it relates to the identification of right of use assets in kind (See Exhibit A).” (R24) “Paragraph AG202C We found this paragraph confusing and potentially misleading. The paragraph could be interpreted such that the recognition of revenue depends on whether there is a binding arrangement. Revenue is recognised whether or not there is a binding arrangement, although there would be different timing.” (R03) “Paragraph AG202B explains in the last sentence that <i>“For right-of-use assets in-kind, the past event giving rise to the control of resources embodying future economic benefits or service potential is normally the receipt of the right-of-use asset in-kind”</i> (own emphasis). <p>We propose that the wording be re-considered as obtaining control of a right-of-use asset in-kind depends on the terms and conditions of the arrangement between parties. “Receipt” may be interpreted to refer to control of the physical asset. When an entity gains access or has the ability to restrict or deny access of others to the future economic benefits or service potential of a right-of-use asset in accordance with an agreement, the control criterion is met.” (R17)</p> <ul style="list-style-type: none"> “Confusing guidance for determining when to recognize a right-of-use asset in-kind <p>References: Paragraph AG202B states, “Right-of-use assets in-kind are transfers of assets that one entity makes to another, either free from requirements or may be subject to certain obligations. The resource provider may be an entity or an individual. For right-of-use assets in-kind, the past event giving rise to the control of resources embodying future economic benefits or service potential is normally the receipt of the right-of-use asset in-kind.</p> | <p>To proceed with respondents’ suggestions by deleting the last sentence of paragraph AG202B and redrafting paragraph AG202C to read as follows:</p> <p><u>AG202C. Right-of-use assets in-kind are recognized as assets in accordance with IPSAS 16 or IPSAS 45 if they meet the definition of investment property or property, plant, and equipment, respectively. The timing of revenue recognition depends on the nature of the compliance obligations.</u></p> <p>The Illustrative Examples 54A and 59 in IPSAS 47 are also amended to focus on arrangements that convey the right-of-use assets and right-of-use assets in-kind, respectively, only through contracts as defined in IPSAS 43.</p> |
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Agenda Item 4.2.2

| | Respondents' Suggestions | Staff's Recommendations |
|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| | <p>It is not clear whether the timing of an entity obtaining control of a right-of-use asset in-kind corresponds to the commencement date or inception date of a lease as defined in IPSAS 43. This should be clarified." (R12)</p> <ul style="list-style-type: none">• "we recommend that the IPSASB considers whether paragraph AG202B is better suited for the "recognition" section as it explains the past event that gives rise to control of the right-of-use asset in-kind." (R17) | |

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| <p>4. "IPSAS 43 applies only to an arrangement that are in substance contract-- an arrangement between willing parties creating for both parties' rights and obligations that are enforceable through legal means only. IPSAS 47, on the other hand, applies to (i) binding arrangements that are enforceable through legal means, (ii) binding arrangements that are enforceable through equivalent means, and (iii) arrangements that are not binding arrangements. IPSAS 47 defines a binding arrangement as one that creates for both parties both rights and obligations that are enforceable through legal or equivalent means and as containing at least one compliance obligation for the resource recipient. As such, contracts as defined in IPSAS 43 are a subset of the binding arrangements in IPSAS 47. By requiring in paragraph AG202A that an entity should identify a right-of-use asset in-kind in accordance with the requirements of paragraphs 10– 12 and AG10–AG34 of IPSAS 43 for identifying a lease, with the necessary adaptations in the absence of payments, the IPSASB is suggesting that a right of use asset in-kind may arise only from a binding arrangement that is enforceable through legal means (an arrangement that is in substance a contract). However, it can be inferred from the underlined text in paragraphs AG202B and AG202C, as well as from the proposed illustrative examples in both IPSAS 47 and IPSAS 48, that the existence of a binding arrangement (whether in substance a contract or not) is not necessary for a right-of-use asset in-kind to arise. Obviously, a lack of a compliance obligation would be an exception to IPSAS 43's definition of a contract and therefore another exception to IPSAS 43's definition of a lease (in addition to the lack of consideration). We therefore suggest that the IPSASB should resolve any potential conflicts in the paragraphs referenced above. Specifically, it should clarify whether in the context of IPSAS 47, a right of use asset in-kind may arise from:</p> <ul style="list-style-type: none"> • An arrangement that is a contract as defined in IPSAS 43, • An arrangement that is a biding arrangement as defined in IPSAS 47 (a binding arrangement that is enforceable through legal or equivalent means), or | <p>To proceed with respondents' suggestion by amending the illustrative examples to illustrate contracts with compliance obligations met over time and at a point in time (last section of example 54A and 59) to be consistent with the proposed paragraph in the guidance guidance section of IPSAS 47.</p> <p>The proposed guidance to add to IPSAS 47 is only to cover arrangements that have all the elements of a right-of-use asset as per IPSAS 43, except consideration. If the arrangements are not right-of-use assets in-kind, then the entity should apply the guidance that arealdy exists in IPSAS 47.</p> <p>The proposed IPSAS 47 guidance still requires the entity to assess whether the arrangement meets the definition of a binding arrangement or non-binding arrangement, irrespective the arrangement does not have consideration. In other words, a right-of-use asset in-kind is enforceable through legal means. However, an entity would still need to determine whether its right and its obligation in that transaction are both enforceable through legal means. An entity that does not have both an enforceable right and an enforceable obligation in its right of use asset in kind transaction, would need to account for it as revenue without binding arrangement.</p> |
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Agenda Item 4.2.2

| | Respondents' Suggestions | Staff's Recommendations |
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| | <ul style="list-style-type: none"> An arrangement that is or is not a bidding arrangement as defined in IPSAS 47, And should modify the proposed authoritative and non-authoritative guidance accordingly." (R12) | |
| 5. | "Furthermore, since these right-of-use assets usually have predetermined use restrictions, these restrictions should also be disclosed in the notes to the financial statements." (R28) | The respondent's suggestion is addressed in proposed IPSAS 43.64A(c). |

Agenda Item 4.2.2

Appendix A.2—Respondents' Suggestions to Enhance ED 88 Proposals for IPSAS 47 Authoritative Guidance Not Accepted by Staff's

| | Respondents' Suggestions | Staff's Recommendations |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | "for emphasis and to inform the users of these additional policies, we suggest adding a provision in the core text or in one of the main paragraphs in IPSAS 47, citing that the accounting treatment for the Concessionary Leases for Lessees and Right-of-use Assets In-kind can be found in the AG of the said IPSAS." (R02) | Not to proceed with respondent's suggestion because the application of IPSAS 47 principles to specific transactions, in which these arrangements included, are in the application guidance of IPSAS 47 with no cross reference to or from the core text of IPSAS 47 |
| 2. | <ul style="list-style-type: none"> • "Provide an accounting policy choice between cost and fair value to measure right-of-use assets acquired in concessionary leases" (R03) • Not to require the measurement of right-of-use assets in a concessionary lease at market rates because of inability to measure the lease payments at market rates as a result of inexistence of market information. (R03) | Respondent's suggestions analysed in Agenda Item 6.2.5 of the September 2023 meeting, and the IPSASB agreed with staff and Task Force's recommendation. |
| 3. | Not to gross up revenue and expenses related to the right-of-use asset acquired at below market terms as it does not provide useful information to users. (R03) | Respondent's suggestion analysed in Agenda Item 6.2.5 of the September 2023 meeting, and the IPSASB agreed with staff and Task Force's recommendation not to proceed with the suggestion. |
| 4. | To provide guidance on the scope of IPSAS 43 related to arrangements involving unwilling parties. (R03) | Not to proceed with respondent's suggestion because it is outside of the scope of Phase Two of the Leases project. |
| 5. | "To include a threshold filter to only classify leases as concessionary leases when the consideration is significantly less than fair value (i.e., 'market rates for ED 84 / ED 88)" (R03) | Respondent's suggestion analysed in Agenda Item 10.2.6 of the December 2023 meeting, and the IPSASB agreed with staff and Task Force's recommendation. |

