

Meeting: International Public Sector Accounting Standards Board

Meeting Location: Toronto, Canada

Meeting Date: September 18–21, 2018

From: João Fonseca

Agenda Item 11

For:

☐ Approval

☒ Discussion

☒ Information

LEASES

Project summary	Develop revised requirements for lease accounting covering both lessors and lessees in order to maintain convergence with IFRS 16, <i>Leases</i> , to the extent appropriate. The project will result in a new IPSAS that will replace IPSAS 13, <i>Leases</i> .	
Meeting objectives	Topic	Agenda Item
Project management	Decisions up to December 2017 meeting	11.1.1
	Instructions up to September 2017 meeting	11.1.2
	Leases Project Roadmap	11.1.3
Decisions required at this meeting	Review of Responses: Lessee Accounting (SMC 1)	11.2.1
	Review of Responses: Lessor Accounting (SMCs 2 and 3)	11.2.2
	Review of Responses: Concessionary Leases (SMC 4)	11.2.3
	Strategy to Move the Leases Project Forward	11.2.4
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	Responses to Exposure Draft 64, <i>Leases</i>	

DECISIONS UP TO DECEMBER 2017 MEETING

Date of Decision	Decision
December 2017	<ul style="list-style-type: none"> • To restructure ED 64 as follows: <ul style="list-style-type: none"> (a) Additional guidance to explain the classification and recognition of leases at market terms and concessionary leases; (b) New Implementation Guidance section to explain the relationship between leases with other types of transactions; and (c) Amendments to simplify the requirements for sale and concessionary leaseback transactions. • To propose in ED 64 that the credit entry should be a liability (unearned revenue); • To include in ED 64 four SMCs on: <ul style="list-style-type: none"> (a) Lessee accounting (SMC 1); (b) The departure from IFRS 16 on lessor accounting (SMC 2); (c) The proposed model for lessor accounting in ED 64 (SMC 3); and (d) The accounting for the subsidy component on concessionary leases for lessors and lessees (SMC 4). • To approve ED 64. 17 members voted in favour. There was one absentee. • To a consultation period expiring on June 30, 2018;
September 2017	<ul style="list-style-type: none"> • The terms “double-counting”, “gross” and “offset”/“net” should not be used interchangeably; • Double-counting is not resolved in IPSAS by offsetting one transaction against another transaction or one element against another; • Double-counting is only resolved in IPSAS by not repeating the accounting of the same transaction more than once; • The underlying asset should be measured in accordance with the relevant (applicable) IPSAS; • The accounting for the underlying asset in a lease transaction should be in accordance with the relevant (applicable) IPSAS and should not be replicated in the Leases ED; • The right-of-use asset and lease receivable in concessionary leases should not be measured at the interest rate implicit in the lease (for both lessors and lessees); • Lessee – Measurement of the right-of-use asset and the lease liability using the lessee’s incremental borrowing rate in for concessionary leases, if readily determined. If not readily determined, then the lessee should use market interest rates; • Lessor – Measurement of the lease receivable using market interest rates for concessionary leases;

June 2017	<ul style="list-style-type: none"> • To amend IFRS 16 terms “income”, “profit”, “loss”, “business unit” and “business segment” and apply, respectively, the Conceptual Framework and IPSASs terminology of “revenue”, “surplus”, “deficit”, “operation” and “segment” in the Exposure Draft; • To retain the IFRS 16 term fair value in the Exposure Draft; • To include a paragraph in the Basis for Conclusions to explain the IPSASB’s decision to retain the term fair value in the Exposure Draft; • To add the references to the objectives of public sector financial reporting of accountability and decision-making in paragraph 1 of the Exposure Draft; • To exclude from the scope section of the Exposure Draft the reference to scoping out leases for zero or nominal consideration; • To retain the IFRS 16 term “contract” in the definition of a lease and provide additional guidance in the Application Guidance section of the Exposure Draft to explain that an entity should consider the substance rather than the legal form of an arrangement in determining whether it is a “contract” for the purposes of the Standard on Leases; • Not to define the term “contract” for consistency with the Exposure Draft to update IPSAS 28-30; • To retain the IFRS 16 definition of interest rate implicit in the lease and unguaranteed residual value; • To apply the recognition exemption on short-term leases for lessor accounting; • Not to apply the recognition exemption for leases of low-value assets and include a specific matter for comment to ask constituents whether they agree with such recognition exemption for lessors; • Agreed with the paragraphs in the Exposure Draft sections on identifying a lease, in-substance fixed lease payments, and lessee involvement with the underlying asset before the commencement date; • To exclude from the Exposure Draft the IFRS 16 requirements on manufacturer or dealer lessor; • To replace the reference to IFRS 15, Revenue from Contracts with Customers with IPSAS 9, <i>Revenue from Exchange Transactions</i> in paragraph 18 of the draft Exposure Draft; • Agreed with the paragraphs on lease modifications for lessor accounting in the draft Exposure Draft; • Not to apply the IFRS 16 requirements on sale and leaseback transactions at below market terms, and decided to account the subsidized component in leaseback transactions at below market terms in the same way as in concessionary leases in order to meet the public sector financial reporting objectives of accountability and decision-making; • To label the credit entry in lessor accounting as “liability (unearned revenue)” because it is consistent with the credit entry in the grant of a right to the operator model in IPSAS 32, <i>Service Concession Arrangements: Grantor</i>; • Agreed with paragraphs in the Exposure Draft on initial and subsequent measurement of the lease receivable, the unearned revenue (credit entry), and reassessment of the lease receivable;
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11.1.1

