

Meeting: International Public Sector Accounting Standards Board

Meeting Location: Toronto, Canada

Meeting Date: December 5–8, 2023

Agenda Item 12

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	12.1.1
	Instructions up to Previous Meeting	12.1.2
	Decisions up to Previous Meeting	12.1.3
Decisions required at this meeting	Project Roadmap	12.1.4
	Linkages with IPSAS 48, <i>Transfer Expenses</i>	12.2.1
	Inclusion of Amendments to IPSAS 47 in the Final Pronouncement	12.2.2
	Effective Dates (for discussion purposes)	12.2.3
	Non-inclusion of amendments to IPSAS 23 in the Final Pronouncement	12.2.4
	Enhancements to Guidance on Concessionary Leases for Lessors	12.2.5
	Enhancements to Guidance on Concessionary Leases for Lessees	12.2.6
	Enhancements to Guidance on Right-of-Use Assets In-kind	12.2.7
Other supporting items	Draft Basis for Conclusions	12.2.8
	[Draft] Final Pronouncement, <i>Concessionary Leases and Right-of-Use Assets In-kind (Amendments to IPSAS 43 and IPSAS 47)</i>	12.3.1

	<u>Respondents' Editorials to Authoritative and Non-Authoritative Text of ED 84 for Final Pronouncement, <i>Concessionary Leases and Right-of-Use Assets In-kind</i> (Amendments to IPSAS 43 and IPSAS 47)</u>	<u>12.3.2</u>
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**OTHER LEASE-TYPE ARRANGEMENTS:
 FINAL PRONOUNCEMENT DASHBOARD**

Topic	Jun 2023	Sept 2023	Dec 2023	Mar 2024
Review and Approval of Final Pronouncement				
Authoritative Text				
Conceptual Rationale				
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 and Phase Two of the Measurement Project				
Linkages with IPSAS 47, Revenue				
Linkages with IPSAS 48, <i>Transfer Expenses</i>				
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				
Effective Date & Transition				
Non-Authoritative Text				
Draft Basis for Conclusions				
Implementation Guidance				
Illustrative Examples				
[Other]				
Analysis of Responses to ED 84				

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

INSTRUCTIONS UP TO PREVIOUS MEETING

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

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 .
	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 .

**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. [Issues to be determined after December 2023 meeting] 2. Review and Approval of [draft] Final Pronouncement

Linkages with IPSAS 48, *Transfer Expenses*

Question

1. Does the IPSASB agree with the staff and Task Force's recommendation on the linkages with IPSAS 48, *Transfer Expenses*?

Recommendation

2. Staff and Task Force recommend the IPSASB:
 - (a) To proceed with ED 84 proposals for concessionary leases for lessors for Final Pronouncement; and
 - (b) No changes to IPSAS 48.

Background

3. ED 84, which was published in January 2023, proposed to account for concessionary leases for lessors in the same way as leases at market terms by:
 - (a) Derecognizing the underlying asset in accordance with the applicable IPSAS and recognizing the net investment in the lease in accordance with IPSAS 43, *Leases for **concessionary finance leases***; and
 - (b) Continuing to recognize the underlying asset in accordance with the applicable IPSAS and recognize revenue in accordance with IPSAS 43, *Leases for **concessionary operating leases***.
4. In May 2023, the IPSASB published IPSAS 48, which provided new guidance on how to account for transfer expenses.
5. This Agenda Item addresses some of the issues raised by some respondents regarding ED 84 proposals to account for concessionary leases for lessors and their possible linkages with recently published IPSAS 48.

Analysis

6. Some respondents suggested the IPSASB to consider:
 - (a) Interactions between lessor accounting for concessionary finance and operating leases and IPSAS 48 (R03);
 - (b) Whether it is necessary to issue a new ED on concessionary leases and right-of-use assets in-kind referring to IPSAS 48 (R20); and
 - (c) A review of IPSAS 48 to identify any consequential amendments needed (R28).
7. Staff and Task Force note that from the lessor perspective there are two possible situations to consider in this topic:
 - (a) **Concessionary leases**—IPSAS 48.4(a) leases explicitly excludes from the scope of IPSAS 48 leases as defined in IPSAS 43, *Leases*. As concessionary leases still meet the definition of a lease because there is exchange of consideration, they are also outside of the scope of IPSAS 48.

Additionally, the transactions within the scope of IPSAS 48 involve the “provision of a good, service, or other asset to another entity (which may be an individual) **without directly receiving any good, service, or other asset in return**”. In other words, only transactions in which the good, service or other asset is given away without any consideration in return, are within the scope of IPSAS 48. As concessionary leases involve the exchange of consideration (albeit at below-market terms), they do not meet the definition of a transfer expense.

The proposed accounting for the concession component in ED 84 as expense in day one in a concessionary finance lease for lessors is consistent with:

- (i) IPSAS 16, *Investment Property*, IPSAS 17/45, *Property, Plant, and Equipment* and IPSAS 31, *Intangible Assets* when accounting for the loss related to the derecognition of an asset in a sale where the carrying amount of the asset is higher than the proceeds from the sale; and
 - (ii) Concessionary loans under IPSAS 41, *Financial Instruments*. Staff and Task Force are of the view that transferring cash or a non-cash resource does not modify the accounting for the concession component.
- (b) **Arrangements that convey the right to use an underlying asset for zero consideration—** these arrangements can be grouped in the category of arrangements that convey assets to other entities for zero consideration (for example, like gifts and donations) and are:
- (i) Outside of the scope of IPSAS 43 as they do not meet the definition of a lease because of the lack of consideration; and
 - (ii) Within the scope of IPSAS 48 because they meet the definition of a transfer expense, just like the provision of any other asset to another entity **without directly receiving any good, service, or other asset in return**.
8. Therefore, staff and Task Force recommend the IPSASB:
- (a) To proceed with ED 84 proposals for concessionary leases for lessors for the Final Pronouncement; and
 - (b) No changes to IPSAS 48.