Agenda Item 4.2.2

| | Respondents' Suggestions | Staff's Recommendations |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6. | <p>"One jurisdiction has highlighted what they believe to be an anomaly with the option to initially measure right-of-use assets in concessionary leases at the present value of contractual payments for the lease, for example, accounting for transactions within the same government. Where the lessor provides the asset under a finance lease (therefore derecognises the asset) and the lessee follows the cost option (and therefore recognises the asset at a nominal consideration), significant assets are not recorded in either the lessor or the lessee's financial statements (as it measures the ROU assets at nominal consideration). Although the assets appear at the whole of government (consolidated) financial statements there is significant information loss at the Department/agency level. One option to explore is if the assets are given on a finance lease, then whether the fair value of the asset prior to it being given on lease could represent the fair value of the right of use asset at initial recognition." (R03)</p> | <p>Not to proceed with respondent's suggestion because the value of the right-of-use asset is not the same as the value of the underlying asset as both are different types of assets.</p> |
| 7. | <p>Provide disclosures related to fair value of the asset in a concessionary finance lease. (R03)</p> | <p>Respondent's suggestion analysed in Agenda Item 6.2.4 of the September 2023 meeting, and the IPSASB agreed with staff and Task Force recommendation not to proceed with the suggestion.</p> |
| 8. | <p>"Regarding the proposed amendments to IPSAS 47: Paragraph AG202K states, "If an entity measures right-of-use assets in-kind at revalued amounts applying IPSAS 45, an entity shall disclose the information required by paragraph 74 of IPSAS 45 for those right-of-use assets in-kind." The IPSASB should clarify if the requirements in paragraphs 79-84 of IPSAS 45 are also applicable." (R12)</p> | <p>Not to proceed with respondent's suggestion because these disclosures are consistent with the disclosure in IPSAS 43.60 for right-of-use assets.</p> |

Agenda Item 4.2.2

| | Respondents' Suggestions | Staff's Recommendations |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9. | "It would be important to differentiate the extent to which the assets will have future economic benefits. For example, if a right-of-use asset in-kind can be objectively defined, and provided that it generates economic benefits, only then can it be registered as an asset – and just to the extent that it will generate economic benefits. Only in that case can one consider the present value of the expected future cash flows. As such, this would not be a fictitious journal entry, and it represents a real situation." (R28) | Respondent's suggestions analysed in Agenda Item 6.2.5 of the September 2023 meeting, and the IPSASB agreed with staff and Task Force's recommendation. |
| 10. | "We also have some concerns about treating the difference between the present value of payments for the lease at the market rates and the present value of contractual payments as revenue on initial recognition. The same is true for revenue recognized on right-of-use assets in-kind. In this case, the matching principle should be considered, implying that revenue cannot be considered only in the year of the contract." (R28) | Not to proceed with respondent's suggestion because it is not consistent with the principles for revenue recognition in IPSAS 47. |
| 11. | "Furthermore, we would appreciate clarification about the treatment of concessionary leases when a compliance obligation exists. In fact, in most occasions, these arrangements include the obligation to use the property for specific services; that is, obligations are usually linked to the purpose the right-of-use assets are used for, which can be predetermined, as is normal for very specific activities and assets. In this sense, the standard should define what types of obligations can lead to recognizing a liability. Due to difficulties in valuing the asset and the liability, it can be more realistic only to require disclosure of the information in the notes to the financial statements." (R28) | Not to proceed with respondent's suggestion because it is outside of the scope of Phase 2 of the Leases project to provide guidance on types of obligations can lead to recognizing a liability, which may also be applicable to other types of arrangements. |
| 12. | "We appreciate the principles requiring the disclosure of concessionary leases and right of use assets in-kind in the notes in the financial statements. In fact, we consider that this should be a solution for assets that do not have economic benefits but just service potential. Moreover, when there are difficulties in measuring the present value of payments at market rates based on the current use of the underlying asset." (R28) | Respondent's suggestions analysed in Agenda Item 6.2.5 of the September 2023 meeting, and the IPSASB agreed with staff and Task Force's recommendation. |

Agenda Item 4.2.2

| | Respondents' Suggestions | Staff's Recommendations |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 13. | <p>"The proposed additional authoritative guidance does not address identifying, and dealing with the revenue from, arrangements conveying free rights over resources other than right-of-use assets in-kind. Specifically, the guidance does not address the situations where the arrangement gives rise to a service in-kind or an intangible asset in-kind rather than a right-of-use asset in-kind. We would like to recall the objective of Phase 2 of the Leases Project which is to address arrangements that provide other forms of rights over assets, but not the right of use as provided in a lease arrangement. It is in the public interest to address the identification of, and accounting for revenue from, other arrangements conveying free rights over resources other than concessionary leases and right-of use assets in-kind, and not to narrow the scope of the added authoritative guidance down to lease-related arrangements (concessionary leases and right-of-use assets in-kind)." (R12)</p> | <p>Not to proceed with respondent's suggestion because it was never within the scope of the Phase 2 of the Leases project to provide guidance that already exists in IPSAS 47 on how to account for services in-kind and intangible assets in-kind.</p> |
| 14. | <p>"The right to use an underlying asset at zero consideration does not create any obligations on the party bestowed such rights and should not follow the principles as right of use assets acquired through concessionary leases. They are distinctly dissimilar and if recognised as proposed it would not present a true, fair and faithful presentation of the arrangement." (R13)</p> | <p>Not to proceed with respondent's suggestion because right-of-use assets acquired in concessionary leases or right-of-use assets in-kind (acquired for free) are both acquisitions at below-market terms, which warrants consistent accounting.</p> |
| 15. | <p>We also propose the change of definition to read as follows to ensure that it fully conveys the reality of the arrangement "right of use asset for no consideration" rather than "right of use asset in-kind". (R13)</p> | <p>Not to proceed with respondent's suggestion because the term "in-kind" is consistent with IPSAS terminology for other transactions that do not have consideration (for example: services in-kind and assets in-kind).</p> |
| 16. | <p>"Because the provisions of IPSAS 43 must be applied for the Right-of-Use in kind, although they are not subject to the definition of Leasing, the SRS-CSPCP requests that the IPSAS Board provide a decision tree, so that the relationships with IPSAS 43 and IPSAS 47 become clear." (R16)</p> | <p>Not to proceed with respondent's suggestion because the proposed paragraph IPSAS 47.AG202A– AG202A already provides the relationship with IPSAS 43 and right-of-use assets in-kind.</p> |

Agenda Item 4.2.2

| | Respondents' Suggestions | Staff's Recommendations |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 17. | <p>"Put together, Exposure Drafts 84 and 88 seem to be proposing that a resource provider is not required to treat the concession in a concessionary lease as a transfer expense in accordance with IPSAS 48 but is required to treat as such the concession in other arrangements conveying rights over assets (for example, transfers of right of use assets in kind), leading to a different expense classification and probably a different expense recognition profile depending on whether the arrangement is a binding arrangement and, if not a binding arrangement, whether or not the arrangement results in the recognition of an asset representing the resource provider's enforceable rights over the transferred resources . It is advisable to relieve the resource provider from treating the concession as a transfer expense in both cases, as this would ensure a consistent approach is applied by resource providers in accounting for the concession regardless of whether the concession is provided in a concessionary loan, a concessionary lease or another arrangement conveying rights over assets, while requiring otherwise would complicate the accounting and result in different accounting outcomes for similar transactions. However, if the IPSASB decides that a resource provider must treat the concession in other arrangements conveying rights over assets as a transfer expense by applying the principles in IPSAS 48, the IPSASB should adopt the same approach for concessionary leases or explain why a different approach is warranted." (R24)</p> | <p>Respondents' suggestion analysed in Agenda Item 10.2.1 of the December 2023 meeting, and the IPSASB agreed with staff and Task Force's recommendation.</p> |

ED 88: IPSAS 47 Non-Authoritative Guidance (SMC 2)

Question

1. Does the IPSASB agree with the staff's recommendations on ED 88 proposals for IPSAS 47 non-authoritative guidance identified in [Appendix A.1](#) and [Appendix A.2](#)?

Recommendation

2. Staff recommends the IPSASB to:
 - (a) Include in the Final Pronouncement the enhancements to ED 88 proposals identified in [Appendix A.1](#); and
 - (b) Not to include in the Final Pronouncement the respondents' suggestions identified in [Appendix A.2](#).

Background

3. ED 88 included the following Specific Matter for Comment (SMC):

Specific Matter for Comment 2:

The IPSASB decided to propose non-authoritative guidance for arrangements conveying rights over assets in IPSAS 47 (see paragraphs IPSAS 47.BC146–BC150). Do you agree with the proposed non-authoritative amendments to IPSAS 47? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

4. This Agenda Item addresses the respondents' suggestions to enhance the section of ED 88 proposals related to IPSAS 47 non-authoritative guidance for the Final Pronouncement.

