

**FORUM OF GOVERNMENTAL
ACCOUNTING OF LATIN
AMERICA - FOCAL**



**COMMENTS TO EXPOSURE DRAFT (ED) 88,
ARRANGEMENTS CONVEYING RIGHTS OVER ASSETS
*(AMENDMENTS TO IPSAS 47 AND IPSAS 48)***

MAY 2024

San Salvador, May 29, 2024.

Subject: Comments from the member countries of the FORUM OF GOVERNMENTAL ACCOUNTING OF LATIN AMERICA (FOCAL), to Exposure Draft (ED) 88, *Arrangements Conveying Rights over Assets (Amendments to IPSAS 47 and IPSAS 48)*.

Mr. Ian Carruthers

Chairman of the International Public Sector Accounting Standards Board (IPSASB)

Dear Mr. Carruthers,

I extend cordial greetings and thanks for the technical support of the IPSASB towards FOCAL on the different topics of Public Accounting.

In this sense, I present for your consideration of FOCAL comments to Exposure Draft (ED) 88, *Arrangements Conveying Rights over Assets (Amendments to IPSAS 47 and IPSAS 48)*. With these actions, FOCAL continues to strengthen joint work with the IPSASB, providing the experience of each country in the application of Public Sector Accounting regulations.

Sincerely,



Joaquín Alberto Montano Ochoa
General Director of Public Accounting
Ministry of Finance of El Salvador
FOCAL President

CC.