March 2017	<ul style="list-style-type: none"> • To adopt a control-based approach to lessor accounting for the underlying asset in a lease and rejected the approach to derecognize portions of rights of the underlying asset transferred to the lessee; • To treat leases for zero or nominal consideration in the Non-Exchange Expense project (transferor side) and IPSAS 23, <i>Revenue from Non-Exchange Transactions</i> (recipient side) like any other donation in kind; • Agreed with the draft sections on: (i) lessee–reassessment of the lease liability, lease modifications, and separating components of a contract, and (ii) Lease term without any amendments; • Agreed with the draft sections on Sale and Leaseback Transactions, including the Basis for Conclusions, without amendments; • Not to include the IFRS 15, <i>Revenue from Contracts with Customers</i> guidance on repurchase agreements (including the guidance on sale and leaseback) in IPSAS 9, <i>Revenue from Exchange Transactions</i>, and include the guidance later in the new or revised IPSAS on Revenue;
December 2016	<ul style="list-style-type: none"> • Replace the term “peppercorn leases” with the term “concessionary leases”; • Measure leases that are exchange transactions at cost and measure concessionary leases at fair value; • Account for the subsidized component in a concessionary lease in the same way as in a concessionary loan;
September 2016	<ul style="list-style-type: none"> • The IPSASB made a tentative decision not to include explicit guidance in an Exposure Draft on the assessment of a sale within the context of a sale and leaseback transaction based on a performance obligation approach, prior to any decision on, and development of, an IPSAS drawn from IFRS 15, <i>Revenue from Contracts with Customers</i>; • The IPSASB decided not to adopt the lessor accounting requirements in IFRS 16, <i>Leases</i>;
June 2016	<ul style="list-style-type: none"> • To apply the right-of-use model to lessee accounting in the Exposure Draft on Leases; • To include in the Basis for Conclusions in the Exposure Draft on Leases the advantages and disadvantages identified by the IPSASB and the reason for IPSASB’s decision on the extent of adoption of the right of use model; • To adopt the IFRS 16 recognition exemptions in the Exposure Draft on Leases; • Recognition exemptions should be an option, rather than a requirement, in the Exposure Draft on Leases;

INSTRUCTIONS UP TO SEPTEMBER 2017 MEETING

Meeting	Instruction	Actioned
September 2017	<p>The IPSASB instructed staff to:</p> <ul style="list-style-type: none"> • Develop a complete draft Exposure Draft with requirements and guidance reflecting the cost model (transaction price) to account for concessionary leases for lessors; • Include the requirements and guidance for concessionary leases for lessors of the remaining two options in the appendices to the December 2017 Issues Paper; • Include flowcharts on lease accounting to be included in the Implementation Guidance section of the draft Exposure Draft; • Develop a revised structure of the Exposure Draft; and • Present a separate decision tree on investment property for lessees and lessors 	
June 2017	<p>The IPSASB instructed staff to:</p> <ul style="list-style-type: none"> • Include a paragraph in the Basis for Conclusions to explain the IPSASB's decision to retain the term fair value in the Exposure Draft; and • Reassess the paragraphs related to measurement of concessionary leases in both lessee and lessor accounting. 	
March 2017	<p>The IPSASB instructed staff to include additional guidance in the Application Guidance section of the Exposure Draft on leases that are renewed on annual basis for budgetary reasons and to do additional analysis of the relationship between:</p> <ul style="list-style-type: none"> • The Leases project and the Revenue and Non-Exchange Expense project on the economic nature of the credit entry in lessor accounting; and • IFRS 16 accounting requirements of a sale and leaseback transaction below market terms and concessionary leases. 	
December 2016	<p>The IPSASB instructed staff to do additional consistency analysis of Approaches 1 (continuing to recognize the underlying asset in its entirety) and 2 (derecognition of portion of the underlying asset) for lessor accounting with sale and leaseback, explore when on a sliding scale (or spectrum) of transactions does the transfer of the control of assets occur, and IPSAS 16, <i>Investment Property</i>.</p>	

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Meeting	Instruction	Actioned
September 2016	<p>The IPSASB instructed staff to:</p> <ul style="list-style-type: none"> • Draft text to be included in the core Standard on guidance about sales that are in the context of a sale and leaseback transaction, and a draft Basis for Conclusions on why the IPSASB took this decision; • Analyse further lessor accounting models against the criteria of consistency with the Conceptual Framework, internal consistency with IPSASB's current literature, and consistency with lessee accounting taking into account the overall public sector context. 	
June 2016	<p>The IPSASB instructed staff to bring the following issues and items to future meetings:</p> <ul style="list-style-type: none"> • Recognition exemptions and threshold of leases of low-value assets; • Presenting some fact patterns based on several types of "peppercorn leases"; • Explaining in more detail the IFRS 16 lessor accounting model; • Analysing how the service concessions model in IPSAS 32, <i>Service Concessions Arrangements: Grantor</i> might be applied for lessor accounting, and compare this approach with IFRS 16 lessor accounting by using some fact patterns; • Present a high level history of the IASB's project to explore why and when IASB modified their proposals for lessor accounting; • Explain how property and vehicle leases are accounted for in existing guidance in IPSAS 13 and in IFRS 16. 	