Decision Required

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

Inclusion of Amendments to IPSAS 47 in the Final Pronouncement

Question

1. Does the IPSASB agree with the staff and Task Force's recommendation on the amendments to IPSAS 47 to be included in the Final Pronouncement, *Concessionary Leases and Right-of-Use Assets In-kind*?

Recommendation

2. Staff and Task Force recommend the IPSASB to include in the Final Pronouncement the amendments to IPSAS 47 drawn from the ED 84 proposed amendments to IPSAS 23 identified in [Agenda Item 12.3.1](#).

Background

3. At the September 2023 meeting, the IPSASB decided that the Final Pronouncement should have a section on amendments to IPSAS 47 drawn from ED 84 proposed amendments to IPSAS 23.
4. This Agenda Item addresses how the amendments to IPSAS 47 drawn from ED 84 proposed amendments to IPSAS 23 should be included in the Final Pronouncement.

Analysis

5. The [draft] Final Pronouncement in [Agenda Item 12.3.1](#) includes a section on Amendments to IPSAS 47, *Revenue* drawn from the proposed amendments to IPSAS 23 in ED 84. [Appendix A](#) shows a comparison of amendments to IPSAS 23 proposed in ED 84 and the corresponding amendments to IPSAS 47 in the [draft] Final Pronouncement with staff and Task Force comments.
6. IPSAS 47 presents new accounting models for revenue in the public sector that differs from IPSAS 23. However, the accounting guidance related to concessionary leases and right-of-use-assets in-kind have not substantially changed between IPSAS 23 and IPSAS 47, and therefore, the accounting outcomes have not changed.
7. [Appendix A](#) and [Agenda Item 12.3.1](#) show that the only difference between the ED 84 proposed amendments to IPSAS 23 and the amendments to IPSAS 47 in the [draft] Final Pronouncement is terminology changes in a few paragraphs. This means that the principles that were public exposed in the ED 84 proposed amendments to IPSAS 23 are carried over in the amendments to IPSAS 47.
8. This approach is consistent with the guidance on concessionary loans in IPSAS 23 that was carried over to IPSAS 47, from which the guidance on concessionary leases was drawn.
9. Staff and Task Force are of the view that the amendments to IPSAS 47 in the [draft] Final Pronouncement carried over from the ED 84 proposed amendments to IPSAS 23 do not need to be re-exposed after its approval¹ by the IPSASB because of the reasons identified in paragraph 6 and

¹ Paragraphs A41–A43 of [IPSASB's Due Process](#) indicates the required analysis and situations that constitute potential grounds for a decision to re-expose a draft international standard, or part thereof, after its approval. Two of the criteria for re-exposure are: (i) substantial change to a proposal arising from matters not aired in the exposure draft such that commentators have not had an opportunity to make their views known to the IPSASB before it reaches a final conclusion, and (ii) substantial change to the substance of a proposed international standard. This was not done when carrying over the ED 84 proposed guidance to IPSAS 23 into IPSAS 47.

will recommend this to the IPSASB after the approval of the Final Pronouncement at the March 2024 meeting.

10. Therefore, staff and Task Force recommend the IPSASB to include in the Final Pronouncement the amendments to IPSAS drawn from the ED 84 proposed amendments to IPSAS 23 identified in [Agenda Item 12.3.1](#).

Decision Required

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

**Appendix A – Table of Concordance Comparing ED 84 Proposed Amendments to
 IPSAS 23 and Amendments to IPSAS 47**

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

Effective Date (for discussion purposes)

Purpose

1. Enable the IPSASB to consider the effective date of the Final Pronouncement, *Concessionary Leases and Right-of-Use Assets In-kind* expected to be approved in March 2024.
2. This paper is for discussion purposes only. The IPSASB sets an effective date for the application of the Final Pronouncement as part of the approval process.

Background

3. In 2022 and 2023, the IPSASB published several new IPSAS with different effective dates. The breadth of these IPSAS creates interdependencies with the amendments to IPSAS 43 and IPSAS 47 included in the [draft] Final Pronouncement (see [Agenda Item 12.3.1](#)).
4. Effective dates must be set taking into consideration IPSAS that will be superseded in the near future, the effective dates of the new IPSAS, and the capacity of preparers to apply additional new guidance in the context of the recently published IPSAS.

Analysis

5. Staff and Task Force propose effective date for the [draft] Final Pronouncement for the IPSASB to consider holistically with recently published IPSAS. The following factors were considered when proposing effective dates:
 - (a) **Dependencies.** The guidance in the [draft] Final Pronouncement rely on guidance that exists in another IPSAS. This is the case when a pronouncement applies principles, or references paragraphs, in the guidance in another standard. For example:
 - (i) Amendments to IPSAS 43 included in [draft] Final Pronouncement is dependent on applying IPSAS 43, *Leases*;
 - (ii) Amendments to IPSAS 47 included in [draft] Final Pronouncement is dependent on applying IPSAS 47, *Revenue*; and
 - (iii) In case of earlier application, a Standard requires to be applicable together with another Standard at the same time.
 - (b) **Staggering.** With the seven pronouncements becoming effective over a short period (2025 and 2026), effective date of [draft] Final Pronouncement, *Concessionary Leases and Right-of-Use Assets In-kind* should not overwhelm resources in any of those years.
 - (c) **Complexity / sufficient time to adopt.** Three-year application period is proposed to [draft] Final Pronouncement, *Concessionary Leases and Right-of-Use Assets In-kind* because it is expected to require significant resources to implement. The three-year application period is consistent with IPSAS 43.
 - (d) **Minimum period.** Generally, IPSASB provides at least 18 months for an effective date from the approval on the standard. This is extended at the IPSASB's discretion.²

² Paragraph A44 of Due Process indicates in setting the date for the application of an international standard (if applicable), the IPSASB considers the reasonable expected minimum period for effective implementation, including the need for translation into national languages.