Analysis

5. [Appendix A.1](#) details the staff's recommendations on **acceptance** of respondents' suggestions to enhance the section of ED 88 related to IPSAS 47 non-authoritative guidance for the Final Pronouncement.
6. [Appendix A.2](#) details the staff's recommendations on **non-acceptance** of respondents' suggestions to enhance the section of ED 88 related to IPSAS 47 non-authoritative guidance for the Final Pronouncement.

Decision Required

7. Does the IPSASB agree with the staff's [recommendations](#)?

Agenda Item 4.2.3

Appendix A.1—Respondents' Suggestions to Enhance ED 88 Proposals for IPSAS 47 Non-Authoritative Guidance Accepted by Staff

| | Respondents' Suggestions | Staff's Recommendations |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| 1. | "Provide more detail in examples 0A-0C to differentiate examples 0A and 0B more clearly and identify all the criteria for a lease and which are met or not met by the example." (R01) | To proceed with respondent's suggestion with detailed explanation in IPSAS 43 on why these arrangements are not leases. |
| 2. | Example 59 "We disagree that information on a single entity's website represents market data and therefore 'market rates'. (R03) | To proceed with respondent's suggestion and amend the illustrative example by adding the assumption that it is considered market rates. |
| 3. | <p><i>"Example 0A – Access Rights:</i> We were unclear about the scope of the arrangement explained in the example. We recommend:</p> <ul style="list-style-type: none"> • Adding to paragraph IE1C. that the arrangement is a right to access the Entity's assets as the "assets" may be determined by the Entity. • Changing the wording in paragraph IE1D to better align with the conclusion that the arrangement is not a lease: <i>"The Entity confirms that the arrangement is a binding arrangement because it has an enforceable obligation to provide access to the land and cabins (as may be determined by the Entity), in exchange for an enforceable right to receive payment from the Customer."</i> (own emphasis)." (R17) | To proceed with respondent's suggestions. |
| 4. | <i>"Example 59 – Right-of-use Assets In-kind:</i> This example illustrates the journal entries to account for the right-of-use asset and revenue on initial recognition. For subsequent periods (year 1 to year 5) the example only illustrates the journal entries for the recognition of revenue and the related reduction of the liability. As there is an expectation that the journal entries for the right-of-use asset in-kind will also be illustrated in this example (see lead-in to the journals), we propose that a note is included that IPSAS 45 on <i>Property, Plant and Equipment</i> is applied to subsequently account for the right-of-use asset in-kind." (R17) | To proceed with respondent's suggestions. |
| 5. | "Examples 54A, 59 In the journal entries, it may be better to refer to the 'liability' as the 'binding arrangement liability' to provide clarity." (R03) | To proceed with respondent's suggestion. |

Agenda Item 4.2.3

| | Respondents' Suggestions | Staff's Recommendations |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6. | <p>"For instance, the example 54A-Concessionary Leases (Lessee)—Concession results from 30% lower contractual payments than payments from the leases in the Market Rates, but there is a compliance obligation that requires these to be considered liabilities. It can be useful to consider the other option, that is, if the concessionary lease were granted with no obligations, the entity would recognize the revenue on initial recognition." (R28)</p> | <p>Following the recommendation in item #4 of Appendix A.1 of Agenda Item 4.2.2, to proceed with respondent's suggestion and amend the last section of Example 54A to be read as follows: "If the concessionary lease was granted with no a compliance obligation that is met in the first year, the lessee would recognize the following on initial recognition:"</p> <p>If the are no enforceable obligations in the arrangement, then it is no longer a binding arrangement. Concessionary leases can only arise from contracts, which are a type of a binding arrangement.</p> |

Agenda Item 4.2.3

Appendix A.2—Respondents’ Suggestions to Enhance ED 88 Proposals for IPSAS 47 Non-Authoritative Guidance Not Accepted by Staff

| | Respondents’ Suggestions | Staff’s Recommendations |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | To expand the illustrative examples 0A-0C to accounting treatment, below market conditions and measurement (R01, R02, R18, R22). | Not to proceed with respondents’ suggestion because the illustrative examples are only about scoping. IPSAS 47 already has illustrative examples on the accounting for revenue with or without binding arrangements and the respective conditons. |
| 2. | “Add signposting to examples 0A-0C directing the recipient of the rights to consider accounting treatment under IPSAS 31.” (R01) | Not to proceed with respondent’s suggestion because the illustrative examples do provide sufficient information that the arrangement is within the scope of IPSAS 31 that warrants a signposting to IPSAS 31. |
| 3. | Provide illustrative examples 0A-0C from the perspective of the customer (potential lessee). (R02) | Not proceed with respondent’s suggestion because It is outside of the scope of the Phase Two of the Leases project to provide guidance from the perspective of the customer. |
| 4. | Example 59 “We would expect that for an arrangement providing free usage, that there is a corresponding obligation to maintain the sports field, and accompanying buildings (seating, changing rooms, scoreboard). This would be in addition to the obligation for scheduling users of the sports field for events and training sessions etc.” (R03) | Not to proceed with respondent’s suggestion because the illustrative example is not meant to capture all the possible conditions that the asset is used. |
| 5. | Example 59 “The example needs to clarify that the arrangement is not for shared access. If it was for shared access, the arrangement is likely not to be a lease. (R03) | Not to proceed with respondent’s suggestion because the illustrative example is not meant to capture all the possible conditions that the asset is used. |
| 6. | “In addition to the proposal, an example of the initial measurement principles application should be very helpful, specifically for understanding the meaning of “market rates” and “current use of the underlying assets” since the ED 84 does not use Fair Value or Current Operational Value to determine the deemed cost. The examples in ED 88 do not explain or demonstrate how the lease payments are determined based on “market rates”, and “the current use of the underlying asset”.” (R05) | Not to proceed with respondent’s suggestion because it is outside of the scope of the illustrative example to provide guidance on how to determine market rates and the current use of the underlying asset. |

Agenda Item 4.2.3

| | Respondents' Suggestions | Staff's Recommendations |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 7. | "There is no agreement with the recognition of the asset by right of use since, as mentioned in the part on concessionary leases, the recipient should not recognize an asset in this type of transfers, since these can be seen as a service, in this case, a service in kind which, taking into account IPSAS 47, the entity is not required to recognize as an asset and therefore would not recognize revenue." (R11) | Not to proceed with respondent's suggestion not to recognize the asset and revenue because a lease is not a type of service in-kind, and instead is analogous an acquisition of an asset acquired at below-market terms, which has similar recognition requirements. |
| 8. | Provide illustrative examples on concessionary finance lease for lessors (R19) | Not to proceed with respondent's suggestion because the accounting for concessionary finance lease is the same as finance leases. |
| 9. | Provide guidance on donated assets (R22, R24) | Not to proceed with respondent's suggestion because it is outside of the scope of Phase Two of the Leases project to provide illustrative examples on donated assets. |

ED 88: IPSAS 48 Non-Authoritative Guidance (SMC 3)

Question

1. Does the IPSASB agree with the staff's recommendations on ED 88 proposals for IPSAS 48 non-authoritative guidance identified in [Appendix A.1](#) and [Appendix A.2](#)?

Recommendation

2. Staff recommends the IPSASB to:
 - (a) Include in the Final Pronouncement the enhancements to ED 88 proposals identified in [Appendix A.1](#)?; and
 - (b) Not to include in the Final Pronouncement the respondents' suggestions identified in [Appendix A.2](#)?

Background

3. ED 88 included the following Specific Matter for Comment (SMC):

Specific Matter for Comment 3:

The IPSASB decided to propose non-authoritative guidance for arrangements conveying rights over assets without consideration in IPSAS 48 (see paragraphs IPSAS 48.BC41–BC44). Do you agree with the proposed non-authoritative amendments to IPSAS 48? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

4. This Agenda Item addresses the respondents' suggestions to enhance the section of ED 88 proposals related to IPSAS 48 non-authoritative guidance for the Final Pronouncement.

Analysis

5. [Appendix A.1](#) details the staff's recommendations on **acceptance** of respondents' suggestions to enhance the section of ED 88 related to IPSAS 48 non-authoritative guidance for the Final Pronouncement.
6. [Appendix A.2](#) details the staff's recommendations on **non-acceptance** of respondents' suggestions to enhance the section of ED 88 related to IPSAS 48 non-authoritative guidance for the Final Pronouncement.