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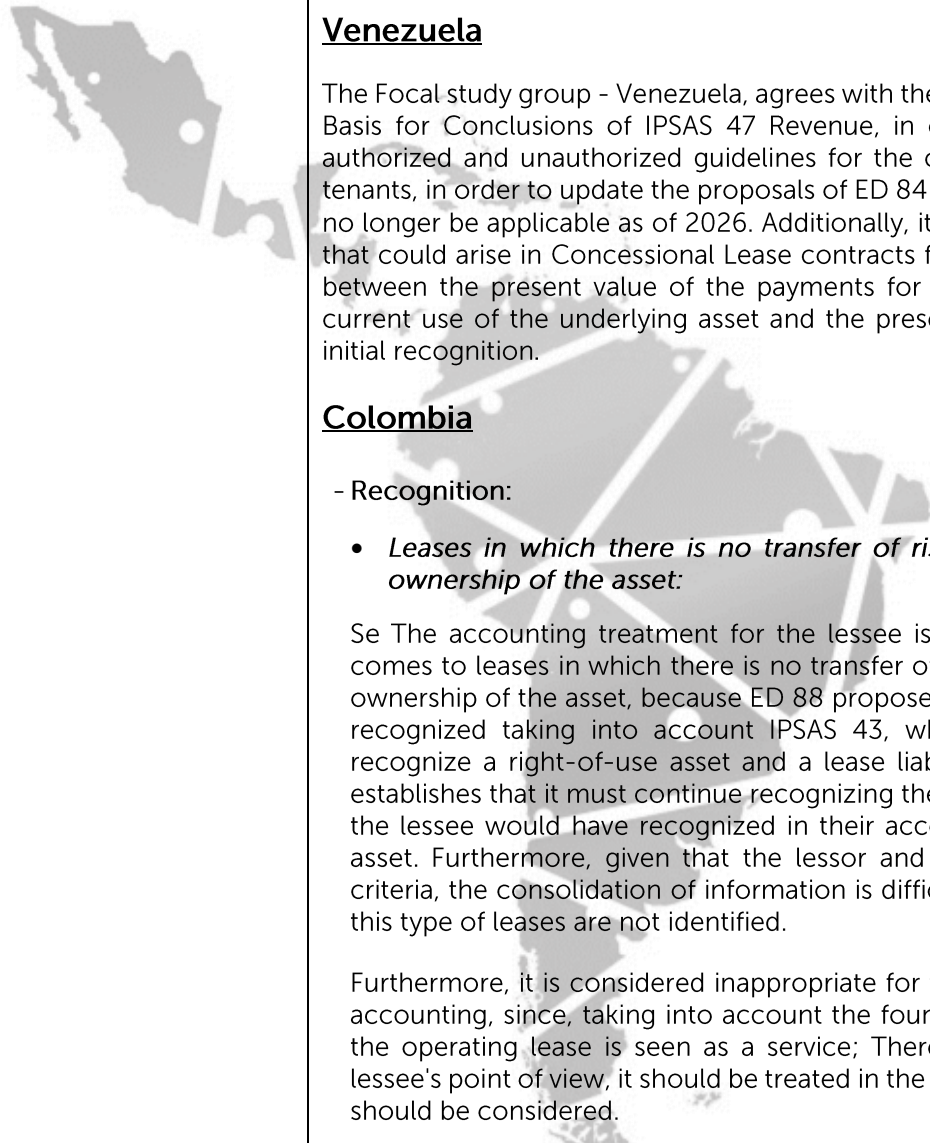
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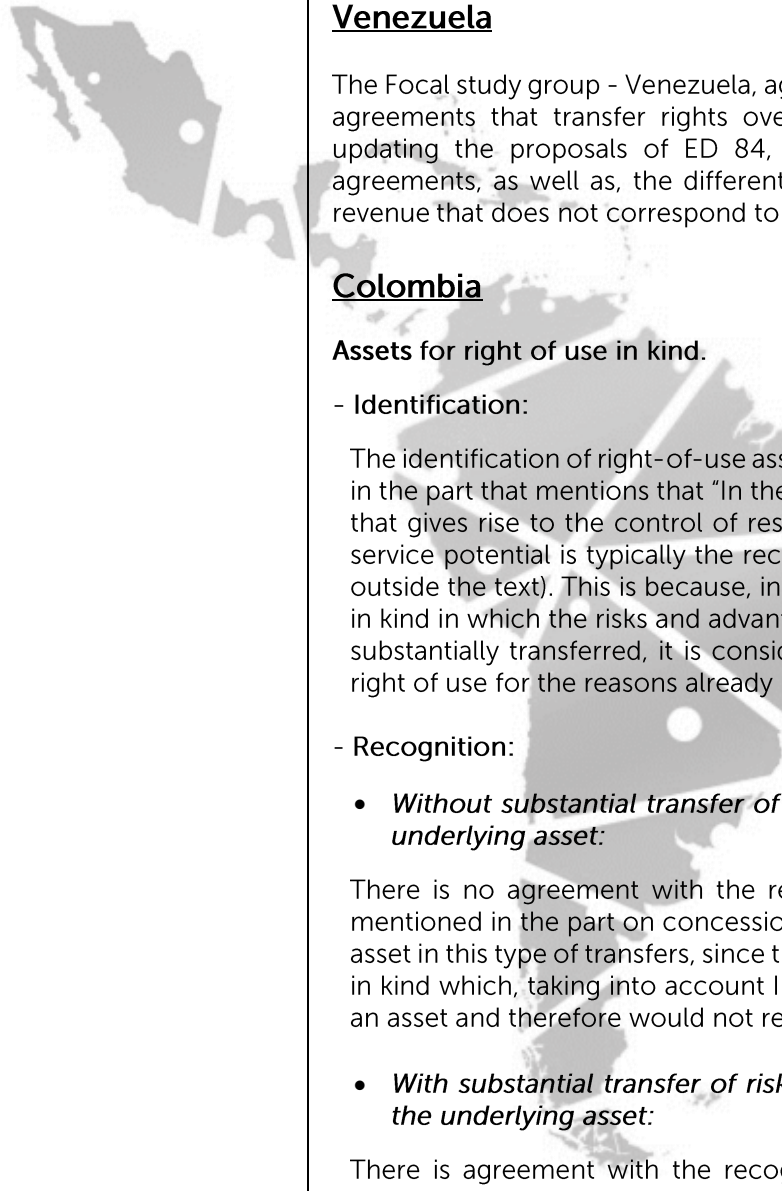
Comments to Exposure Draft (ED) 88, Arrangements Conveying Rights over Assets (Amendments to IPSAS 47 and IPSAS 48)