6. The following IPSAS are to be effective in close proximity:

Project/IPSAS	Dependencies	Effective Date
IPSAS 43, <i>Leases</i>	No dependencies	January 1, 2025
IPSAS 44, <i>Non-Current Assets Held for Sale</i>	No dependencies	January 1, 2025
IPSAS 45, <i>PP&E</i>	IPSAS 43, IPSAS 44, IPSAS 46	January 1, 2025
IPSAS 46, <i>Measurement</i>	No dependencies	January 1, 2026
IPSAS 47, <i>Revenue</i>	No dependencies	January 1, 2026
IPSAS 48, <i>Transfer Expenses</i>	IPSAS 47	January 1, 2026
IPSAS 49, <i>Retirement Benefit Plans</i>	No dependencies	January 1, 2026
<i>Concessionary Leases and Right-of-Use Assets In-kind</i>	IPSAS 43, IPSAS 45, and IPSAS 47	January 1, 2027 (proposed)
<i>Improvements to IPSAS, 2023</i>	IPSAS 43	TBD
Measurement Phase II	IPSAS 46	TBD

7. See [Appendix A](#) for dependency details.
8. Staff and the majority of Task Force members are of the view that the Final Pronouncement, *Concessionary Leases and Right-of-Use Assets In-kind* should have an effective date of January 1, 2027 because it:
- Is broadly consistent with the three-year application period for IPSAS 43³;
 - Does not overwhelm preparers with more changes to be effective at the same time as the other seven new Standards; and
 - Allows preparers one more year for planning and implementation of the Final Pronouncement after implementing seven new Standards in the two previous years.
9. Staff and the majority of Task Force members note that entities that do choose to early apply the Final Pronouncement, they are able to do so if they also early apply IPSAS 43, IPSAS 45, and IPSAS 47.
10. Staff and Task Force considered proposing to postpone the effective date of IPSAS 43 also to January 1, 2027 to prevent entities from reviewing the lease contracts a second time and making modifications to the accounting for leases two years later.
11. Staff and the majority of Task Force members decided not to recommend postponing the effective date of IPSAS 43 because:

³ If the Final Pronouncement is approved in March 2024, then it is expected to be published in April 2024, which gives 33 months of application period.

- (a) The scope of IPSAS 13, *Leases* and IPSAS 43 is the same as there is no reference to concessionary leases in both IPSAS;
 - (b) There is no change in the accounting for concessionary leases for lessors compared to IPSAS 13 in case entities do apply IPSAS 13 for concessionary leases;
 - (c) Permits entities to phase their efforts in applying IPSAS 43 requirements before they have to apply the public-sector specific requirements; and
 - (d) The entities that do choose to apply IPSAS 43 at the same time as the Final Pronouncement, *Concessionary Leases and Right-of-Use Assets In-kind* are always able to do so, thus giving the flexibility to entities to decide what is best for their specific circumstances.
12. A Task Force member is in favor on postponing the effective date of IPSAS 43 to January 1, 2027 to prevent in a short timeframe preparers reassessing all lease contracts a second and changing the accounting for those leases that are concessionary leases. Furthermore, the cost (e.g. modification of IT system instead of proper system setup at first time) could exceed the benefit.

Decision Required

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

Appendix A – Dependencies

1. This appendix details the dependencies of each pronouncement identified in [Agenda Item 12.2.3](#).

Project	Dependencies
<p>IPSAS 43, <i>Leases</i> Effective Date <u>January 1, 2025</u></p>	<p>IPSAS 43 was issued in January 2022. It has an effective date of January 1, 2025.</p> <p>The guidance in Final Pronouncement <i>Concessionary Leases and Right-of-Use Assets In-kind</i> is dependent on some guidance in IPSAS 43 (for example, definition of a lease and identification of a lease, etc.).</p> <p>Staff and Task Force’s view is that maintaining the current effective date of IPSAS 43 allows the Leases standard to be implemented independently of the Final Pronouncement <i>Concessionary Leases and Right-of-Use Assets In-kind</i> if preparers choose to do so.</p>
<p>IPSAS 44, <i>Non-Current Assets Held for Sale or Discontinued Operations</i> Effective Date <u>January 1, 2025</u></p>	<p>IPSAS 44 was issued in May 2022. It has an effective date of January 1, 2025.</p> <p>No dependencies identified.</p> <p>Staff and Task Force’s view is that there is no reason to consider amending the effective date of IPSAS 44.</p>
<p>IPSAS 45, <i>PP&E</i> Effective Date <u>January 1, 2025</u></p>	<p>IPSAS 45, <i>PP&E</i> was issued in May 2023. It has an effective date of January 1, 2025.</p> <p>IPSAS 45 is dependent on IPSAS 43, <i>Leases</i>. IPSAS 45 requires an entity to apply the guidance in <i>Leases</i> to determine the date of disposal of an item thought a sale and leaseback and for any gains/losses on a sale and leaseback to be accounted for in accordance with <i>Leases</i>.</p> <p>Staff and Task Force’s view is that there is no reason to consider amending the effective date of IPSAS 45.</p>
<p>IPSAS 46, <i>Measurement</i> Effective Date <u>January 1, 2026</u></p>	<p>IPSAS 46, <i>Measurement</i> was issued in May 2023. It has an effective date of January 1, 2026.</p> <p>No dependencies identified with <i>Concessionary Leases and Right-of-Use Assets In-kind</i>.</p> <p>Staff and Task Force’s view is that there is no reason to consider amending the effective date of IPSAS 46.</p>
<p>IPSAS 47, <i>Revenue</i> Effective Date <u>January 1, 2026</u></p>	<p>IPSAS 47, <i>Revenue</i> was issued in May 2023. It has an effective date of January 1, 2026.</p> <p>No dependencies identified with <i>Concessionary Leases and Right-of-Use Assets In-kind</i>.</p> <p>Staff and Task Force’s view is that there is no reason to consider amending the effective date of IPSAS 47.</p>