LEASES PROJECT ROADMAP

Meeting		Objective: IPSASB to consider:
2016	March	<ol style="list-style-type: none"> 1. Education Session on IFRS 16 2. First draft of Project Brief, <i>Leases</i>
	June	<ol style="list-style-type: none"> 1. Approval of Project Brief, <i>Leases</i> 2. Lessee—Applicability of IFRS 16 recognition and measurement requirements to public sector financial reporting 3. Lessee—“Peppercorn” leases (no decision taken) 4. Lessor—Applicability of IFRS 16 recognition requirements to public sector financial reporting
	September	<ol style="list-style-type: none"> 1. Lessor—Applicability of grant of a right to the operator model in IPSAS 32 to lessor accounting (right-of-use model) 2. Sale and leaseback transactions 3. Lessee—Recognition Exemptions—Threshold of leases for which the underlying asset is of low value
	December	<ol style="list-style-type: none"> 1. Lessor—Analysis of lessor accounting approaches to the right-of-use model 2. Lease—Measurement (including concessionary leases)
2017	March	<ol style="list-style-type: none"> 1. Lessor—Analysis of lessor accounting approaches for the right-of-use model 2. Leases for zero or nominal consideration 3. Lessee—Reassessment of the lease liability and lease modifications; lease term 4. Sale and leaseback transactions—Draft section of Core Standard and Basis for Conclusions
	June	<ol style="list-style-type: none"> 1. Terminology—Conceptual Framework and IPSASs 2. Objective, Scope and Definitions 3. Lessor: Recognition Exemptions 4. Identifying a lease, in-substance fixed lease payments, and lessee involvement with the underlying asset before the commencement date 5. Manufacturer or dealer lessor 6. Lessor—Separating components of a contract 7. Lessor—Lease modifications 8. Sale and leaseback transactions below market terms 9. Lessor—Credit entry 10. Lessor—Measurement 11. Review of first draft of the authoritative section of the ED—except Application Guidance

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Meeting		Objective: IPSASB to consider:
	September	<ol style="list-style-type: none"> 1. "Double-Counting" versus "Gross" versus "Offset"/"Net" 2. Lessor—Measurement of the Underlying Asset 3. Concessionary Leases—Measurement 4. Lessor—Credit Entry (Liability—Unearned Revenue) Related to Subsidy in Concessionary Leases
	December	<ol style="list-style-type: none"> 1. Restructuring of the Exposure Draft 2. Lessor—Options to Account for the Subsidy Component of the Credit Entry in Concessionary Leases 3. Lessor and Lessee—Presentation 4. Amendments to Other IPSASs 5. Transitional Provisions 6. Approval and Exposure Period
2018	March	Exposure Period
	June	
	September	<ol style="list-style-type: none"> 1. Review of Responses: Lessee Accounting (SMC 1) 2. Review of Responses: Lessor Accounting (SMCs 2 and 3) 3. Review of Responses: Concessionary Leases (SMC 4)
	December	<ol style="list-style-type: none"> 1. Review of Responses: Lessee Accounting (SMC 1) 4. Review of Responses: Lessor Accounting (SMCs 2 and 3)
2019	March	1. Review of Responses: Lessor Accounting (SMCs 2 and 3)
	June	<ol style="list-style-type: none"> 1. Review of Responses: Lessor Accounting (SMCs 2 and 3) 2. Review of Responses: Concessionary Leases (SMC 4) 3. Review of Responses: Remaining Issues (to be determined)
	September	<ol style="list-style-type: none"> 1. Review of Responses: Remaining Issues (to be determined) 2. Decision on to proceed or not with ED 64 proposals for lessor accounting and concessionary leases in the IPSAS on Leases (see paragraph 4(b)(iii) of Agenda Item 11.2.4)
	December	1. To be determined

Review of Responses: Lessee Accounting (SMC 1)

Question

- Whether the IPSASB agree with staff's preliminary analysis of responses to SMC 1.
- Whether the IPSASB tentatively agrees to adopt Exposure Draft (ED) 64 lessee requirements in the IPSAS on Leases.

Detail

- ED 64, *Leases*, included the following Specific Matter for Comment (SMC):

Specific Matter for Comment 1:

The IPSASB decided to adopt the IFRS 16 right-of-use model for lessee accounting (see paragraphs BC6–BC8 for IPSASB's reasons). Do you agree with the IPSASB's decision? If not, please explain the reasons. If you do agree, please provide any additional reasons not already discussed in the basis for conclusions.

Analysis of Responses

- The vast majority of respondents agree with the ED 64 right-of-use model for lessee accounting:

Table 1—Responses to SMC 1

Response	Respondents	
	#	%
Agree	33	85
Partially Agree	2	5
Disagree	2	5
Subtotal	37	95
No Comment	2	5
Total	39	100

Staff's Comments

- Respondents who agree with ED 64 noted that their thinking was generally consistent with IPSASB's reasoning set out in the Basis for Conclusions (BC) to ED 64.
- Table 2 on the next page presents the respondents' reasons that partially agree and disagree with ED 64 and staff's comments.

Table 2—Respondents' reasons that partially agree and disagree with SMC 1 and staff's comments

Resp.	Response	Reasons	Staff's comments
R6, R39	Partially agree	Exemption should be added for public sector entities to provide relief from applying the proposed accounting requirements for leases between entities of the public sector ¹ because of: (a) Cost-benefit reasons; (b) Divergence with Government Finance Statistics (GFS); and (c) Additional liabilities.	(a) Staff is of the view that the benefits of the proposals in ED 64 outweigh the costs of the revised accounting. (b) The determination of public debt under GFS is not impacted because changes proposed are to IPSAS, not GFS. (c) The additional liabilities in the statement of financial position of public sector entities better reflect the economics of leases and the approach is consistent with the Conceptual Framework and IPSAS.
R08, R17	Disagree	(a) Proposed model is too complicated, costly and concentrated on the statement of financial position (R08) (b) "Right-of-use model for lessee accounting by itself is inadequate for public sector reporting" because the IPSASB did not "consider more deeply the allocations of rights, which pertain to physical and intangible assets, which are prevalent in the public sector." (R17)	(a) ED 64 proposals are consistent with IFRS 16. Respondent's reasons are not public sector specific and do not warrant a departure from IFRS 16. Staff is of the view that the benefits of the proposals in ED 64 outweigh the costs of the revised accounting. (b) The IPSASB has not explicitly considered the introduction of a property rights framework for lease accounting. The IPSASB decided that the "bundle of rights" model, which is a similar approach, is not consistent with IPSASB literature (see ED 64.BC34-BC40).

