



**ASOCIACIÓN INTERAMERICANA DE CONTABILIDAD
INTERAMERICAN ACCOUNTING ASSOCIATION
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE**

Panama, Republic of Panama, May 30 2024
Oficio N°45/052024

Subject: Comment letter on Draft Exposure 88, “International Public Sector Accounting Standard: Arrangements Transferring Rights to Assets (Amendments to IPSAS 47 and IPSAS 48).”

Dear Mr. Carruthers:

I appreciate the opportunity to comment on Exposure Draft 88 mentioned above. “Agreements that Transfer Rights over Assets (Amendments to IPSAS 47 and IPSAS 48)”, and provide you with our response to the Request for Information.

These comments are made in my capacity as the Inter-American Accounting Association (AIC) President, made up of 29 sponsoring organizations from 20 countries in Latin America and the Caribbean, through the Inter-American Public Sector Technical Commission Coordination.

I am pleased to provide you with my comments with the objective of improving the transparency, relevance and comparability of financial statements across jurisdictions. We support the IPSASB's gradual approach to addressing such a complex issue as “Leases”, we believe that alignment with IPSAS 47 Profits and IPSAS 48 Transfer Expenses clearly contribute to the application of IPSAS 43 Leases.

1. OBJECTIVE

Propose additional guidance for granting in concessional leases and for other agreements that convey rights to assets.

The current phase of the Leases project aims to modify IPSAS 43 aligned with IFRS, when ED 84 was published, the IPSASB had not approved IPSAS 47, Profit and IPSAS 48, Transfer Expenses. Exposure 88 reflects the proposed amendments strongly supported by Exposure 84 to IPSAS 23 carried over to IPSAS 47, as well as including illustrative examples of the remaining agreements identified in the Request for Information, Concessional Leases and other agreements similar to the leases.

2 – GENERAL ASPECTS OF THE AMENDMENT

1. Lease concessions are leases under conditions below those of the market.
2. Proposes to measure the concession as the difference between the present value of the lease payments at market rates based on the current use of the underlying asset and the present value of the contractual payments.
3. Right-of-use assets in kind are right-of-use assets transferred to an entity without consideration.
4. It initially proposes measuring the right of use asset in kind at the present value of lease payments at market rates based on the current use of the underlying asset.
5. It proposes illustrative examples, examples on concessional leases for tenants, right to use assets in kind, access, rights, agreements that allow the right to use an asset and shared properties.

3 – QUESTION PROPOSED BY IPSASB

Specific topic for comment 1:

The IPSASB decided to transfer the proposals from ED 84 to IPSAS 23, Income from Non-Exchange Transactions (Taxes and Transfers) related to the concession in concessional leases under IPSAS 47 (see paragraphs IPSAS 47. BC 141 - BC 145).

Do you agree with the proposed modifications to IPSAS 47? If not, explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

BC145. The IPSASB decided to publish ED 88 with proposed authoritative and non-authoritative guidance for concessional leases for tenants in IPSAS 47 to update the proposals in Exposure Draft 84.

Specific topic for comment 2:

The IPSASB decided to propose unauthorized guidance for arrangements transferring rights over assets in IPSAS 47 (see paragraphs IPSAS 47. BC 146 - BC 150).

Do you agree with the proposed unauthorized amendments to IPSAS 47? If not, explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.



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BC15. The IPSASB highlighted that recognition of in-kind services is a choice and not a requirement. The IPSASB considered whether to allow an election to recognize assets in kind by right of use. The IPSASB decided to require that the recognition of in-kind right-of-use assets be aligned with the accounting for both right-of-use assets under concessional leases and donated assets.

Specific topic for comment 3:

The IPSASB decided to propose unauthorized guidance for agreements that transfer rights to assets without consideration in IPSAS 48 (see paragraphs IPSAS 48. BC 41 - BC 44).

Do you agree with the proposed non-normative amendments to IPSAS 48? If not, explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

BC44. To address this, the IPSASB decided to publish ED 88 with proposed unauthorized guidance for other arrangements that convey rights to assets in IPSAS 48, Transfer Expenses. The proposals cover all agreements included in the RFI and take into account IPSASB literature published after ED 84, thus complementing and updating the ED 84 proposals.

4 – RESPONSE.

Opinion Comment 1

Yes, the members of the AIC Public Sector Committee agree that no issue to highlight has been identified; On the contrary, the way in which it is exemplified is didactic. It allows the receiving Entity to recognize those assets in an appropriate manner.

Opinion Comment 2

Yes, members of the AIC Public Sector Committee agree with the proposal to issue unauthorized guidance addressing Transfer Expenses for the remaining agreements because these agreements can take many forms.

Opinion Comment 3

Yes, members of the AIC Public Sector Committee agree with the proposal to issue unauthorized guidance addressing other arrangements that convey rights to assets in IPSAS 48, Transfer Expenses, including the ED 84 information request.



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Considerations

1. In paragraph AG153A regarding the present value of lease payments, it is requested to include consideration of IPSAS 43, Lease Term P.20 to define the term based on certainties and incentives.

Recommendations

1. Certain economic facts will be guided in accordance with the relevant IPSAS (IPSAS 45, 43, in others), for a suitable application for both IPSAS 47 and IPSAS 48 it is requested to incorporate more illustrative examples for Right of Use in Kind assets assigned free of charge, such is the case of Free Usufruct Contracts or in the nature of loans, which represent assets transferred to another public or private entity with or without profit purposes. For example, we have properties and even printers transferred by the Tax Administration to private companies for the issuance of tax documents.
2. The standard could provide more details on measuring the current use of the underlying asset. What parameters could be considered to assert that the value is based on the current use of the underlying asset?
3. Examples should be established on what would be the best valuation alternative in the event that there is no market price for an asset, using IPSAS 43 Valuation.

Therefore, I agree with the approach proposed to IPSAS 47 and IPSAS 48, with their respective guidelines, we request that the consideration issued be evaluated in such a way that it adjusts to the specific needs and requirements of the public sector.

We hope that our contribution regarding “Agreements Transferring Rights in Assets (Amendments to IPSAS 47 and IPSAS 48).” is appropriate and useful to IPSAB.

If you would like to discuss our feedback further, please do not hesitate to contact me.

Lic. Jorge Sandoval la Serna
President - AIC

Inter-American Technical Committee Team Public sector



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