Project	Dependencies
<p>IPSAS 48, <i>Transfer Expenses</i></p> <p>Effective Date <u>January 1, 2026</u></p>	<p>IPSAS 48, <i>Transfer Expenses</i> was issued in May 2023. It has an effective date of January 1, 2026.</p> <p>No dependencies identified with <i>Concessionary Leases and Right-of-Use Assets In-kind</i> (see Agenda Item 12.2.1).</p> <p>Staff and Task Force's view is that there is no reason to consider amending the effective date of IPSAS 48.</p>
<p>IPSAS 49, <i>Retirement Benefit Plans</i></p> <p>Effective Date <u>January 1, 2026</u></p>	<p>Approved in September 2023. It has an effective date of January 1, 2026.</p> <p>No dependencies identified with <i>Concessionary Leases and Right-of-Use Assets In-kind</i>.</p> <p>Staff and Task Force's view is that there is no reason to consider amending the effective date of IPSAS 49.</p>
<p><i>Concessionary Leases and Right-of-Use Assets In-kind</i></p> <p>Proposed Effective Date <u>January 1, 2027</u></p>	<p><i>Concessionary Leases and Right-of-Use Assets In-kind</i> proposes new accounting requirements for concessionary leases and right-of-use assets in-kind. <i>Concessionary Leases and Right-of-Use Assets In-kind</i> is dependent on IPSAS 43, <i>Leases</i>, IPSAS 45, <i>Property, Plant, and Equipment</i>, and IPSAS 47, <i>Revenue</i>, as it builds on the principles laid out in those Standards.</p> <p>Staff and Task Force are of the view that <i>Concessionary Leases and Right-of-Use Assets In-kind</i> can be applied on or after the effective date of January 1, 2027 because guidance for concessionary leases and right-of-use assets in-kind can occur after the general guidance in IPSAS 43, <i>Leases</i>, IPSAS 45, <i>Property, Plant, and Equipment</i>, and IPSAS 47, <i>Revenue</i> is being applied.</p>
<p><i>Improvements to IPSAS, 2023</i></p> <p>Proposed Effective Date <u>TBD</u></p>	<p>ED 85, <i>Improvements to IPSAS, 2023</i> was issued in October 2023. The effective date will be determined after the approval of the Final Pronouncement in March 2024.</p> <p>ED 85 has dependencies with IPSAS 43, <i>Leases</i> as it proposes amendments related to Classification of Liabilities as Current and Non-current, Interest Rate Benchmark Reform, and Lease Liability in a Sale and Leaseback. The effective dates of these amendments will be decided after approval of the Final Pronouncement at the March 2024 meeting. ED 85 has no dependencies with the ED 84 proposed amendments to IPSAS 43.</p>

Project	Dependencies
Measurement Phase II Proposed Effective Date <u><i>TBD</i></u>	Phase II of the measurement project will evaluate the applicability of current operational value across IPSAS. This project is dependent on IPSAS 46, <i>Measurement</i> , as COV must exist to apply Phase II. Staff and Task Force are of the view Phase II can be applied on or after the effective date of <i>Concessionary Leases and Right-of-Use Assets In-kind</i> , because COV affects subsequent measurement only. ED 85 only contains principles for initial recognition and initial measurement and is therefore not dependent on Measurement Phase II.

Non-inclusion of Amendments to IPSAS 23 in the Final Pronouncement

Question

1. Does the IPSASB agree with the staff and Task Force's recommendation to not include the amendments to IPSAS 23 in the Final Pronouncement, *Concessionary Leases and Right-of-Use Assets In-kind*?

Recommendation

2. Staff and Task Force recommend the IPSASB to not include the amendments to IPSAS 23 in the Final Pronouncement, *Concessionary Leases and Right-of-Use Assets In-kind*.

Background

3. Exposure Draft (ED) 84, *Concessionary Leases and Right-of-Use Assets In-kind* (Amendments to IPSAS 43 and IPSAS 23) proposed amendments to IPSAS 23, which will be superseded on January 1, 2026, once IPSAS 47, *Revenue* becomes effective.
4. At the September 2023 meeting, the IPSASB decided that the Final Pronouncement should have a section on amendments to IPSAS 47 drawn from ED 84 proposed amendments to IPSAS 23.
5. [Agenda Item 12.2.2](#) recommends the IPSASB to include in the Final Pronouncement the amendments to IPSAS 47 drawn from the ED 84 proposed amendments to IPSAS 23 identified in [Agenda Item 12.3.1](#)
6. This Agenda Item addresses the non-inclusion of ED 84 proposed amendments to IPSAS 23 in the Final Pronouncement.

Analysis

7. IPSAS 47, *Revenue* will be effective on January 1, 2026 and will supersede IPSAS 23, *Revenue From Non-Exchange Transactions (Taxes and Transfers)*.
8. If the IPSASB agrees with staff and Task Force proposal in [Agenda Item 12.2.3](#) that the Final Pronouncement should have an effective date of January 1, 2027, then IPSAS 23 will be superseded by the time the amendments to IPSAS 23 become effective, which will be useless to preparers.
9. On the other hand, if preparers choose to early apply the Final Pronouncement, they can do so by also applying IPSAS 43, IPSAS 45, and IPSAS 47 at the same time as it is required in paragraph 194A of the amendments to IPSAS 47 in the [draft] Final Pronouncement.
10. Therefore, staff and Task Force recommend the IPSASB not to include the amendments to IPSAS 23 in the Final Pronouncement.

Decision Required

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

Enhancements to Guidance on Concessionary Leases for Lessors

Question

1. Does the IPSASB agree with the staff and Task Force's recommendations on concessionary leases for lessors identified in [Appendix A.1](#) and [Appendix A.2](#)?

Recommendation

2. Staff and Task Force recommends the IPSASB to:
 - (a) Include in the Final Pronouncement the enhancements to ED 84 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. At the September 2023 meeting, the IPSASB agreed that the proposed principles in ED 84 for concessionary leases for lessors should carry over for the Final Pronouncement.
4. This Agenda Item addresses the respondents' suggestions to enhance ED 84 proposals for concessionary leases for lessors for the Final Pronouncement.