EXPOSURE DRAFT (ED) 88, ARRANGEMENTS CONVEYING RIGHTS OVER ASSETS (AMENDMENTS TO IPSAS 47 AND IPSAS 48)	
SPECIFIC MATTER	COMMENTS
<p>Part 1 – Amendments to IPSAS 47, <i>Revenue</i>.</p> <p><u>Specific Matter for Comment 1:</u></p> <p>The IPSASB decided to carry over the proposals in ED 84 in IPSAS 23, <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i> related to the concession in concessionary leases to IPSAS 47 (see paragraphs IPSAS 47. BC141–BC145).</p> <p>Do you agree with the proposed amendments to IPSAS 47? If not, please explain your reasons.</p> <p>If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.</p>	<p><u>Ecuador</u></p> <p><u>Yes, if we agree</u></p> <p>The modifications of ED 88, Agreements that Transfer Rights over Assets (Amendments to IPSAS 47 and IPSAS 48) together with the illustrative examples allow clarifying concepts and applications of economic facts coming from different scenarios such as Concessional Leases for Lessees and Right-of-Use Assets in Kind, concluding the acceptance of the modifications to the indicated standard.</p> <p><u>El Salvador</u></p> <p>Yes, we agree with the proposed modifications to IPSAS 48, since they are the result of transferring and updating the proposals of ED 84 in reference to transfer expenses, related to Assets in Kind, Concessionary Leases and Assets by Right of Use in Kind, because the accounting for these economic events had not been addressed in the aforementioned IPSAS.</p> <p><u>Guatemala</u></p> <p>Yes, we agree with the proposed modifications, however, to achieve uniformity of the project, it is suggested to observe paragraph GA202C in the Application Guide. Recognition, which instructs that, for the recognition of assets by right of use in kind, paragraphs 18-25 must be applied, but does not specify which standard they belong to.</p> <p><u>Mexico</u></p> <p>OK</p> <p>The proposal is considered to complement the information related to non-compensation concessions</p>

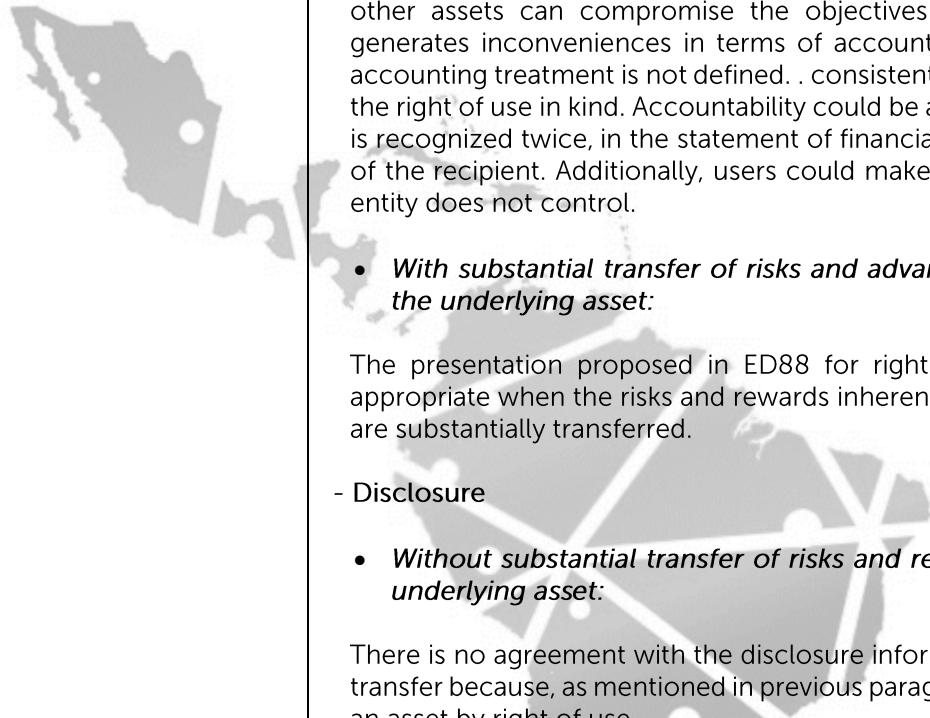
SPECIFIC MATTER	COMMENTS
	<p><u>Venezuela</u></p> <p>The Focal study group - Venezuela, agrees with the proposed modifications based on the Basis for Conclusions of IPSAS 47 Revenue, in order to incorporate the proposal of authorized and unauthorized guidelines for the concession in concessional leases for tenants, in order to update the proposals of ED 84 incorporated in the IPSASB 23 that will no longer be applicable as of 2026. Additionally, it completes and illustrates the revenue that could arise in Concessional Lease contracts for Tenants, identifying the differences between the present value of the payments for leasing at market rates based on the current use of the underlying asset and the present value of contractual payments on initial recognition.</p> <p><u>Colombia</u></p> <p>- Recognition:</p> <ul style="list-style-type: none"> • <i>Leases in which there is no transfer of risks and advantages inherent to the ownership of the asset:</i> <p>Se The accounting treatment for the lessee is not considered appropriate when it comes to leases in which there is no transfer of risks and advantages inherent to the ownership of the asset, because ED 88 proposes that the part of the lease payable be recognized taking into account IPSAS 43, which mentions that the lessee must recognize a right-of-use asset and a lease liability. While for the lessor, said IPSAS establishes that it must continue recognizing the asset. Therefore, both the lessor and the lessee would have recognized in their accounting an asset related to the same asset. Furthermore, given that the lessor and the lessee use different recognition criteria, the consolidation of information is difficult since the reciprocal operations in this type of leases are not identified.</p> <p>Furthermore, it is considered inappropriate for the lessee to recognize an asset in its accounting, since, taking into account the foundations of the conclusions of ED 84, the operating lease is seen as a service; Therefore, it is considered that, from the lessee's point of view, it should be treated in the same way and only the rental expense should be considered.</p> <p>In this regard, it should be considered that the operating lease is seen as a service and</p>