Decision Required

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

Agenda Item 4.2.4

Appendix A.1—Respondents’ Suggestions to Enhance ED 88 Proposals for IPSAS 48 Non-Authoritative Guidance Accepted by Staff

| | Respondents’ Suggestions | Staff’s Recommendations |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| 1. | <ul style="list-style-type: none"> Furthermore, the information in paragraph IE12B about the cost to obtain a similar right of use asset in the private sector is confusing. This is irrelevant in the example.” (R03) | To proceed with respondent’s suggestion and delete paragraph IE12B. |
| 2. | <ul style="list-style-type: none"> “In the Case B above. It is not clear why this situation should be within the scope of IPSAS 48. The fact pattern indicates that the resource provider (Municipality Z) is required by law to take action to reduce the number of homeless people in its locality- a service delivery objective for which the resource provider (Municipality Z) is accountable- and therefore engages another entity to operate an asset under the resource provider’s control to provide the related services. As such, the facts suggest a situation where the resource provider (Municipality Z) is a grantor that and the resource recipient (Organization) is an operator- i.e. a service provider engaged to provide individual services (social benefits in-kind) on behalf of the grantor using physical assets that will continue to be controlled by the grantor (see IPSAS 16, paragraph 13(f), IPSAS 19, Appendix A-Application Guidance, IPSAS 32, paragraphs 6-7, IPSAS 45, paragraph 5). IPSAS 45, IPSAS 32 and, potentially, IPSAS 19 seem to be the applicable standard(s) here. We suggest that the IPSASB should carefully consider whether the proposed illustrative examples cause an overlap between the scopes of related IPSASs.” (R12) “The illustrative example in Case B suggests that IPSAS 48 applies to using an asset to provide social housing and, therefore, serves to blur the line between transfer expenses and individual services even further (See Exhibit D). It is advisable to remove this example. However, if the IPSASB decides that IPSAS 48 should be applied to social benefits in-kind, the IPSASB should develop guidance to assist constituents in distinguishing benefits to which IPSAS 48 is applicable from those to which the guidance in IPSAS 19 on individual services is applicable.” (R24) | To proceed with R24’s suggestion and remove Case B of Example 2A. |

Agenda Item 4.2.4

Appendix A.2—Respondents' Suggestions to Enhance ED 88 Proposals for IPSAS 48 Non-Authoritative Guidance Not Accepted by Staff's

| | Respondents' Suggestions | Staff's Recommendations |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | To expand the illustrative examples to accounting treatment with journal entries (R01, R02, R18, R24, R28) | Not to proceed with respondents' suggestion because the illustrative examples are only about scoping. IPSAS 47 already has illustrative examples on the accounting for transfer expenses. |
| 2. | "the IPSASB reconsiders whether any of the non-authoritative guidance should be elevated to authoritative Application Guidance within the standard, rather than being located in the non-authoritative illustrative examples." (R01) | Not to proceed with respondent's suggestion because the non-authoritative guidance is only meant to help preparers applying the IPSAS 48 principles to specific cases, not develop further the principles in IPSAS 48. |
| 3. | "On the other hand, it is considered that examples of concessional leases should be developed from the point of view of the lessor." (R11) | Not to proceed with respondent's suggestion because the lessor accounting for concessionary leases is not changed in the Final Pronouncement. |

ED 88: Miscellaneous Issues

Question

1. Does the IPSASB agree with the staff's recommendations in [Appendix A](#)?

Recommendation

2. Staff recommend the IPSASB the approval of staff recommendations in [Appendix A](#).

Background

3. This Agenda Item addresses the respondents' suggestions related to miscellaneous issues, including editorials, identified in ED 88.

Analysis

4. [Appendix A](#) details the staff's recommendations on **acceptance** and **non-acceptance** of respondents' suggestions to enhance ED 88 proposals for the Final Pronouncement.

Decision Required

5. Does the IPSASB agree with the staff's [recommendation](#)?

Agenda Item 4.2.5

Appendix A—Respondents' Miscellaneous Issues Related to ED 84 and ED 88 Proposals and Staff's Recommendations

| | Respondents' Issues | Staff's Recommendations |
|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IPSAS 43 + ED 84 + ED 88 | | |
| 1. | <p>"In its response to ED 84 the SRS-CSPCP expressed the wish that the amendments to Concessionary Leasing should become effective at the same time as the Leasing standard. It again expressly wishes that the IPSAS Board reconsider its decision to enforce IPSAS 43 on 1.1.2025 and enforce the standard together with the amendments to ED 84 and ED 88 at a later date." (R16)</p> | <p>Not to proceed with respondent's suggestion to change the effective date of IPSAS 43 because no additional reasons were provided.</p> |
| ED 88 | | |
| 2. | <p>"For the SRS-CSPCP the accounting treatment of Binding Arrangements is still not clear. The Committee requests that the IPSAS Board express itself more clearly on these Binding Arrangements. The SRS-CSPCP has the same request in respect of Usage Rights and Right-of-Use assets; these expressions and their accounting treatment should be better explained. The SRS-CSPCP wonders whether or not a usage right constitutes an intangible asset. The IPSAS Board should draw a clearer distinction between fixed assets and intangible assets. [a] The Committee wishes that this question be examined in the revision of IPSAS 31 <i>Intangible Assets</i>.</p> <p>[b] Because the provisions of IPSAS 43 must be applied for the <i>Right-of-Use in kind</i>, although they are not subject to the definition of Leasing, the SRS-CSPCP requests that the IPSAS Board provide a decision tree, so that the relationships with IPSAS 43 and IPSAS 47 become clear." (R16)</p> | <p>Regarding [a], staff notes the request to inform the future IPSASB's project on Intangible Assets.</p> <p>Regarding [b], staff recommend not to proceed with respondent's suggestion because:</p> <p>(a) Of the high complexity that such a decision tree would entail; and</p> <p>(b) The application of IPSAS 43 and IPSAS 47 principles to specific arrangements require specific judgment.</p> |

Agenda Item 4.2.5

| | Respondents' Issues | Staff's Recommendations |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. | <p>Sale and leaseback</p> <p>In our ED84 submission, we did not comment specifically on the sale and leaseback provisions. Instead, we noted that the provisions would need to be updated in accordance with the IPSASB approach for alignment with IFRS, following the issue by the IASB of amendments to IFRS 16 Lease Liability in a Sale and Leaseback (September 2022).</p> <p>We have subsequently reviewed the proposed changes relating to sale and leaseback as published in the draft final pronouncement (December 2023 IPSASB meeting).</p> <p>[a] We find Example 25 very confusing and unrealistic. In particular, the building being classified as a sale by the Seller-Lessee to the Buyer-Lessor, and then a finance lease (which is effectively a sale) from the Buyer-Lessor back to the Seller-Lessee. We suggest that the IPSASB specifically explain why the transaction is a sale to be recognised by Seller-Lessee, when there is an interdependent effective purchase (finance lease) by Seller-Lessee.</p> <p>[b] If the example is retained, we also suggest that the IPSASB review the accounting for the unguaranteed residual value by Buyer-Lessor – being the value of the land 'coming back' to Buyer-Lessor at the end of the finance lease. This is measured at \$340,801 being the difference between the fair value of the 25.5 year building of \$1,800,000 and the NPV of the market rentals over 18 years of \$1,459,199.</p> <p>[c] This is recognised in the accounting entries as part of the financial asset. ACAG does not believe that the unguaranteed residual value represents a financial asset, as it does not represent a contractual right to cash.</p> <p>[d] We also find the accounting entries for Example 23B and Example 25 inconsistent and potentially confusing. Example 23B recognises the concession 'gift' (difference between carrying value and the finance lease receivable) as 'surplus or deficit'. Example 25 recognises the same difference as 'concession expense'. We expected that in both situations, of a finance lease receivable concession, that the concession would be treated the same way. If it is intended that there is a difference between the two examples, this difference should be explained." (R03)</p> | <p>Not to proceed with respondent's suggestions in [a], [b], and [c] because:</p> <p>(a) Example 25 is aligned with Example 24, which does not have such explanation;</p> <p>(b) The unguaranteed residual value journals are correct as they are part of the financial asset (debit) and reduce the value of the building (credit)</p> <p>(c) Example 25 is aligned with Example 24, which classifies the unguaranteed residual value as financial asset</p> <p>(d) To proceed with respondent's suggestion by adding 'surplus or deficit' in the journal entries of example 25.</p> |
| Editorial corrections | | |