Analysis

5. [Appendix A.1](#) details the staff and Task Force's recommendations on **acceptance** of respondents' suggestions to enhance ED 84 proposals for concessionary Leases for lessors.
6. [Appendix A.2](#) details the staff and Task Force's recommendations on **non-acceptance** of respondents' suggestions to enhance ED 84 proposals for concessionary Leases for lessors.

Decision Required

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

Agenda Item 12.2.5

Appendix A.1—Respondents’ Suggestions to Enhance ED 84 Proposals for Concessionary Leases for Lessors Accepted by Staff and Task Force

	Respondents’ Suggestions	Staff and Task Force Recommendations
1.	Authoritative Text	
1.1.	Enhance proposed IPSAS 43.AG62(a) (R02)	See revised paragraph IPSAS 43.AG62(a).
1.2.	Clarify the distinction between non-exchange component from revenue and cost perspectives (R03, R06)	See revised paragraph IPSAS 43.AG62.
1.3.	Enhance the disclosures (R03, R23)	To add new paragraph IPSAS 43.96B(b) addresses R03 suggestion. R23 suggestion is already included in IPSAS 43.96A(d)–96.B(d).
1.4.	Enhance the diagram in IPSAS 43.AG32B (R05) R05 says that the diagram is confusing because the lessor does not recognize the non-exchange component and suggests to alter or supplement.	To delete the diagram because there is no: (a) Change in the accounting for lessors regarding concessionary leases; (b) Different accounting for the loss in a concessionary finance lease compared to finance leases; and (c) Accounting for the foregone revenue in a concessionary lease for lessors. Revised paragraph IPSAS 43.AG62 addresses R05 concerns.
2.	Non-Authoritative Text	
2.1.	Enhance the Basis for Conclusions (R01, R02, R06, R07, R20, R21, R28)	In progress.
2.2.	Clarify the distinction between non-exchange component from a revenue and cost perspectives (R03, R06)	See revised Example 23A and new Example 23B in IPSAS 43.IE10A.
2.3.	Add guidance to proposed IPSAS 43.IE10A (R06, R07, R28, R33)	See revised wording Example 23A in IPSAS 43.IE10A. Added Example 23B in IPSAS 43.IE10A with concessionary finance lease for lessors.
2.4.	Correct IPSAS 43.IE10A Example 23A to remove the reference to disclosure of foregone revenue (R34)	See revised IPSAS 43.IE10A Example 23A.

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Appendix A.2—Respondents’ Suggestions to Enhance ED 84 Proposals for Concessionary Leases for Lessors Not Accepted by Staff and Task Force

Respondents’ Suggestions		Staff and Task Force Recommendations
1.		Authoritative Text
1.1.	Provide guidance for arrangements that convey the right to use without consideration (R03)	Not to included such guidance in IPSAS 43 as arrangements that convey the right to use without consideration are within the scope of IPSAS 48, <i>Transfer Expenses</i> (see Agenda Item 12.2.1).
1.2.	Add guidance to IPSAS 43.67(d) on the non-relevance of present value of lease payments for concessionary leases (R09)	Not to proceed with this suggestion because the indicators of a finance lease are to be taken as a whole and not individually.
2.		Non-Authoritative Text
2.1.	Clarify in the Basis for Conclusions or in Staff Q&A whether the cost of the concession can be capitalized (R11)	No need to clarify as the respondents’ suggestion is not related to the accounting guidance in ED 84 as there is requirement to capitalize or not the cost of the concession.
2.2.	Provide guidance when a concessionary operating lease is an impairment indicator (R34)	Paragraph 20A–30 of IPSAS 26, <i>Impairment of Cash-Generating Assets</i> provides sufficient guidance on indicators of impairment that can be applicable to concessionary operating leases.

Enhancements to Guidance on Concessionary Leases for Lessees

Question

1. Does the IPSASB agree with the staff and Task Force's recommendations on concessionary leases for lessees identified in [Appendix A.1](#) and [Appendix A.2](#)?

Recommendation

2. Staff and Task Force recommends the IPSASB to:
 - (a) Include in the Final Pronouncement the enhancements to ED 84 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. At the June 2023 meeting, the IPSASB discussed the high-level review of responses to ED 84 and instructed staff and Task Force to continue analyzing the issues raised by respondents to ED 84.

Analysis

4. [Appendix A.1](#) details the staff and Task Force's recommendations on **acceptance** of respondents' suggestions to enhance ED 84 proposals for concessionary Leases for lessees.
5. [Appendix A.2](#) details the staff and Task Force's recommendations on **non-acceptance** of respondents' suggestions to enhance ED 84 proposals for concessionary Leases for lessees.
6. Staff and Task Force recommend the IPSASB to proceed with ED 84 proposals on scope for the Final Pronouncement because the issues raised by respondents:
 - (a) Are outside of the scope of ED 84;
 - (b) Do not provide new thinking that the IPSASB has not considered during the development of ED 84; and
 - (c) Imply creating unintended inconsistencies within IPSASB's literature.