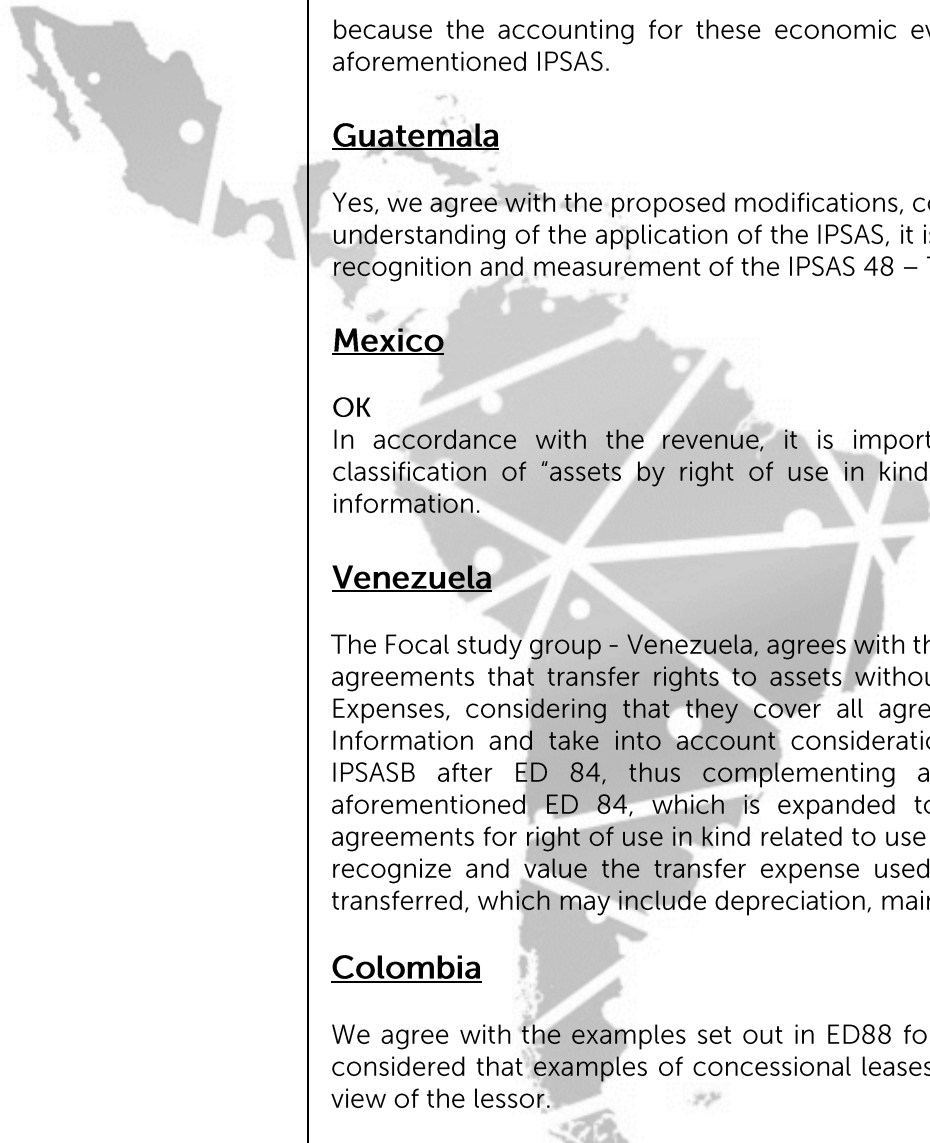
SPECIFIC MATTER	COMMENTS
	<p>that IPSAS47, in paragraphs AG147 and AG148, mentions that some services in kind do not meet the definition of an asset because the entity does not have sufficient control over the services provided. and that there are many uncertainties surrounding such services. Therefore, IPSAS47 does not require its recognition as revenue. Taking into account the above, the recognition criterion proposed in ED88 is not considered appropriate for leases in which there is no transfer of risks and advantages inherent to the ownership of the asset received by a lessee under conditions below those of the market since Such revenue would not be linked to any asset over which the entity has control.</p> <ul style="list-style-type: none"> • <i>Leases in which there is transfer of risks and advantages inherent to the ownership of the asset:</i> <p>Regarding the recognition in the lessee and the recognition of revenue when dealing with leases in which there is a transfer of risks and advantages inherent to the ownership of the asset, the treatment given in ED88 is considered appropriate.</p> <p>Additionally, it is proposed that the accounting treatment that the lessor must give to said difference be mentioned in IPSAS 48, so that the transfer expense in which the lessor incurs in a concessionary lease is reflected and so that there is reciprocity in operations.</p> <p>- Measurement:</p> <ul style="list-style-type: none"> • <i>Leases in which there is no transfer of risks and advantages inherent to ownership of the asset:</i> <p>There is no agreement with the measurement of assets by right of use because, as mentioned in the comments to the recognition, it is not considered appropriate for the lessee to recognize said asset.</p> <ul style="list-style-type: none"> • <i>Leases in which there is transfer of risks and advantages inherent to the ownership of the asset:</i> <p>There is agreement with the measurement proposed in ED 88 for leases in which there is transfer of risks and advantages inherent to ownership of the asset.</p>