Agenda Item 4.2.5

| | Respondents' Issues | | Staff's Recommendations |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| IPSAS 47 Non-Authoritative Guidance | | | |
| 4. | "We could not identify example 0D mentioned in paragraph IE1A." (R03) | | To proceed with editorial correction as 0C. |
| 5. | Proposed text | Suggested changes | |
| 6. | AG154. As required by paragraph 106, transferred assets are measured at their transaction consideration as at the date of recognition. When an entity <u>received</u> consideration in a form other than cash, the non-cash consideration is initially measured at its current value in accordance with relevant IPSAS; | AG154. As required by paragraph 106, transferred assets are measured at their transaction consideration as at the date of recognition. When an entity <u>receives</u> consideration in a form other than cash, the non-cash consideration is initially measured at its current value in accordance with relevant IPSAS; | Not to proceed with respondent's suggestion because AG154 is not amended by ED 88. |
| 7. | BC149. The IPSASB decided that accounting for right-of-use assets in-kind should follow the same principles as for right-of-use assets acquired through a concessionary lease because both have <u>types of non-cash consideration</u> . | BC149. The IPSASB decided that accounting for right-of-use assets in-kind should follow the same principles as for right-of-use assets acquired through a concessionary lease because both have <u>elements that meet the definition of a transfer in IPSAS 47</u> . | Respondent's suggestion will be considered during the development of the Basis for Conclusions for the July 2024 Check-in meeting. |
| 8. | IE1H. Municipality A (the Entity) enters into an arrangement with Government Agency B (Customer) to share the use of a floor in an office building for three years. The Entity will continue to use the floor for the majority of the time and coordinates with the Customer the dates that each can use it <u>to their</u> own activities. The Customer pays transaction consideration upfront each month, based on the number of days it plans to use the office space. | IE1H. Municipality A (the Entity) enters into an arrangement with Government Agency B (Customer) to share the use of a floor in an office building for three years. The Entity will continue to use the floor for the majority of the time and coordinates with the Customer the dates that each can use it <u>for its</u> own activities. The Customer pays transaction consideration upfront each month, based on the number of days it plans to use the office space. | To proceed with respondent's suggestion. |

Agenda Item 4.2.5

| | Respondents' Issues | | Staff's Recommendations |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| 9. | IE296A. ... The lease stipulates that it should be <u>paid</u> over the 5-year period as follows: ... | IE296A. ... The lease stipulates that it should be <u>paid for</u> over the 5-year period as follows: ... | To proceed with respondent's suggestion. |
| | IE308. Public sector entity Z (Entity Z) enters into an arrangement with a Government Agency (Agency) for 5 years to have the right to use for free a sports field to be used specifically by youth. The Agency does not regulate <u>the types of sports services and their pricing</u> that Entity Z provides. | IE308. Public sector entity Z (Entity Z) enters into an arrangement with a Government Agency (Agency) for 5 years to have the right to use for free a sports field to be used specifically by youth. The Agency does not regulate <u>the types or pricing of sports services</u> that Entity Z provides. | To proceed with respondent's suggestion. |
| IPSAS 48 Non-Authoritative Guidance | | | |
| | Proposed text | Suggested changes | |
| 10. | BC43. During the review of responses to ED 84, the IPSASB noted that some respondents raised some issues that were related to arrangements that do not meet the definition of a lease or right-of-use asset in-kind. The IPSASB also noted that this may be related to the fact that ED 84 did not propose accounting for the remaining types of arrangements included in the RFI that do not meet the definition of a lease or right-of-use asset in-kind. Therefore, respondents did not have a comprehensive view on the accounting for these types of <u>arrangement</u> that convey rights over assets. | BC43. During the review of responses to ED 84, the IPSASB noted that some respondents raised some issues that were related to arrangements that do not meet the definition of a lease or right-of-use asset in-kind. The IPSASB also noted that this may be related to the fact that ED 84 did not propose accounting for the remaining types of arrangements included in the RFI that do not meet the definition of a lease or right-of-use asset in-kind. Therefore, respondents did not have a comprehensive view on the accounting for these types of <u>arrangements</u> that convey rights over assets. | Respondent's suggestion will be considered during the development of the Basis for Conclusions for the July 2024 Check-in meeting. |

Agenda Item 4.2.5

| | Respondents' Issues | | Staff's Recommendations |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 11. | BC44. To address this, the IPSASB decided to publish ED 88 with proposed non-authoritative guidance for other arrangements conveying rights over assets in IPSAS 48, Transfer Expenses. The proposals encompass <u>all</u> arrangements included in the RFI and <u>taking</u> into consideration the IPSASB's literature published after ED 84, thus complementing, and updating the proposals in ED 84. | BC44. To address this, the IPSASB decided to publish ED 88 with proposed non-authoritative guidance for other arrangements conveying rights over assets in IPSAS 48, Transfer Expenses. The proposals encompass <u>some of the</u> arrangements included in the RFI and <u>take</u> into consideration the IPSASB's literature published after ED 84, thus complementing, and updating the proposals in ED 84 | Respondent's suggestion will be considered during the development of the Basis for Conclusions for the July 2024 Check-in meeting. |
| 12. | Example 2A "Right-of-Use Assets In-kind" | The title of Example 2A "Right-of-Use Assets In-kind" is not relevant from a resource provider's perspective. A right-of-use asset in-kind arises to a resource recipient, not to resource provider. The title should therefore be changed to "Transfer of rights over assets". | Not to proceed with respondent's suggestion because the suggested title does not reflect that the arrangement does not include consideration (which term in-kind alludes to) and the specific type of rights that entail a right-of-use. |
| 13. | IE12A. A Government Agency (Agency) enters into an arrangement with a public sector entity Z (Entity Z) for 5 years conveying the right to use for free a sports field to be used specifically by youth. The Agency does not regulate <u>the types of sports services and their pricing</u> that Entity Z provides. | IE12A. A Government Agency (Agency) enters into an arrangement with a public sector entity Z (Entity Z) for 5 years conveying the right to use for free a sports field to be used specifically by youth. The Agency does not regulate <u>the types or prices of sports services</u> that Entity Z provides. | To proceed with respondent's suggestion. |

Agenda Item 4.2.5

| | Respondents' Issues | | Staff's Recommendations |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| 14. | IE12E. The national government publishes new legislation which requires municipal governments to take action to reduce the number of <u>homeless</u> in their <u>community</u> . To implement the <u>legislation</u> requirements, Municipality Z (the Entity) <u>engages with</u> a public sector organization (Organization) to operate social housing services for the homeless in the local community. Under the 10-year arrangement, the Organization is able to use the Entity's 100 vacant social housing units (to temporarily house the homeless until they find a <u>more permanent</u> place to live) for zero consideration. | IE12E. The national government publishes new legislation which requires municipal governments to take action to reduce the number of <u>homeless people</u> in their <u>communities</u> . To implement the <u>new legislative</u> requirements, Municipality Z (the Entity) <u>engages</u> a public sector organization (Organization) to operate social housing services for the homeless in the local community. Under the 10-year arrangement, the Organization is able to use the Entity's 100 vacant social housing units (to temporarily house the homeless until they find a <u>permanent</u> place to live) for zero consideration. | Case B of Example 2A is recommended to be deleted in item #2 of Appendix A.1. of Agenda Item 4.2.4. |
| 15. | IE12F. The provision of the right to use social housing units to the Organization for zero consideration is within the scope of IPSAS 48 because the Entity provides <u>services to the Organization</u> without directly receiving any good, service, or other asset in return (see paragraph 6). The Entity would measure the transfer expense using the cost of resources to be transferred (see paragraph 30), which may include depreciation, maintenance, and other costs. | IE12F. The provision of the right to use social housing units to the Organization for zero consideration is within the scope of IPSAS 48 because the Entity provides <u>facilities for the Organization's use</u> without directly receiving any good, service, or other asset in return (see paragraph 6). The Entity would measure the transfer expense using the cost of resources to be transferred (see paragraph 30), which may include depreciation, maintenance, and other costs. | Case B of Example 2A is recommended to be deleted in item #2 of Appendix A.1. of Agenda Item 4.2.4. |

[draft] Final Pronouncement: Development

Question

1. Does the IPSASB agree with the staff's recommendation on the development of [draft] Final Pronouncement?

Recommendation

2. Staff recommends the IPSASB to approve the following revisions made during the development of [draft] Final Pronouncement:
 - (a) Title of Final Pronouncement; and
 - (b) The marked-up changes to the whole [draft] Final Pronouncement compared with ED 84 as presented to the IPSASB at the December 2023 meeting and ED 88 proposals.