Staff's Recommendation

6. Based on the strong support for the proposals in ED 64 for lessee accounting and the fact that the issues raised by respondents are not public sector specific and therefore warrant departure from IFRS 16, staff's recommendation is that the IPSASB tentatively decides to adopt the proposals in the ED in the IPSAS on Leases.

Decisions required

7. Does the IPSASB agree with:
- (a) Staff's preliminary analysis of responses to SMC 1?

¹ R6 and R39 recommend that the standard would only be mandatory to lease arrangements between public and private entities.

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- (b) Staff's recommendation to tentatively decide to adopt ED 64 lessee requirements in the IPSAS on Leases?

Review of Responses: Lessor Accounting (SMCs 2 and 3)

Question

1. Whether the IPSASB agree with staff's preliminary analysis of responses to SMCs 2 and 3.
2. Whether the IPSASB want to provide any further instruction to staff on any specific issue on lessor accounting when reviewing the responses.

Detail

2. ED 64, *Leases*, included the following two Specific Matters for Comment:

Specific Matter for Comment 2:

The IPSASB decided to depart from the IFRS 16 risks and rewards model for lessor accounting in this Exposure Draft (see paragraphs BC9–BC13 for IPSASB's reasons). Do you agree with the IPSASB's decision? If not, please explain the reasons. If you do agree, please provide any additional reasons not already discussed in the basis for conclusions.

Specific Matter for Comment 3:

The IPSASB decided to propose a single right-of-use model for lessor accounting consistent with lessee accounting (see paragraphs BC34–BC40 for IPSASB's reasons). Do you agree with the requirements for lessor accounting proposed in this Exposure Draft? If not, what changes would you make to those requirements?

High-level Insights from Respondents

3. Overall, respondents:
 - (a) Do not have a unified view on lessor accounting (see paragraphs 6-11);
 - (b) Have opposing views² on the same issues (see paragraph 12); and
 - (c) Advocated different approaches for lessor accounting (see paragraph 13).
4. As a consequence, the IPSASB will need to evaluate respondents' views in order to determine the approach to lessor accounting.

Analysis of Responses

5. As many respondents to ED 64 responded to SMCs 2 and 3 together or made cross-references between both SMCs, staff decided to analyze both SMCs in order to better capture respondents' rationales on ED 64 lessor accounting.
6. Table 1 in the next page shows that the majority of respondents agree or partially agree with the departure from the IFRS 16 risks and rewards model for lessor accounting and with the single right-

² The term "opposing views" is used with meaning of "conflicting" or "contrasting". For example: some respondents say the credit entry in lessor accounting is a liability, and others say that it is not a liability.

of-use model for lessor accounting. However, there was more support for departing from the risks and rewards model than for adoption of the right-of-use model.

Table 1—Responses to SMC 2 and SMC 3

Response	Respondents			
	SMC 2		SMC 3	
	#	%	#	%
Agree	22	56	13	33
Partially Agree	1	3	7	18
Disagree	14	36	18	46
Subtotal	37	95	38	97
No Comment	2	5	1	3
Total	39	100	39	100

7. [Appendix A](#) provides a more detailed analysis of responses to SMCs 2 and 3 by respondents' function and region.
8. The functional analysis shows that, except for Accountancy Firms (that agree or partially agree with ED 64) and Audit Offices (that only disagree with ED 64), respondents in the other functional categories have a mixture of agreement and disagreement with ED 64.
9. The regional analysis shows that most respondents from Asia, Australasia and Oceania disagree with ED 64 lessor accounting proposals (although not unanimously), while most respondents from the rest of the regions of the globe agree with ED 64.
10. The following Table 2³ classifies the respondents in six categories according to their responses to both SMCs.

Table 2—Category of Respondents to SMCs 2 and 3

Category	SMC 2	SMC 3	Respondents
1	Agree	Agree	R03, R05, R09, R13, R14, R15, R18, R21, R22, R30, R32, R35
2		Partially Agree	R06, R20, R24, R26, R37, R38, R39,
3		Disagree	R08, R17, R34
4	Partially Agree	Agree	R02
5	Disagree	Disagree	R04, R10, R11, R12, R16, R19, R23, R25, R27, R28, R29, R31, R33, R36

³ The table does not include R01 because he did not comment on SMCs 2 and 3.

6	No Comment		R07
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11. [Appendix B](#) summarizes the main reasons provided by each category of respondents.
12. [Appendix C](#) shows that many respondents have opposing views on key issues that are fundamental to the future IPSAS on Leases, such as:
 - (a) Whether the rationale to depart from IFRS 16 is strong enough;
 - (b) Whether lessor accounting proposed in ED 64 is consistent with the Conceptual Framework and IPSAS;
 - (c) Whether lessor accounting proposed in ED 64 reflects the economics of the transaction; and
 - (d) Whether there is double-counting when underlying asset is recognized at cost and the lease receivable is also recognized.
13. [Appendix B](#) also shows that respondents that disagree with the ED 64 lessor accounting proposals (Category 3, 5 and 6) support a range of approaches:
 - (a) A hybrid approach between ED 64 lessor accounting and Approach 2 by requiring fair value measurement for all underlying assets (R25);
 - (b) Approach 2 (R16, R17, R34);
 - (c) Extending the finance lease model in IFRS 16 to operating leases (R07);
 - (d) IFRS 16 lessor accounting (R04, R10, R11, R12, R19, R27, R28, R29, R31, R36);
 - (e) IFRS 16 lessor accounting as an additional step on top of ED 64 lessor accounting (R33);
 - (f) IFRS 16 lessor accounting or another lessor model for all types of assets (R23); and
 - (g) Retaining the risks and rewards model for both lessors and lessees (R08).