SPECIFIC MATTER	COMMENTS
<p>Part 1 – Amendments to IPSAS 47, <i>Revenue</i>.</p> <p><u>Specific Matter for Comment 2:</u></p> <p>The IPSASB decided to propose non-authoritative guidance for arrangements conveying rights over assets in IPSAS 47 (see paragraphs IPSAS 47 (see paragraphs BC146–BC150).</p> <p>Do you agree with the proposed non-authoritative amendments to IPSAS 47? If not, please explain your reasons.</p> <p>If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.</p>	<p><u>Ecuador</u></p> <p><u>We disagree</u></p> <p>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.</p> <p><u>El Salvador</u></p> <p>Yes, we agree with the proposed non-normative modifications to IPSAS 47, since the incorporation of guides and new illustrative examples allow better identification, recognition, measurement, presentation and disclosure of revenue from Concessional Leases, Right of Ownership Assets. Use acquired through a Concessionary Lease and Assets for Right of Use in Kind. It will allow tenants to properly recognize the aforementioned economic facts, strengthening the presentation of financial information with a greater degree of transparency.</p> <p>However, in light of the above, the IPSASB is required to expand the criteria contemplated in this draft standard for greater understanding.</p> <p><u>Guatemala</u></p> <p>Yes, we agree with the proposed modifications, considering that the guides facilitate the understanding of the application of the IPSAS, it is recommended that the illustrative examples specify which ones refer to recognition and measurement of the IPSAS 47 - Revenue.</p> <p><u>Mexico</u></p> <p>OK</p> <p>The specific classification of “assets by right of use in kind” allows better identification of them in the financial information (revenue).</p>