Decision Required

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

Agenda Item 12.2.6

Appendix A.1—Respondents’ Suggestions to Enhance ED 84 Proposals for Concessionary Leases for Lessees Accepted by Staff and Task Force

Respondents’ Suggestions		Staff and Task Force Recommendations	
I. IPSAS 43			
1. Authoritative Text			
Identification			
1.1.	Add more guidance/clarify on the determination of concessionary leases and/or lease contract below-market terms in addition to 18A-18D and AG60-62 (R07, R09, R33, R35)	To include the revised paragraphs in the sections assessing whether the transaction is at market terms or at below-market terms in the core text and in the application guidance	
1.2.	Whether the goals/intent of the parties in entering into a contract of lease has weight in the determination of concessionary leases (R07)	To add a Basis for Conclusion paragraph explaining the role of goals/intent of the parties in entering into a contract of lease has weight in the determination of concessionary leases	
Measurement			
1.3.	Clarify that consideration can be any consideration, even nominal consideration, and that this is different to zero consideration. (R09, R34)	To add a Basis for Conclusions paragraph explaining the role of consideration in classifying arrangements that convey the right to use an asset.	
1.4.	Consider the updated discount rate for a lease modification (R09, R26)	To delete the sentence “ <u>In the case of a concessionary lease, a lessee shall apply the discount rate identified in paragraph 27.</u> ” because the lessee may always apply the lessee’s incremental borrowing rate in case of not knowing the revised interest rate implicit in the lease.	
1.5.	Consider whether the underlying asset is used for its financial or operational capacity, to determine whether the market rates based on the current use or the highest-and-best use is appropriate (R20)	To add a Basis for Conclusions paragraph to explain the relationship between financial capacity, operational capacity, current use, highest-and-best use, and the underlying asset.	
Disclosures			
1.6.	Clarify/add more disclosures (R09, R11, R22, R23, R24, R26, R28, R34)	<ul style="list-style-type: none"> • To modify paragraph IPSAS 23.43A/IPSAS 47AG202D to explicitly cross-refer to paragraphs 26A and 26B of IPSAS 43. (to respond to R24) • To add the wording “by class of underlying asset” in paragraphs IPSAS 43. 64A, IPSAS 43.96A, and IPSAS 43.96B. (to respond to R26) 	

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	Transition	
1.7.	Consider transition requirements (R09)	<ul style="list-style-type: none"> • To modify IPSAS 43.117A(b) to require measure the right-of-use asset at the present value of payments for the lease at market rates based on the current use of the underlying asset of the remaining lease payments and discounted using the lessee's incremental borrowing rate at the date of initial application.
	Terminology	
1.8.	Replace the term "carrying value" with "cost" in proposed IPSAS 43.26B (R03)	To replace the term "carrying value" with "cost" in proposed IPSAS 43.26B
2.	Non-Authoritative Text	
2.1.	Add Basis for Conclusions (R03, R06, R09)	In progress.
2.2.	Add more guidance in ED 84 illustrative examples (R09, R26)	<ul style="list-style-type: none"> • To add the wording "which is the current market rate" in Example 10A (to respond to R09) • To add the wording "to match market rates" in Example 10B (to respond to R09) • To add the word "operating" in example 23A (to respond to R26)

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Appendix A.2—Respondents’ Suggestions to Enhance ED 84 Proposals for Concessionary Leases for Lessees Not Accepted by Staff and Task Force

Respondents’ Suggestions		Staff and Task Force Recommendations
I. IPSAS 43		
1. Authoritative Text		
Scope		
1.1.	Amend the scope section to refer to right-of-use assets in-kind (R03)	Not to include in the scope section of IPSAS 43 a reference to right-of-use assets in-kind because the accounting for these types of assets is within the scope of IPSAS 47, not IPSAS 43 as they are not leases.
Definitions		
1.2.	Define “current use of the underlying asset” (R03, R06, R09, R11, R33, R34)	Not to define “current use of the underlying asset” because: (a) The wording “current use” is already applied in IPSAS 46, <i>Measurement</i> and it has not been defined; and (b) It is not appropriate to define terms in a specific IPSAS that are related to another IPSAS, which has the principles of measurement in the public sector.
1.3.	Define “concessionary lease” (R20, R26)	Not to define concessionary leases because: (a) It prevents an apparent contradiction of labelling as a lease an arrangement that conveys the right to use an underlying asset without the exchange of consideration as it also at below market terms; and (b) It is consistent with the approach in IPSAS 41, <i>Financial Instruments</i> , where concessionary loans are not defined, but only described.
1.4.	Define “payments for the lease” (R26)	Not to define “payments for the lease” because the wording is already used in IPSAS 43 in the context of sale and leaseback transactions.
1.5.	Define “market” (R26)	Not to define “market” because: (c) The wording “market” is already applied in IPSAS 46, <i>Measurement</i> and it has not been defined; and (d) It is not appropriate to define terms in a specific IPSAS that are related to another IPSAS, which has the principles of measurement in the public sector.

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Identification		
1.6.	Consider a materiality test or percentage difference threshold in identifying leases below-market terms (R07, R09)	Not to include a materiality test or percentage difference threshold because it creates arbitrary bright lines.
1.7.	Provide additional guidance where the exchange and non-exchange components cannot be distinguished separately (R07)	Not to add additional guidance because when the exchange and concession components cannot be distinguished separately it means that it is not possible to measure and recognize the separate components of a concessionary lease. Staff and the Task Force note that a similar situation may also occur in concessionary loans and no additional guidance is provided in this situation.
Measurement		
1.8.	Provide guidance on subsequent measurement of the right-of-use asset if there is a change in the agreed use of the underlying asset (R03)	Not to add additional guidance on subsequent measurement because IPSAS 43 cross-refers to IPSAS 45 and IPSAS 16, where appropriate, for subsequent measurement guidance.
1.9.	To measure the right-of-use asset on the inception date, instead of on the commencement date (R05).	Not to require the measurement of the right-of-use asset at inception because: (a) A lessee does not obtain and control its right to use the underlying asset until the commencement date; (b) Any changes to a lease that occur after the inception date and before the commencement date are taken into account when initially measuring the right-of-use asset and lease liability at the commencement date; and (c) It is more consistent with the measurement date for other transactions, such as the acquisition of property, plant and equipment.
1.10.	Clarify proposed paragraph IPSAS 43.26C (R07, R32)	Not to modify IPSAS 43.26C because “contractual payments” is part of the cost of the right-of-use asset in accordance with IPSAS 43.
1.11.	Clarify subsequent measurement of right-of-use assets (R09, R23)	Not to add additional guidance on subsequent measurement because IPSAS 43 cross-refers to IPSAS 45 and IPSAS 16, where appropriate, for subsequent measurement guidance.
1.12.	Add more guidance in relation to the amount of effort expected to determine whether market rates are available (R09)	Not to add more guidance on the amount of effort expected to determine whether market rates are available because it is up to the entity to make that determination/judgement according to the specific circumstances of the entity and the transaction.