Background

3. This paper addresses the remaining issues to be considered before approval of [draft] Final Pronouncement, as identified below.

Analysis

4. The [draft] Final Pronouncement has the following issues for IPSASB's decision:
 - (a) **Title of Final Pronouncement**—The [draft] Final Pronouncement has the title "*Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48) because it:
 - (i) 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;
 - (ii) Encompasses all arrangements identified in the Request for Information, *Concessionary Leases and Other Arrangements Similar to Leases*; and
 - (iii) Merges the titles of ED 84 and ED 88.
 - (b) **Red Marked-up changes compared to ED 84 and ED 88**—The red marked-up version of the [draft] Final Pronouncement reflects all the changes to compare with the:
 - (i) Version presented to the IPSASB at the December 2023 meeting related to IPSAS 43 that arised from ED 84, except for the effective date paragraph which is not red marked-up for understandability purposes; and
 - (ii) ED 88 proposed amendments to IPSAS 47 and IPSAS 48, except for the effective date paragraph of IPSAS 47 which is not red marked-up for understandability purposes.
5. The red marked-up changes are consistent with the IPSASB's decisions after the review of responses to ED 84 and with staff's recommendations in this Issues Papers related to ED 88.
6. Staff recommend the IPSASB approve the above revisions during the development of [draft] Final Pronouncement.
7. The Basis for Conclusions will be discussed at the July Check-in meeting and will combine ED 84 and ED 88 review of responses.

Decision Required

8. Does the IPSASB agree with the staff's [recommendations](#)?

Approval of Final Pronouncement: *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48)

Question

1. Does the IPSASB:
 - (a) Agree with IPSASB's Program and Technical Director assertion that due process has been followed effectively in developing [draft] Final Pronouncement, *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48);
 - (b) Vote to approve *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48); and
 - (c) Agree on the recommended effective date of January 1, 2027 for the amendments to IPSAS 43 and IPSAS 47.

Recommendation

2. Staff recommend the IPSASB to:
 - (a) Vote to approve *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48); and
 - (b) An effective date of January 1, 2027 for the amendments to IPSAS 43 and IPSAS 47.

Background

3. This Agenda Item deals with the due process for approval of *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48) and proposed effective date.

Analysis

Due Process

4. The IPSASB has followed due process throughout this project. As such, the final steps in due process are noted below. The full analysis supporting the assertions and recommendation noted below is in [Appendix A](#).
5. The IPSASB released [ED 84, *Concessionary Leases and Right-of-Use Assets In-Kind* \(Amendments to IPSAS 43 and IPSAS 23\)](#) in January 2023 and [ED 88, *Arrangements Conveying Rights over Assets* \(Amendments to IPSAS 47 and IPSAS 48\)](#) in March 2024. The IPSASB received 35 comment letters to ED 84 and 28 comments letters to ED 88.
6. When the staff are satisfied a proposed final international standard is ready for approval, IPSASB's [Due Process and Working Procedures](#) sets out the necessary steps to facilitate its approval (bolded procedures require action by the IPSASB):
 - (a) **Staff present the revised content of the exposed international standard to the IPSASB;**

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See [draft] Final Pronouncement, *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48) in [Agenda Item 4.3.2](#).

- (b) **The IPSASB Program and Technical Director advises the IPSASB on whether due process has been followed effectively;**

The IPSASB Program and Technical Director asserts due process has been followed effectively.

- (c) **The IPSASB confirms whether or not it is satisfied the due process has been followed effectively;**

The IPSASB Chair asks the IPSASB confirmation on due process.

- (d) **The IPSASB votes on the approval of *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48) in accordance with its [terms of reference](#);**

Staff recommends the approval of *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48).

- (e) **The IPSASB considers whether there has been a substantial change to the exposed document such that a vote on re-exposure is necessary;**

Staff confirms that there have been no substantial changes that would require a vote on re-exposure by the IPSASB.

- (f) **The IPSASB sets the effective date of the application of *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48) ;**

Staff recommends the IPSASB an effective date for *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48) of January 1, 2027, which is consistent with the IPSASB's decision at the December 2023 meeting (see part 12 of the minutes [here](#))

- (g) **The IPSASB issues Basis for Conclusions with respect to comments received on an exposure draft.**

Staff highlights that *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48) will include the Basis for Conclusions at the July 2024 Check-in meeting.

Decision Required

7. Does the IPSASB agree with the staff's [recommendations](#)?

Appendix A – Detailed Due Process for Approval of *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48)

1. The IPSASB has followed due process throughout this project. As such, the detail of the final steps in due process are noted below.
2. The IPSASB released [ED 84, *Concessionary Leases and Right-of-Use Assets In-Kind* \(Amendments to IPSAS 43 and IPSAS 23\)](#) in January 2023 and [ED 88, *Arrangements Conveying Rights over Assets* \(Amendments to IPSAS 47 and IPSAS 48\)](#) in March 2024. The IPSASB received 35 comment letters to ED 84 and 28 comments letters to ED 88.
3. Between June 2023 and March 2024:
 - (a) Staff reviewed and analyzed the 35 comment letters to ED 84 received;
 - (b) The IPSASB discussed the issues raised by respondents to ED 84; and
 - (c) Staff has actioned the IPSASB's decisions through amendments to the [draft] Final Pronouncement section of Amendments to IPSAS 43 (shown in [Agenda Item 4.3.2](#) in red marked-up compared to ED 84 presented to the IPSASB at the December 2023 meeting).
4. In Q2 2024, staff:
 - (a) Reviewed and analyzed the 28 comment letters to ED 88 received.
 - (b) Amended the sections of Amendments to IPSAS 47 and IPSAS 48 in the [draft] Final Pronouncement to be consistent with staff's recommendations in this Agenda Item;
 - (c) Added the expected publication date and effective date;
 - (d) Replaced cross-references to IPSAS 23 with cross-references to IPSAS 47 in the section of Amendments to IPSAS 43 of the [draft] Final Pronouncement; and
 - (e) Removed references to [draft] Final Pronouncement.
5. At the June 2024 meeting:
 - (a) The IPSASB will discuss the issues raised by respondents to ED 88; and
 - (b) The IPSASB will review the sections of Amendments to IPSAS 47 and IPSAS 48 in the Final Pronouncement (shown in [Agenda Item 4.3.2](#) in red marked-up compared to ED 88).
6. When the staff are satisfied a proposed new final international standard is ready for approval, IPSASB's [Due Process and Working Procedures](#) sets out the necessary steps to facilitate its approval (bolded procedures require action by the IPSASB):
 - **Staff present the revised content of the exposed international standard to the IPSASB;**
[Agenda Item 4.3.2](#) includes all changes in red marked-up from IPSAS 43 section of ED 84 as presented to the IPSASB at the December 2023 meeting and ED 88 and is consistent with staff's recommendations in this Agenda Item. Changes to ED 84 and ED 88 reflect matters raised in comment letters. These changes enhance the interpretation of ED 84 and ED 88 to help constituents apply in practice the Final Pronouncement, *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48). No principles were altered.

- **The IPSASB Program and Technical Director advises the IPSASB on whether due process has been followed effectively;**

The IPSASB Program and Technical Director asserts due process has been followed effectively, noting that:

- [ED 84, *Concessionary Leases and Right-of-Use Assets In-Kind* \(Amendments to IPSAS 43 and IPSAS 23\)](#) and [ED 88, *Arrangements Conveying Rights over Assets* \(Amendments to IPSAS 47 and IPSAS 48\)](#) were issued for consultation;
- Responses to both EDs were received and made publicly available on the IPSASB website here for [ED 84](#) and here for [ED 88](#);
- The IPSASB has deliberated significant matters raised in the comment letters at its June 2023, September 2023, December 2023, March 2024, and June 2024 meetings, and decisions taken will be minuted;
- The IPSASB will be asked to consider whether there are any issues raised by respondents, in addition to those summarized by staff, that it considers should be discussed by the IPSASB and agree there are none.

- **The IPSASB confirms whether or not it is satisfied the due process has been followed effectively;**

The IPSASB Chair asks the IPSASB confirmation on due process.

- **The IPSASB votes on the approval of final international pronouncement *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48) in accordance with its [terms of reference](#);**

Staff recommends the approval of final international pronouncement *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48).