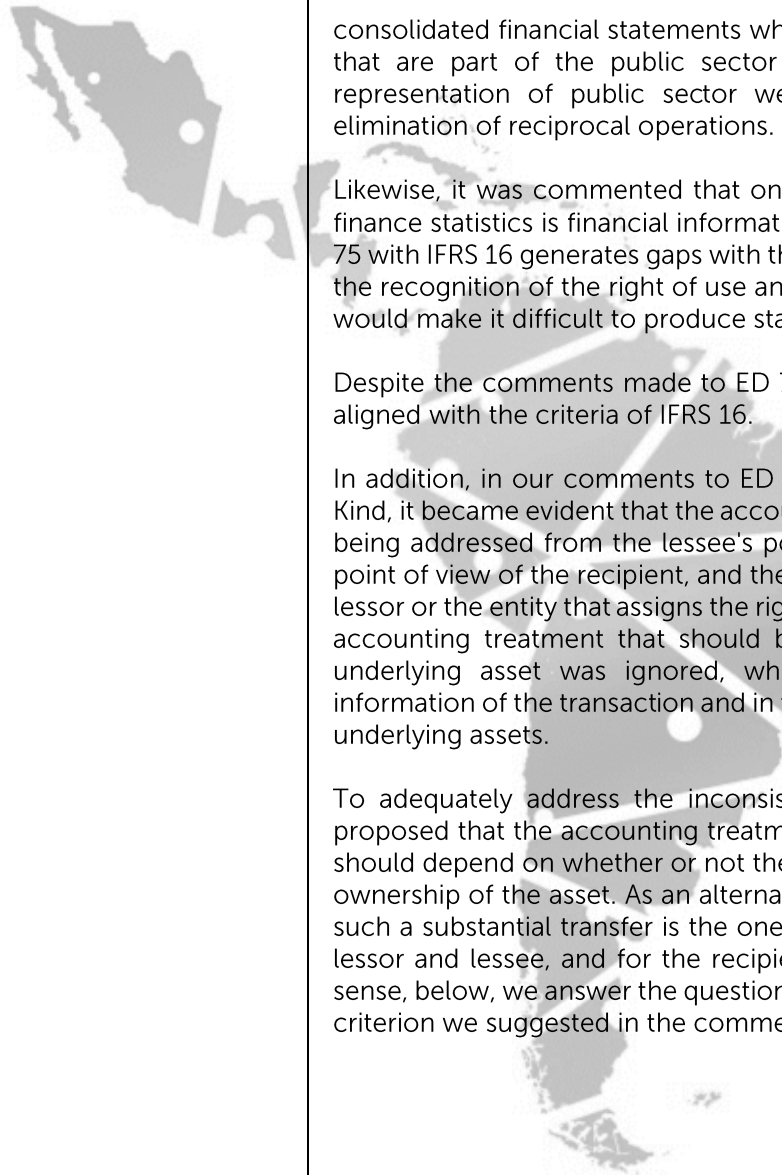
SPECIFIC MATTER	COMMENTS
	<p><u>Venezuela</u></p> <p>The Focal study group - Venezuela, agrees with the inclusion of unauthorized guides for agreements that transfer rights over assets in IPSAS 47, thus complementing and updating the proposals of ED 84, reflecting illustrative examples on the different agreements, as well as, the different forms that these can take in the recognition of revenue that does not correspond to an obligation.</p> <p><u>Colombia</u></p> <p>Assets for right of use in kind.</p> <p>- Identification:</p> <p>The identification of right-of-use assets in kind is agreed, except for paragraph GA202B in the part that mentions that “In the case of right-of-use assets in kind, the past event that gives rise to the control of resources that embody future economic benefits or service potential is typically the receipt of the right-of-use asset in kind” (underlining outside the text). This is because, in the case of the transfer of an asset by right of use in kind in which the risks and advantages of ownership of the underlying asset are not substantially transferred, it is considered that an asset should not be recognized for right of use for the reasons already mentioned in previous paragraphs.</p> <p>- Recognition:</p> <ul style="list-style-type: none"> • <i>Without substantial transfer of risks and rewards inherent to ownership of the underlying asset:</i> <p>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.</p> <ul style="list-style-type: none"> • <i>With substantial transfer of risks and advantages inherent to the ownership of the underlying asset:</i> <p>There is agreement with the recognition given in ED 88. On the other hand, it is proposed that the recognition of an expense for the transfer of the underlying asset be</p>