Staff's Comments

14. In conclusion, staff is of the view that respondents do not have a unified view on the departure from IFRS 16 and on lessor accounting.
15. As a consequence, staff is of the view that the IPSASB will need to evaluate respondents' views in order to determine the approach to lessor accounting.

Decisions required

16. Does the IPSASB:
 - (a) Agree with staff's preliminary analysis of the responses to SMCs 2 and 3?
 - (b) Want to provide any further direction to staff on any specific issue on lessor accounting when reviewing the responses?

Appendix A – # of Respondents to SMC 2 and SMC 3 by Function and Region

I – SMC 2 – By Function

	Agree	Partially Agree	Disagree	No Comment	Total
Member or Regional Body	8	1	5	0	14
Audit Office	0	0	2	0	2
Preparer	5	0	3	0	8
Standard Setter / Standard Advisory Board	4	0	3	0	7
Accountancy Firm	2	0	0	0	2
Other	3	0	1	2	6
Total	22	1	14	2	39

II – SMC 2 – By Region

	Agree	Partially Agree	Disagree	No Comment	Total
Europe	9	1	2	1	13
Latin America and the Caribbean	1	0	0	1	2
Africa and the Middle East	5	0	1	0	6
Australasia and Oceania	3	0	6	0	9
North America	2	0	1	0	3
Asia	1	0	3	0	4
International	1	0	1	0	2
Total	22	1	14	2	39

III – SMC 3 – By Function

	Agree	Partially Agree	Disagree	No Comment	Total
Member or Regional Body	6	3	5	0	14
Audit Office	0	0	2	0	2
Preparer	2	1	5	0	8
Standard Setter / Standard Advisory Board	1	2	4	0	7
Accountancy Firm	1	1	0	0	2
Other	3	0	2	1	6
Total	13	7	18	1	39

IV – SMC 3 – By Region

	Agree	Partially Agree	Disagree	No Comment	Total
Europe	5	4	4	0	13
Latin America and the Caribbean	0	1	0	1	2
Africa and the Middle East	4	1	1	0	6
Australasia and Oceania	1	0	8	0	9
North America	1	1	1	0	3
Asia	1	0	3	0	4
International	1	0	1	0	2
Total	13	7	18	1	39

Appendix B – Summary of Respondents' Reasons to SMC 2 and SM3⁴

Cat.	Main reasons
1	<p data-bbox="282 373 662 407">(SMC 2: Agree; SMC 3: Agree)</p> <p data-bbox="282 436 656 470">Agree with IFRS 16 departure</p> <ul data-bbox="282 491 1421 1163" style="list-style-type: none"> • Agrees with Approach 1 of lessor accounting because it is easier to apply (R03) • Agree with the Basis for Conclusions to ED 64 (R13, R14, R22, R30, R32) and they are comprehensive (R32, R37) or helpful • Avoids a distorted view to the user of the accounts of the lessor (R35) • Avoids the inconsistencies that IFRS 16 produces when the lessor and lessee are part of the same accounting entity (R32, R35) • Consistent with lessee accounting (R03, R05, R13, R18, R35), Conceptual Framework (R03, R09, R21), and IPSAS (R03) • ED 64 lessor accounting (better) reflects the economics of the transaction (R35) • Greater accountability and transparency to the citizens (R35) • Greater comparability between lessor and lessee (R35) • In the public sector it is very rare for the lessor to lose control of the underlying assets (R09) • Lessor accounting model should be based on control (R13) • Lessors and lessees in the same group is more common in the public sector (R35) • The IFRS 16 cost benefit arguments for the private sector are different to those of the public sector (R22) <p data-bbox="282 1184 737 1218">Agree with ED 64 lessor accounting</p> <ul data-bbox="282 1226 1421 1724" style="list-style-type: none"> • Agree with the Basis for Conclusions to ED 64 and they are comprehensive or helpful (R35) • Avoids a distorted view to the user of the accounts of the lessor (R35) • Avoids the inconsistencies that IFRS 16 produces when the lessor and lessee are part of the same accounting entity (R35) • Consistent with lessee accounting (R09, R14, R20, R21, R22, R32), Conceptual Framework (R21), and IPSAS • Consolidation of groups of public sector entities not unnecessarily complicated (R18) • ED 64 lessor accounting (better) reflects the economics of the transaction (R03) • It is in tandem with what it is obtained in practice within the leasing industry (R21) • Resolves the asymmetry in accounting for leases which has not been resolved under IFRS 16 (R14) • Resolves the public sector related issues identified in the Basis for Conclusions (R14)

⁴ Staff notes that this table provides a high-level summary of the main issues raised by respondents. In the next meetings, staff will bring a more detailed analysis of each issue identified in the above table, other issues that are not yet addressed in the above table, and the suggestions and recommendations from respondents.