- **The IPSASB considers whether there has been a substantial change to the exposed document such that a vote on re-exposure is necessary;**

The IPSASB Program and Technical Director, in consultation with the Chair of the IPSASB, advises the IPSASB that no substantial changes have been made to ED 84, *Concessionary Leases and Right-of-Use Assets In-Kind* (Amendments to IPSAS 43 and IPSAS 23) and ED 88, *Arrangements Conveying Rights over Assets* (Amendments to IPSAS 47 and IPSAS 48), such that necessitate a vote on re-exposure. Changes to ED 84 and ED 88 reflect matters raised in comment letters. No principles were altered.

- **The IPSASB sets the effective date of the application of *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48);**

The IPSASB will need to consider the effective date of final international pronouncement *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48). Paragraph A44 of the IPSASB's [Due Process and Working Procedures](#) requires the IPSASB to consider the reasonable expected minimum period for effective implementation, including the need for translation into national languages.

At the December 2023 meeting, the IPSASB decided that the effective date of the Final Pronouncement should be January 1, 2027 (see [Agenda Item 12 of the December 2023 minutes](#)).

Staff recommend the IPSASB that the effective date of the Final Pronouncement should be January 1, 2027.

- **The IPSASB issues Basis for Conclusions with respect to comments received on an exposure draft.**

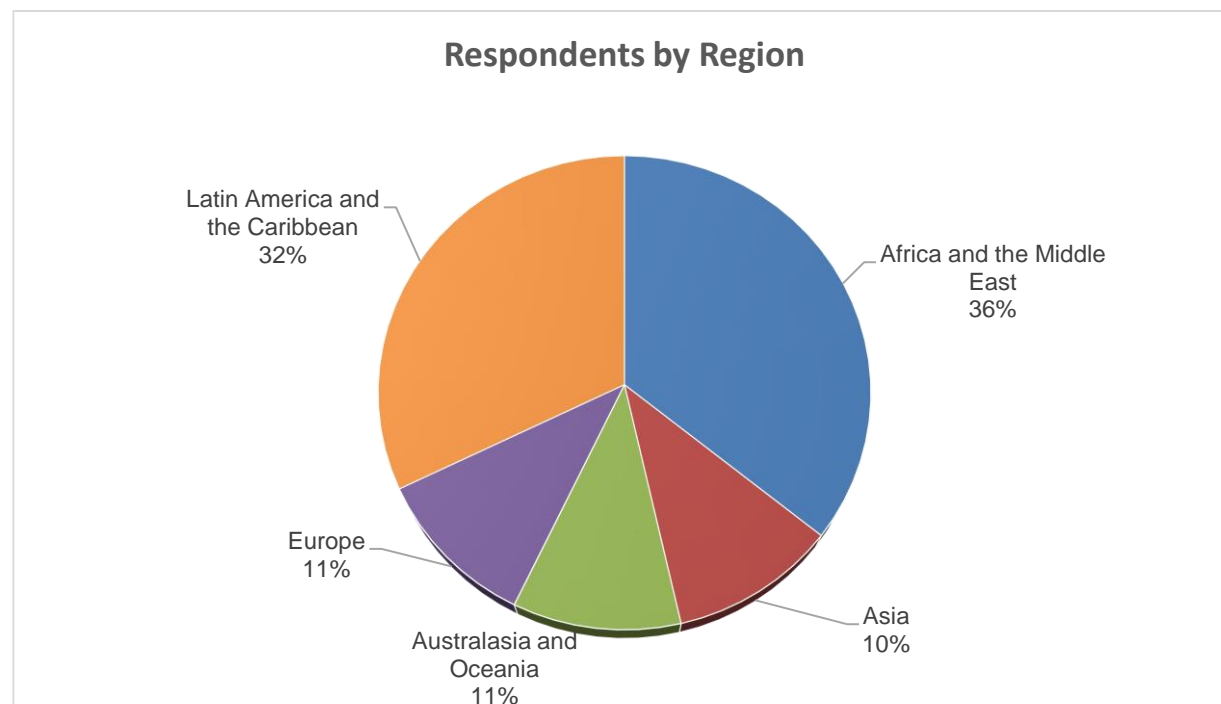
Staff highlights that final international pronouncement *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48) will include the Basis for Conclusions in the July 2024 Check-in meeting.

Supporting Document 1 – ED 88: Analysis of Respondents by Region, Function and Language, List of Respondents, Summary of Responses to SMCs

Appendix A: Analysis of Respondents by Region, Function and Language

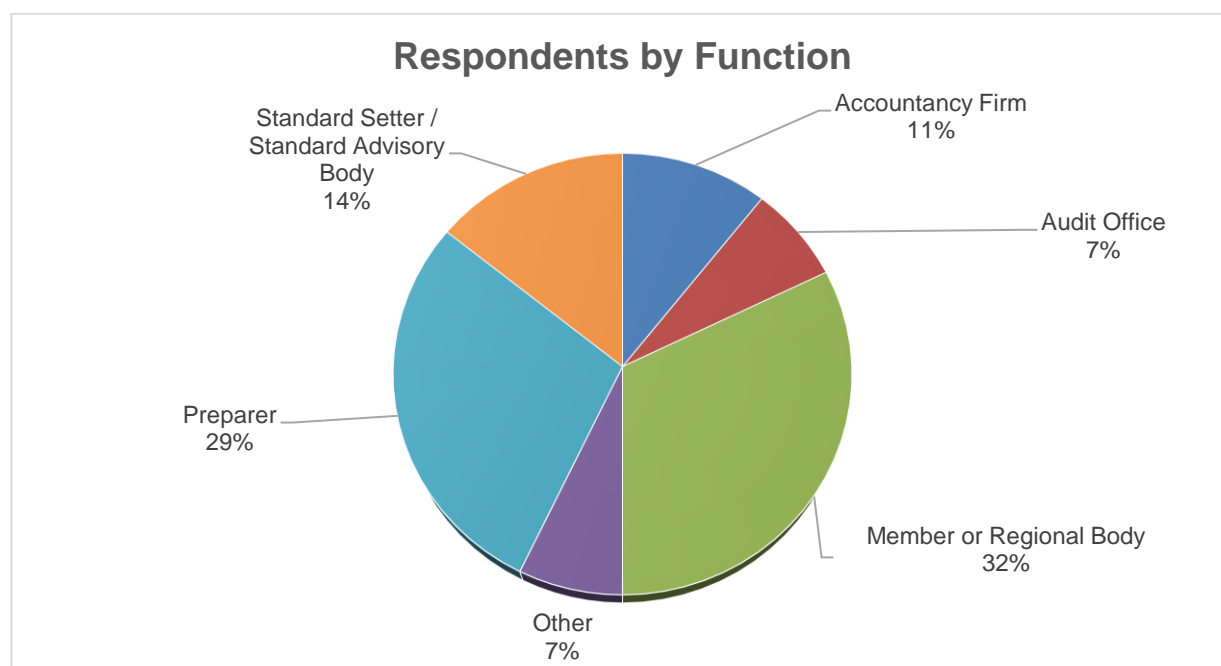
Geographic Breakdown

| Region | Comment letter(s) | Total Respondents |
|---------------------------------|--------------------------------------------------|-------------------|
| Africa and the Middle East | R04, R12, R13, R15, R17, R18, R21, R23, R25, R26 | 10 |
| Asia | R2, R19, R27 | 3 |
| Australasia and Oceania | R01, R03, R20 | 3 |
| Europe | R16, R24, R28 | 3 |
| Latin America and the Caribbean | R05, R06, R07, R08, R09, R10, R11, R14, R22 | 9 |
| North America | - | 0 |
| International | - | 0 |
| Total | | 28 |