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	<p>incorporated into IPSAS48 due to issues of reciprocity of information.</p> <p>- Measurement</p> <ul style="list-style-type: none"> • <i>Without substantial transfer of risks and rewards inherent to ownership of the underlying asset:</i> <p>There is no agreement with the measurement of assets by right of use because, as mentioned in the comments to the recognition, it is not considered appropriate for the lessee to recognize said asset.</p> <ul style="list-style-type: none"> • <i>With substantial transfer of risks and advantages inherent to the ownership of the underlying asset:</i> <p>Disagreeing with the initial measurement of the right-of-use asset for a transfer of a right-of-use asset in kind in which the risks and rewards of ownership of the underlying asset are substantially transferred, it is considered that, instead of using the present value of payments at market rates based on the current use of the underlying asset, the fair value of the underlying asset should be used. The above is because the fair value is consistent with the nature of the economic event because: a) it provides information on the operational and financial capacity of the underlying asset (IPSAS Conceptual Framework) and b) it is consistent with IPSAS47 in the accounting of transactions without consideration.</p> <p>Finally, subsequent measurement of the asset is considered appropriate since IPSAS 43 takes into account the measurement models contemplated in standards such as IPSAS 16 and IPSAS 17, allowing the subsequent measurement to be consistent with the nature of the underlying asset. . .</p> <p>-Presentation</p> <ul style="list-style-type: none"> • <i>Without substantial transfer of risks and rewards inherent to ownership of the underlying asset:</i> <p>It is considered that an asset should not be recognized by right of use when the risks and advantages of the asset are not substantially transferred to the ownership of the asset. Therefore, said transferred assets should not be included within the same item as the underlying assets that are owned by the entity.</p> <p>Furthermore, the joint presentation of assets for the right of use in kind along with</p>

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	<p>other assets can compromise the objectives of financial information because it generates inconveniences in terms of accountability and decision making since an accounting treatment is not defined. . consistent for the recipient and the transferor of the right of use in kind. Accountability could be affected by the possibility that an asset is recognized twice, in the statement of financial position of the transferor and in that of the recipient. Additionally, users could make decisions based on an asset that the entity does not control.</p> <ul style="list-style-type: none"> • <i>With substantial transfer of risks and advantages inherent to the ownership of the underlying asset:</i> <p>The presentation proposed in ED88 for right-of-use assets in kind is considered appropriate when the risks and rewards inherent to ownership of the underlying asset are substantially transferred.</p> <p>- Disclosure</p> <ul style="list-style-type: none"> • <i>Without substantial transfer of risks and rewards inherent to ownership of the underlying asset:</i> <p>There is no agreement with the disclosure information raised in ED 88 for this type of transfer because, as mentioned in previous paragraphs, the entity should not recognize an asset by right of use.</p>
<p>Part 2 – Amendments to IPSAS 48, <i>Transfer Expense</i>.</p> <p><u>Specific Matter for Comment 3:</u></p> <p>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).</p> <p>Do you agree with the proposed non-authoritative amendments to IPSAS 48? If not, please explain your reasons.</p> <p>If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.</p>	<p><u>Ecuador</u></p> <p><u>We disagree</u></p> <p>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.</p> <p><u>El Salvador</u></p> <p>Yes, we agree with the proposed modifications to IPSAS 48, since they are the result of transferring and updating the proposals of ED 84 in reference to transfer expenses, related to Assets in Kind, Concessionary Leases and Assets by Right of Use in Kind, and</p>

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	<p>because the accounting for these economic events had not been addressed in the aforementioned IPSAS.</p> <p><u>Guatemala</u></p> <p>Yes, we agree with the proposed modifications, considering that the guides facilitate the understanding of the application of the IPSAS, it is recommended to add other cases of recognition and measurement of the IPSAS 48 – Transfer Expenses.</p> <p><u>Mexico</u></p> <p>OK In accordance with the revenue, it is important to identify in the Expense the classification of “assets by right of use in kind”, in order to present homogeneous information.</p> <p><u>Venezuela</u></p> <p>The Focal study group - Venezuela, agrees with the inclusion of unauthorized guides for agreements that transfer rights to assets without consideration in IPSAS 48 Transfer Expenses, considering that they cover all agreements included in the Request for Information and take into account consideration the information published by the IPSASB after ED 84, thus complementing and updating the proposals of the aforementioned ED 84, which is expanded to new illustrative examples in asset agreements for right of use in kind related to use without consideration, indicating how recognize and value the transfer expense used by the cost of the resources to be transferred, which may include depreciation, maintenance and other costs.</p> <p><u>Colombia</u></p> <p>We agree with the examples set out in ED88 for goods in kind. On the other hand, it is considered that examples of concessional leases should be developed from the point of view of the lessor.</p>