Cat.	Main reasons
	<ul style="list-style-type: none"> • The lease receivable should be recognized as an asset (R20) • The liability (unearned revenue) meets the definition of a liability (R13) • The underlying asset and the lease receivable are accounted separately (R14) • Understandability of leasing transactions (R18)
2	<p data-bbox="282 497 771 531">(SMC 2: Agree; SMC 3: Partially Agree)</p> <p data-bbox="282 556 654 590">Agree with IFRS 16 departure</p> <ul style="list-style-type: none"> • Agree with the Basis for Conclusions to ED 64 (R20, R37) and they are comprehensive (R20, R37) or helpful • Approach 2 of lessor accounting raises complex implementation and measurement issues (R06, R24, R39) • Asymmetrical accounting will cause consolidation issues (R38) • Consistent with lessee accounting (R20, R24, R37, R39), Conceptual Framework (R06, R24, R39), and IPSAS • Easier and simpler to communicate (R06, R39) • ED 64 lessor accounting (better) reflects the economics of the transaction (R20, R24) • Lessors and lessees in the same group is more common in the public sector (R24) • The lease receivable should be recognized as an asset (R24) • The liability (unearned revenue) meets the definition of a liability (R20) • The underlying asset and the lease receivable are accounted separately (R20, R24) • The underlying asset and the lease receivable are accounted separately (R06, R20, R24, R38, R39) • Understandability of leasing transactions (R38) <p data-bbox="282 1291 849 1325">Partially agree with ED 64 Lessor accounting</p> <ul style="list-style-type: none"> • Agrees with the Basis for Conclusions (R37) to ED 64 and they are comprehensive or helpful • Agrees with Approach 1 of lessor accounting because it is easier to apply (R37) • Approach 2 for conceptual reasons; ED 64 for practical reasons (R24) • Check cost-benefit reasons in the public sector for departure from IFRS 16 (R24) • Consistent with lessee accounting (R06), Conceptual Framework, and IPSAS • Does not support the term liability (unearned revenue) because the credit entry constitutes a liability for the lessor to perform (R20) • Exempt leases between public sector entities from ED 64 (R06, R39) • Include exemption for leases of low value assets for lessors similar to lessees (R37, R38) • Inconsistent with the control concept (R24) • Lessor should derecognize the underlying asset for concessionary leases at no consideration because it is consistent with the Conceptual Framework (R26) • Should not compare with IPSAS 32 (R24)

Cat.	Main reasons
	<ul style="list-style-type: none"> • The liability (unearned revenue) does not change in every case as a result in a change of measurement of the lease receivable because not all factors impacting the measurement of the lease receivable have an equivalent impact on the measurement of the performance obligation. (R20, R24) • The liability (unearned revenue) does not meet the definition of a liability (R24) • There is double-counting of the underlying asset and the lease receivable (underlying asset and lease receivable) (R24)
3	<p>(SMC 2: Agree; SMC 3: Disagree)</p> <p>Agree with IFRS 16 departure</p> <ul style="list-style-type: none"> • Asymmetrical accounting will cause consolidation issues (R34) • Consistent with lessee accounting (R34), Conceptual Framework (R17, R34), and IPSAS (R17) • Lessors and lessees in the same group is more common in the public sector (R34) • Understandability of leasing transactions (R08) <p>Disagree with ED 64 lessor accounting</p> <ul style="list-style-type: none"> • Consolidation under ED 64 more difficult for public sector entities that apply IFRS (mixed groups) (R17) • ED 64 lessor accounting does not reflect the economics of the transaction (R17) • Prefers Approach 2 for conceptual reasons (R17, R34) • Support retaining the risks and rewards model for both lessors and lessees (R08) • The credit entry does not represent a performance obligation of the lessor (to make the leased asset available) over the term of the lease, as the right of use asset has been delivered to the lessee at the commencement of the lease (R17). • The right-of-use asset is not a new asset created at the time of the lease (R34) • There is double-counting of the underlying asset and the lease receivable (underlying asset and lease receivable) (R08, R17)
4	<p>(SMC 2: Partially Agree; SMC 3: Agree)</p> <p>Partially agree with IFRS 16 departure</p> <ul style="list-style-type: none"> • Consistent with lessee accounting (R02), Conceptual Framework (R02), and IPSAS • ED 64 proposals are theoretically more correct than IFRS 16, but the reasons to depart are not specific to public sector (R02) <p>Agree with ED 64 lessor accounting</p> <ul style="list-style-type: none"> • Approach 2 of lessor accounting raises complex implementation and measurement issues (R02) • There is double-counting of the underlying asset and the lease receivable (underlying asset and lease receivable) (R02)

Cat.	Main reasons
5	<p data-bbox="284 317 737 348">(SMC 2: Disagree; SMC 3: Disagree)</p> <p data-bbox="284 373 695 405">Disagree with IFRS 16 Departure</p> <ul data-bbox="284 422 1421 1115" style="list-style-type: none"> • Additional records will be necessary because of different assumptions used by the lessee and the lessor or different requirements (R11, R12, R16) • Consolidation under ED 64 more difficult for public sector entities that apply IFRS (mixed groups) (R10, R12, R16, R25, R27) • Different lessor models is likely to create understandability issues to users of financial statements (R12, R25, R27, R28) • Economics of leases are the same in both the public and private sectors (R33) • Rationale to depart from IFRS 16 not strong enough (R04, R12, R25, R27, R28) • Reasons to depart from IFRS 16 are not more prevalent in the public sector or different from the private sector (R04, R11, R12, R27, R33) • State-owned enterprises could not compare with private sector entities (R33) • There are no additional costs in preparing financial statements with the same IFRS 16 lessor requirements (R11, R29) • There should be no difference in the accounting treatment for the same lease entered into by a private sector lessor and public sector lessor (R12) • User information needs in the public sector do not significantly differ from those in the private sector (R10, R36) <p data-bbox="284 1131 773 1163">Disagree with ED 64 lessor accounting</p> <ul data-bbox="284 1180 1421 1864" style="list-style-type: none"> • Approach 2 is also consistent with the Conceptual Framework (R25, R27) • ED 64 lessor accounting does not reflect the economics of the transaction (R25, R27) • IFRS 16 is more conceptual than ED 64 (R12, R33) • Include exemption for leases of low value assets for lessors similar to lessees (R33) • Inconsistent with the Conceptual Framework (R25, R27, R36) • It is questionable that the underlying asset and the right-of-use asset are treated as different economic phenomena (R19) • Lessor should derecognize the underlying asset in a finance lease (R10, R11, R28, R29, R33) • Risks and rewards approach is a sub-set of control model or not different and do not necessarily result in different consequences in all cases (R23, R33) • Should not compare with IPSAS 32 (R04, R25, R27) • Support an hybrid approach between ED 64 lessor accounting and Approach 2 by requiring fair value measurement for all underlying assets (R25) • Support Approach 2 for conceptual reasons (R16) • Support IFRS 16 lessor accounting (R04, R10, R11, R12, R19, R27, R28, R29, R31, R36) • Support IFRS 16 lessor accounting as an additional step of ED 64 lessor accounting (R33)