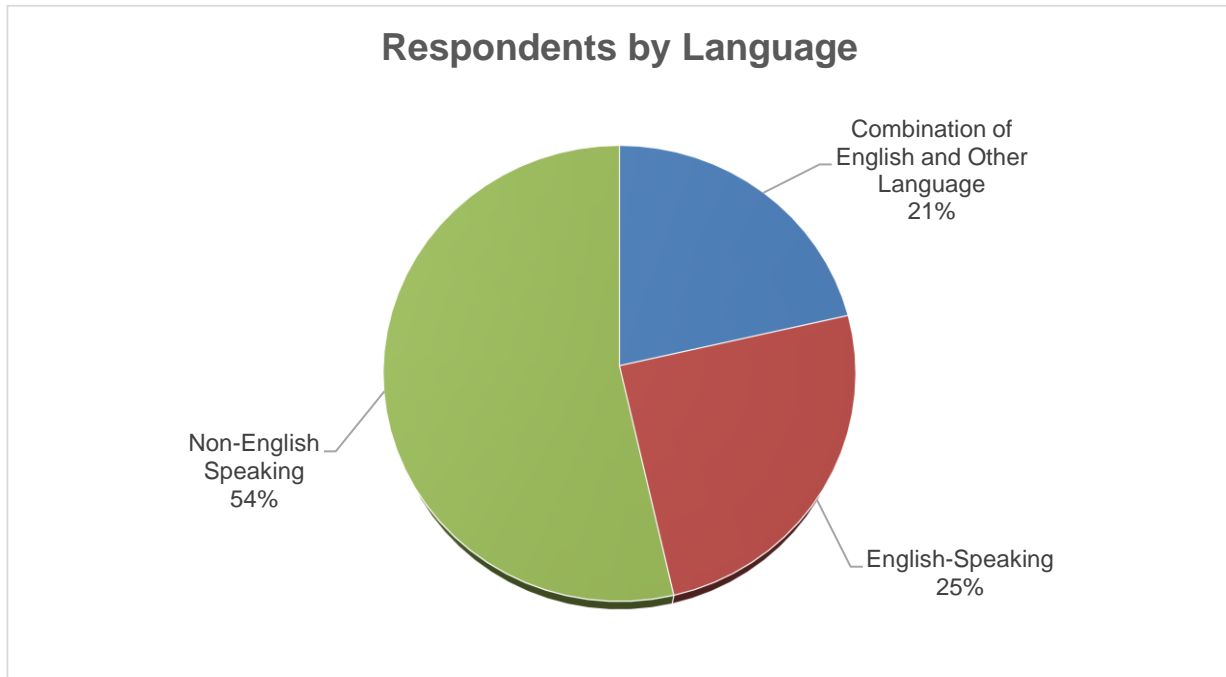
Functional Breakdown

| Function | Comment letter(s) | Total Respondents |
|------------------------------------------|---------------------------------------------|-------------------|
| Accountancy Firm | R13, R24, R25 | 3 |
| Audit Office | R02, R03 | 2 |
| Member or Regional Body | R04, R05, R14, R15, R18, R19, R20, R26, R27 | 9 |
| Preparer | R06, R07, R08, R09, R10, R11, R12, R22 | 8 |
| Standard Setter / Standard Advisory Body | R01, R16, R17, R23 | 4 |
| Other | R22, R28 | 2 |
| Total | | 28 |



Linguistic Breakdown

| Language | Comment letter(s) | Total Respondents |
|-------------------------------------------|---------------------------------------------------------------------------|-------------------|
| English-Speaking | R01, R03, R04, R17, R20, R23, R24 | 7 |
| Non-English Speaking | R02, R05, R06, R07, R08, R09, R10, R11, R12, R14, R16, R19, R22, R25, R26 | 15 |
| Combination of English and Other Language | R13, R15, R18, R21, R27, R28 | 6 |
| Total | | 28 |



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Appendix B: List of Respondents

| Comment Letter # | Respondent | Country | Function |
|------------------|------------------------------------------------------------------------|-------------------------|------------------------------------------|
| 01 | External Reporting Board (XRB) | New Zealand | Standard Setter / Standard Advisory Body |
| 02 | Commission on Audit (COA) | Philippines | Audit Office |
| 03 | Australasian Council of Auditors-General (ACAG) | Australia | Audit Office |
| 04 | Botswana Institute of Chartered Accountants (BICA) | Botswana | Member or Regional Body |
| 05 | Conselho Federal de Contabilidade (CFC) | Brazil | Member or Regional Body |
| 06 | Forum of Government Accountants of Latin America (FOCAL) | Ecuador | Preparer |
| 07 | Forum of Government Accountants of Latin America (FOCAL) | El Salvador | Preparer |
| 08 | Forum of Government Accountants of Latin America (FOCAL) | Guatemala | Preparer |
| 09 | Forum of Government Accountants of Latin America (FOCAL) | Mexico | Preparer |
| 10 | Forum of Government Accountants of Latin America (FOCAL) | Venezuela | Preparer |
| 11 | Forum of Government Accountants of Latin America (FOCAL) | Colombia | Preparer |
| 12 | Ministry of Finance | Saudi Arabia | Preparer |
| 13 | Mo Chartered Accountants | Zimbabwe | Accountancy Firm |
| 14 | Colegio de Contadores Públicos de Pichincha y del Ecuador | Ecuador | Member or Regional Body |
| 15 | Pan African Federation of Accountants (PAFA) | Not Applicable | Member or Regional Body |
| 16 | Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) | Switzerland | Standard Setter / Standard Advisory Body |
| 17 | Accounting Standards Board (ASB) | South Africa | Standard Setter / Standard Advisory Body |
| 18 | Institute of Certified Public Accountants of Uganda (ICPAU) | Uganda | Member or Regional Body |
| 19 | Malaysian Institute of Accountants (MIA) | Malaysia | Member or Regional Body |
| 20 | Chartered Accountants Australia and New Zealand and CPA Australia | Australia & New Zealand | Member or Regional Body |
| 21 | Public Accountants and Auditors Board (PAAB) | Zimbabwe | Other |
| 22 | Asociacion Interamericana de Contabilidad (AIC) | Not Applicable | Preparer |
| 23 | Public Sector Accounting Standards Board (PSASB) | Kenya | Standard Setter / Standard Advisory Body |
| 24 | Spot On Chartered Accountants | United Kingdom | Accountancy Firm |
| 25 | ETY | Burkina Faso | Accountancy Firm |

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| Comment Letter # | Respondent | Country | Function |
|------------------|--------------------------------------------------------------------------------------------|----------------|-------------------------|
| 26 | Ordre National des Experts Comptables et des Comptables Agréés du Burkina Faso (ONECCA-BF) | Burkina Faso | Member or Regional Body |
| 27 | The Institute of Chartered Accountants of India (ICAI) | India | Member or Regional Body |
| 28 | Task Force IRSPM PSAAG, CIGAR Network, EGPA, PSG XII | Not applicable | Other |

Appendix C: Summary of Responses for Each Specific Matter for Comment (SMC)

Specific Matter for Comment 1:

The IPSASB decided to carry over the proposals in ED 84 in IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)* related to the concession in concessionary leases to IPSAS 47 (see paragraphs IPSAS 47.BC141–BC145). Do you agree with the proposed amendments to IPSAS 47? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

Specific Matter for Comment 2:

The IPSASB decided to propose non-authoritative guidance for arrangements conveying rights over assets in IPSAS 47 (see paragraphs IPSAS 47.BC146–BC150). Do you agree with the proposed non-authoritative amendments to IPSAS 47? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

Specific Matter for Comment 3:

The IPSASB decided to propose non-authoritative guidance for arrangements conveying rights over assets without consideration in IPSAS 48 (see paragraphs IPSAS 48.BC41–BC44). Do you agree with the proposed non-authoritative amendments to IPSAS 48? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

| SMC* | Agree | | Partially agree | | Disagree | |
|---------------------------------------------------|-------|----|-----------------|----|----------|----|
| | # | % | # | % | # | % |
| Comment letters | | | | | | |
| 1 – Authoritative guidance in IPSAS 47 | 16 | 57 | 8 | 29 | 4 | 14 |
| 2 – Non-authoritative guidance in IPSAS 47 | 16 | 57 | 8 | 29 | 4 | 14 |
| 3 – Non-authoritative guidance in IPSAS 48 | 19 | 68 | 6 | 21 | 3 | 11 |

* Note: Percentages have been rounded to total 100%.

Supporting Document 2 – [draft] Final Pronouncement, *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48)

1. The [draft] Final Pronouncement is posted separately for easier readability.
2. The [draft] Final Pronouncement:
 - (a) Combines ED 84 proposed amendments to IPSAS 43 and ED 88 proposed amendments to IPSAS 47 and IPSAS 48;
 - (b) Is in red marked-up changes to compare with the:
 - (i) Version presented to the IPSASB at the December 2023 meeting related to IPSAS 43 section of ED 84, except for the effective date paragraph for understandability purposes; and
 - (ii) ED 88 proposed amendments to IPSAS 47 and IPSAS 48.
 - (c) Takes into consideration the IPSASB's decisions after the review of responses to ED 84 related to IPSAS 43, which was finalized at the March 2024 meeting; and
 - (d) Is consistent with staff's recommendations in the above Agenda Items regarding the review of responses to ED 88.
3. The sections of Basis for Conclusions in IPSAS 43, IPSAS 47, and IPSAS 48 will be discussed at the July 2024 Check-in meeting.