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	<p><u>Additional Comments Colombia</u></p> <p>As explained in the comments sent in 2021 to ED 75 Leases, the main aspect that led to changing the accounting for leases from the perspective of lessees in IFRS 16 was to reduce the costs incurred by investors and lenders, who adjusted the financial statements of entities to include the financing and assets provided by operating leases.</p> <p>In the case of the public sector, as set out by the IPSASB in the Conceptual Framework for General Purpose Financial Reporting of Public Sector Entities, the main users of such information are taxpayers and recipients of the services provided by the entities. from the public sector; Likewise, the objectives of financial information are accountability and decision making. In the case of decision making, these do not focus on investment decisions in the same sense as in the private sector. In this sense, it is highlighted that paragraph 2.9 of the aforementioned Conceptual Framework states:</p> <p>“Taxpayers do not routinely provide funds to the government or other public sector entity voluntarily or as a result of a transaction for consideration. Furthermore, in many cases, they do not have the ability to choose whether or not to accept services provided by a public sector entity or to choose an alternative service provider. Consequently, they have little direct or immediate ability to make decisions about whether or not to provide resources to the government, resources to allocate to the provision of services by a particular public sector entity, or whether or not to purchase or consume the services provided. However, service recipients and resource providers can make decisions about their voting preferences, and proposals they make to elected officials or other representative bodies – these decisions may have consequences on the allocation of resources for certain public sector entities.</p> <p>Consequently, there would be no congruence between the accounting treatment of IFRS 16 and the needs of the users of the financial information of public sector entities, given that there is no information that taxpayers require the financial statements of the entities to be adjusted to include financing and assets provided by operating leases in order to define their voting preferences, so it is suggested to give greater relevance to the characteristics of public sector entities and their environment, rather than to alignment with IFRS.</p> <p>Additionally, at the time it was stated that the use of different accounting criteria between the lessor and the lessee, in operating leases, generates difficulties in the preparation of</p>

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	<p>consolidated financial statements when these economic events occur between entities that are part of the public sector of the same country. This mainly impacts the representation of public sector wealth and would require the reconciliation and elimination of reciprocal operations.</p> <p>Likewise, it was commented that one of the main inputs for the preparation of public finance statistics is financial information. In this sense, it was expressed that aligning ED 75 with IFRS 16 generates gaps with the Government Finance Statistics Manual regarding the recognition of the right of use and the associated liability in operating leases, which would make it difficult to produce statistics based on accounting information.</p> <p>Despite the comments made to ED 75 Leases, the IPSASB issued IPSAS 43 Leases fully aligned with the criteria of IFRS 16.</p> <p>In addition, in our comments to ED 84 - Concessionary Leases Right of Use Asset In-Kind, it became evident that the accounting treatment for concessionary leases was only being addressed from the lessee's point of view and for rights of use in kind from the point of view of the recipient, and the accounting treatment that should be given by the lessor or the entity that assigns the right of use in kind was completely omitted. Thus, the accounting treatment that should be given to the other rights incorporated to the underlying asset was ignored, which generates inconsistencies in the aggregate information of the transaction and in the accounting treatment of the rights linked to the underlying assets.</p> <p>To adequately address the inconsistency generated by ED 84, at the time Colombia proposed that the accounting treatment of concessionary leases and rights of use in kind should depend on whether or not there is a substantial transfer of the risks and rewards of ownership of the asset. As an alternative to ED 84, it was considered that the existence of such a substantial transfer is the one that allowed defining a consistent treatment for the lessor and lessee, and for the recipient and transferor of the right of use in kind. In this sense, below, we answer the questions raised by reiterating the importance of adopting the criterion we suggested in the comments to ED 84.</p>