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1.13.	Add text on reasonable level of effort to determine the present value of payments for the lease at market rates based on the current use of the underlying asset (R20, R23, R33)	[To be discussed at the March 2023 meeting because of the links with the Measurement – Application Phase project]
1.14.	Consider measurement based on distinction between financial and operational capacity (R20)	Not to provide measurement guidance based on distinguishing financial and operational capacity because the part of the measurement objective in concessionary leases is to measure the right-of-use asset in a consistent way as with leases at market terms, where such distinction does not exist. Staff and the Task Force note that requiring to measure concessionary leases based on market rates does not necessarily equate to make further distinction between financial and operational capacity. ED 84 proposes to measure the right-of-use asset based on the current use of the underlying asset as a cost-relief restriction to prevent preparers having to search for the highest-and-best use of the underlying asset.
1.15.	Clarify “readily available” (R02, R23, R28)	Not to define or provide additional guidance on “readily available” because: (a) The wording “readily available” is already applied in IPSAS 46, <i>Measurement</i> and it has not been defined; and (b) It is not appropriate to define terms in a specific IPSAS that are related to another IPSAS, which has the principles of measurement in the public sector.
1.16.	Clarify that the Present Value of Payments for the lease at market rates means the lease payments are at market rates, not that the discount rate is at market rates. (R26)	The illustrative examples show that the present value of payments for the lease at market rates means the lease payments are at market rates, not that the discount rate is at market rates.
1.17.	Clarify how non-market terms other than “lower payments” are to be treated (R26)	Not to add further guidance on non-market terms other than “lower payments” because the scope of the project is only to address when contractual payments for the lease is below at below-market terms.

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Disclosures		
1.18.	Clarify/add more disclosures (R09, R11, R22, R23, R24, R26, R28, R34)	<ul style="list-style-type: none"> • Not to delete proposed paragraph IPSAS 43.64A(b) because these disclosures are specific to concessionary leases and the objective is to separate them from disclosures related to leases at market terms. (to respond to R09) • Not to duplicate in IPSAS 23 the disclosures on concessionary leases that exist in IPSAS 43. (to respond to R11) • Not to require disclosure requirements explaining the difficulties faced by a lessee in obtaining payments for the lease at market rates based on the current use of the underlying asset. (to respond to R22) • Not to require additional disclosures on the lessee's dependency on the underlying asset because this impact all leases and not only concessionary leases. (to respond to R23) • Not to require disclosure of an explanation for information on a lease at market rates based on the current use of the underlying asset that is not readily available because it does not increase the understandability of the information in the financial statements compared to what is already required to disclose in proposed paragraph IPSAS 43.64A. (to respond to R28) • Not to require disclosure of types of leased assets for which market rates are not readily available because it does not increase the understandability of the information in the financial statements compared to what is already required to disclose in proposed paragraph IPSAS 43.64A. (to respond to R34)
Transition		
1.19.	Consider transition requirements (R23)	<ul style="list-style-type: none"> • Not to require prospective application of the new requirements on transition on the existing concessionary leases for accountability and decision-making reasons.
1.20.	Provide guidance on how entities that continue to apply IPSAS 13 until the effective date of IPSAS 43 should handle concessionary leases and free rights to use in the interim under the operating / finance lease accounting models in IPSAS 13. (R03)	It is outside of the scope of Phase Two of the Leases project to provide guidance on IPSAS 13 for concessionary leases.
Terminology		
1.21.	Consider the wording "impracticable" instead of "not readily available" (R11)	[To be discussed at the March 2023 meeting because of the links with the Measurement – Application Phase project]

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2.	Non-Authoritative Text	
2.1.	Add more guidance in ED 84 illustrative examples (R09, R26, R29)	<ul style="list-style-type: none"> • Not to amend Example 13B because it already provides guidance which IPSAS is applicable to account for the exchange and concession components of transaction and current use is before entering into the lease. (to respond to R09) • IPSAS 43 Example 13 already provides an example of change in the lease term (to respond to R26) • Not to add more guidance on lease incentives and lease concessions because Examples 10B and 10C provide guidance on distinguishing lease incentives from lease concessions. (to respond to R29)
2.2.	Add illustrative example on impairment of ROU asset under concessionary lease (R26)	<ul style="list-style-type: none"> • Not to add illustrative example on impairment of ROU asset under concessionary lease because it is outside of scope of the project.

Enhancements to Guidance on Right-of-Use Assets In-kind

Question

1. Does the IPSASB agree with the staff and Task Force's recommendations on right-of-use assets in-kind identified in [Appendix A.1](#) and [Appendix A.2](#)?

Recommendation

2. Staff and Task Force recommend the IPSASB to:
 - (a) Include in the Final Pronouncement the enhancements to ED 84 proposals identified in [Appendix A.1](#).
 - (b) Not to include in the Final Pronouncement the respondents' suggestions identified in [Appendix A.2](#).

Background

3. At the September 2023 meeting, the IPSASB agreed that the proposed principles in ED 84 for right-of-use assets in-kind should carry over for the Final Pronouncement.
4. This Agenda Item addresses the respondents' suggestions to enhance ED 84 proposals for right-of-use assets in-kind for the Final Pronouncement.

Analysis

5. [Appendix A.1](#) details the staff and Task Force's recommendations on **acceptance** of respondents' suggestions to enhance ED 84 proposals for right-of-use assets in-kind.
6. [Appendix A.2](#) details the staff and Task Force's recommendations on **non-acceptance** of respondents' suggestions to enhance ED 84 proposals for right-of-use assets in-kind.