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Cat.	Main reasons
	<ul style="list-style-type: none"> • Support IFRS 16 lessor accounting or another lessor model for all types of assets (R23) • The cost of adopting ED 64's proposed lessor accounting requirements outweighs the benefits (R11, R27) • The IPSASB literature allows derecognition of assets based on transfer of rights (R25, R27) • The lease receivable is not a financial asset as the lessor does not have the unconditional right to receive cash (R29, R31) • The liability (unearned revenue) does not meet the definition of a liability (R10, R11, R16, R25, R27, R29) • The right-of-use model is that it represents the transaction based on its legal form (ownership of asset) rather than the substance of transaction (leasing) (R36) • There is double-counting of the underlying asset and the lease receivable (underlying asset and lease receivable) (R04, R10, R11, R12, R16, R19, R23, R25, R27, R28, R29)
6	<p>(SMC 2: No Comment; SMC 3: Disagree)</p> <p>Disagree with ED 64 lessor accounting</p> <ul style="list-style-type: none"> • Inconsistent with the Conceptual Framework (R07) • Support extending the finance lease model in IFRS 16 to operating leases (R07) • The lessor transfers control of the entirety of the resource to the lessee (R07)

Appendix C – Opposing Views on SMCs 2 and 3

Agree or Partially Agree with ED 64	Disagree with ED 64
SMC 2 – Departure from IFRS 16	
<ul style="list-style-type: none"> • Agree with the BCs to ED 64 (R13, R14, R20, R22, R30, R32, R37) and they are comprehensive (R20, R32, R37) • Consistent with lessee accounting (R02, R03, R05, R13, R18, R20, R24, R34, R35, R37, R39), Conceptual Framework (R02, R03, R06, R09, R17, R21, R24, R34, R39), and IPSAS (R03, R17) • Lessors and lessees in the same group is more common in the public sector (R24, R34, R35) • The IFRS 16 cost benefit arguments for the private sector are different to those of the public sector (R22) 	<ul style="list-style-type: none"> • Rationale to depart from IFRS 16 not strong enough (R04, R12, R25, R27, R28) • Reasons to depart from IFRS 16 are not more prevalent in the public sector or different from the private sector (R04, R11, R12, R27, R33)
SMC 3 – ED 64 Lessor Accounting Model	
<ul style="list-style-type: none"> • Agree with the BCs to ED 64 (R37) and they are comprehensive or helpful (R35) • Consistent with lessee accounting (R02, R06, R09, R14, R20, R21, R22, R32.), Conceptual Framework (R02, R21) and IPSAS 	<ul style="list-style-type: none"> • Inconsistent with the Conceptual Framework (R07, R25, R27, R36), • Approach 2 is also consistent with the Conceptual Framework (R25, R27) • Should not compare with IPSAS 32 (R04, R24, R25, R27)
The lease receivable should be recognized as an asset (R20, R24)	The lease receivable is not a financial asset as the lessor does not have the unconditional right to receive cash (R29, R31)
ED 64 lessor accounting reflects the economics of the transaction (R03, R20, R24, R35)	ED 64 lessor accounting does not reflect the economics of the transaction (R17, R25, R27)
The liability (unearned revenue) meets the definition of a liability (R13, R20)	The liability (unearned revenue) does not meet the definition of a liability (R10, R11, R16, R24, R25, R27, R29)
The underlying asset and the lease receivable are accounted for separately (R06, R14, R20, R24, R38, R39)	<ul style="list-style-type: none"> • There is double-counting of the underlying asset and the lease receivable (R02, R04, R08, R10, R11, R12, R16, R17, R19, R23, R24, R25, R27, R28, R29) • The right-of-use asset is not a new asset created at the time of the lease (R34)

Review of Responses: Concessionary Leases (SMC 4)

Question

1. Whether the IPSASB agree with staff's preliminary analysis of the responses to SMC 4.
2. Whether the IPSASB want to provide any further instruction to staff on any specific issue on concessionary leases when reviewing the responses.

Detail

2. ED 64, *Leases*, included the following Specific Matter for Comment:

Specific Matter for Comment 4:

For lessors, the IPSASB proposes to measure concessionary leases at fair value and recognize the subsidy granted to lessees as a day-one expense and revenue over the lease term consistent with concessionary loans (see paragraphs BC77–BC96 for IPSASB's reasons). For lessees, the IPSASB proposes to measure concessionary leases at fair value and recognize revenue in accordance with IPSAS 23 (see paragraphs BC112–BC114 for IPSASB's reasons). Do you agree with the requirements to account for concessionary leases for lessors and lessees proposed in this Exposure Draft? If not, what changes would you make to those requirements?