Decision Required

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

Appendix A.1—Respondents’ Suggestions to Enhance ED 84 Proposals for Right-of-Use Assets In-kind Accepted by Staff and Task Force

Respondents’ Suggestions		Staff and Task Force Recommendations
I. IPSAS 47		
1.	Authoritative Text	
	Definitions	
1.1.	Define right-of-use assets in-kind (R02, R09, R20, R26, R35)	To create a new subsection on right-of-use assets in-kind in IPSAS 47.AG202A–AG202B providing a description of right-of-use assets. This approach is consistent with goods in-kind and services where they are also not defined.
	Identification	
1.2.	Include additional provisions to elaborate further on the right-of-use assets in-kind for ease implementation of the policy (R07)	To add paragraph IPSAS 47.AG202B drawn from IPSAS 23.93.
	Measurement	
1.3.	Provide guidance on how to measure a right-of-use asset in-kind when information about payments at market rates based on the current use of the underlying asset is not readily available (R03)	To add a specific cross-reference in IPSAS 47.AG202D to paragraphs 26A and 26B of IPSAS 43 to prevent cross-referencing to paragraph 26C where the wording “readily available” is written, as it is not needed to apply to right-of-use assets in-kind.
1.4.	Clarify subsequent measurement of right-of-use assets in-kind (R09)	To add a specific cross-reference in IPSAS 47.AG202E to paragraphs 30–36 of IPSAS 43.
	Disclosures	
1.5.	Disclose the basis for exercising professional judgement to assess market terms. (R02)	To add paragraph IPSAS 47.AG202I(d).
2.	Non-Authoritative Text	
2.1.	Add/amend Basis for Conclusions (R03, R06, R20)	In progress
2.2.	Add illustrative examples on right-of-use assets in-kind (R03)	To add IE308 in IPSAS 47.

Appendix A.2—Respondents’ Suggestions to Enhance ED 84 Proposals for Right-of-Use Assets In-kind Not Accepted by Staff and Task Force

Respondents’ Suggestions		Staff and Task Force Recommendations
I. IPSAS 47		
1. Authoritative Text		
Definitions		
1.1.	Clarify if the existence of a binding arrangement (contract or otherwise) and a specified term are conditions of a right-of-use asset in-kind (R03)	Not to proceed with this suggestion because: (a) IPSAS 47 (contrary to IPSAS 23) already provides the guidance on binding arrangements that can be applicable to right-of-use assets in-kind; and (b) The existence of a specified term is an essential element of right-of-use assets as stated in IPSAS 43.10, to which IPSAS 47.AG202A cross-refers to.
Identification		
1.2.	Provide guidance on how the lessee distinguishes between contribution from owners versus revenue from non-exchange transactions. (R01, R11)	No action required because IPSAS 47.AG7–AG9 provides the guidance that can be applicable to concessionary leases and right-of-use assets in-kind.
Measurement		
1.3.	Add further guidance for the situation when a right-of-use asset in-kind for which no market rate is readily available (specialized assets) (R02, R35)	Not to proceed with this suggestion because if there is no measurement value for the right-of-use asset in-kind, then there is no recognition of the right-of-use asset in-kind.
1.4.	Provide guidance on what “readily available” means like in IPSAS 41 (R02)	Not to define or provide additional guidance on “readily available” because: (a) The wording “readily available” is already applied in IPSAS 46, <i>Measurement</i> and it has not been defined; and It is not appropriate to define terms in a specific IPSAS that are related to another IPSAS, which has the principles of measurement in the public sector.

Draft Basis for Conclusions

Purpose

1. Enable the IPSASB to consider the first draft of Basis for Conclusions of the Final Pronouncement, *Concessionary Leases and Right-of-Use Assets In-kind* expected to be approved in March 2024.
2. This paper is for discussion purposes only. The IPSASB develops its basis for conclusions as decisions are made to the Final Pronouncement.

Background

3. At the June 2023 meeting, the IPSASB discussed the high-level review of responses to ED 84 and instructed staff and Task Force to continue analyzing the issues raised by respondents to ED 84.
4. At the September 2023 meeting, the IPSASB agreed that the proposed principles in ED 84 for concessionary leases and right-of-use assets in-kind should carry over for the Final Pronouncement.
5. This Agenda Item sets out the first draft of Basis for Conclusions consistent with IPSASB's decisions at the September 2023 meeting and with staff and Task Force's recommendations in this Issues Paper.

Analysis

6. The Final Pronouncement, *Concessionary Leases and Right-of-Use Assets In-kind* (see [Agenda Item 12.3.1](#)) sets out the first draft of Basis for Conclusions.
7. Staff and Task Force seeks the views from the IPSASB on the following topics:
 - (a) **Structure and sequencing of Basis for Conclusions**—the Basis for Conclusions are structured in two parts (Part 1: Basis for Conclusions to IPSAS 43 and Part 2: Basis for Conclusions to IPSAS 47) and follow the sequence of the requirements in the final pronouncement;
 - (b) **Replacement of amendments to IPSAS 23 with amendments to IPSAS 47**—all references to revenue principles in the Basis for Conclusions are related to IPSAS 47, instead of IPSAS 23.
 - (c) **Level of detail**—the Basis for Conclusions will address the most important issues raised by and suggestions made by respondents.
8. Staff and Task Force note that the first draft of Basis for Conclusions are not yet complete, i.e., they do not intend to address all the IPSASB decisions taken so far and are yet to be taken at the December 2023 meeting based on this Issues Paper.

Decision Required

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

[draft] Final Pronouncement, *Concessionary Leases and Right-of-Use Assets In-kind* (Amendments to IPSAS 43 and IPSAS 47)

1. The [draft] Final Pronouncement is posted separately for easier readability.
2. This Agenda Item is consistent with staff and Task Force proposals and recommendations in the above Agenda Items.

Respondents' Editorial and Terminology Suggestions to ED 84 to be Included in the Final Pronouncement, *Concessionary Leases and Right-of-Use Assets In-kind* (Amendments to IPSAS 43 and IPSAS 47)

1. This Agenda Item is posted separately for easier readability.
2. This Agenda Item is consistent with staff and Task Force proposals and recommendations in the above Agenda Items.