High-level Insights from Respondents

3. Overall, respondents:
 - (a) Do not have a unified view on accounting for concessionary leases (see paragraphs 5-10);
 - (b) Have opposing views on the same issues (see paragraph 11); and
 - (c) Who disagree with the proposals for lessor accounting in ED 64, have mixed views on the proposed approach for accounting for concessionary leases for lessors and/or lessees (see paragraph 12).
4. As a consequence, the IPSASB will need to evaluate respondents' views in order to maintain or change the approach in ED 64 for accounting for concessionary leases.

Analysis of Responses

5. Table 1 in the following page shows that the majority of respondents⁵ agree or partially agree with the proposed accounting for the subsidy in concessionary leases for lessors and lessees, but to a lesser extent for lessors than for lessees.

⁵ Staff notes that comments on leases for zero or nominal consideration are not addressed in this issues paper because they are related to scope and definitions of the ED and not related to the accounting of the subsidy.

Table 1—Responses to SMC 4

Response	Respondents			
	Lessor		Lessee	
	#	%	#	%
Agree	18	46	25	64
Partially Agree	5	13	4	10
Disagree	12	31	3	8
Subtotal	36	90	33	82
No Comment	3	8	6	15
Not clear	1	2	1	3
Total	39	100	39	100

6. [Appendix A](#) provides a more detailed analysis of responses to SMC 4 by respondents' function and region.
7. The functional analysis shows most Members or Regional Bodies and Standard Setters/Standard Advisory Boards agree or partially agree more with the ED 64 proposals on concessionary leases for lessors, while the Audit Offices only disagree with ED 64 proposals. The functional analysis also shows that there is a majority of respondents in all categories supporting the ED 64 proposals on lessee accounting only two preparers and one Standard Setter/Advisory Board disagree with the proposals.
8. The regional analysis indicated that most respondents from a particular region have the same or similar views.:
 - (a) Lessor Accounting: Respondents from Europe, Latin America and the Caribbean, and North America agree or partially agree (no respondent disagrees), while the majority of those from Australasia and Oceania disagree with the ED 64 proposals.
 - (b) Lessee Accounting: Respondents from Europe, Latin America and the Caribbean, Africa and the Middle East, North America, Asia, and International Organizations agree or partially agree (no disagreement), while a majority of respondents from Australasia and Oceania agree or partially agree (a minority of respondents from this region disagree) with the ED 64 proposals.
9. As respondents have different views on concessionary leases for lessors and lessees, the following Table 2⁶ classifies the respondents in 8 categories for analytical purposes.

⁶ The table does not include R01, R07 and R26 because they did not comment to SMC 4 and does not include R30 because the response was not clear.

Table 2—Categories of Respondents to SMC 4

Category	Lessor	Lessee	Respondents
1	Agree	Agree	R02, R05, R06, R08, R14, R15, R19, R21, R23, R28, R32, R33, R35, R36, R37, R38, R39
2		No Comment	R13
3	Partially Agree	Agree	R22, R34
4		Partially Agree	R09, R20, R24
5	Disagree	Partially Agree	R16
6		Agree	R03, R10, R11, R25, R29, R31
7		Disagree	R04, R17, R27
8		No Comment	R12, R18

10. [Appendix B](#) provides a summary of the main reasons for each category of respondents.
11. [Appendix C](#) shows that many respondents have opposing views on the same issues that are fundamental to the accounting for concessionary leases, such as:
 - (a) Whether fair value measurement should be used in accounting for concessionary leases; and
 - (b) Whether the accounting for the subsidy in a concessionary lease is analogous with the accounting for the subsidy in a concessionary loan.
12. Comparing the responses to SMC 3 and SMC 4:
 - (a) Four respondents (R10, R11, R16, R27) do not agree with the ED 64 proposals for accounting for the subsidy in a concessionary lease by lessors because they do not agree with ‘the right of use’ model for lessor accounting. However:
 - (i) R10 and R11 agree with ED 64 accounting for the subsidy in a concessionary lease for lessees;
 - (ii) R16 partially agrees with ED 64 accounting for the subsidy in a concessionary lease for lessees; and
 - (iii) R27 also disagrees with ED 64 accounting for the subsidy in a concessionary lease for lessees.
 - (b) Six respondents (R08, R19, R23, R28, R33, R36) although disagreeing with ED 64 lessor accounting, agree with ED 64 accounting for the subsidy in a concessionary lease for lessors.

Staff's Comments

13. In conclusion, and similar to views on ED 64 proposals on lessor accounting, respondents:
 - (a) Do not have a unified view on accounting for the subsidy in a concessionary lease for lessors and lessees; and

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- (b) Linked lessor accounting with the accounting for concessionary leases, independently of agreeing or disagreeing with the accounting for concessionary leases (see paragraph 12).
- 14. As a consequence, staff is of the view that the IPSASB will need to evaluate the responses and decide on whether to maintain or change its decisions on the accounting for concessionary leases.

Decisions required

- 15. Does the IPSASB:
 - (a) Agree with staff's preliminary analysis of the responses to SMC 4?
 - (b) Want to provide any further direction to staff on any specific issue on concessionary leases when reviewing the responses?

Appendix A – # of Respondents to SMC 4 by Function and Region

Lessor

I – SMC 4 – By Function

	Agree	Partially Agree	Disagree	No Comment	Not Clear	Total
Member or Regional Body	6	2	4	1	1	14
Audit Office	0	0	2	0	0	2
Preparer	4	1	3	0	0	8
Standard Setter / Standard Advisory Board	5	0	2	0	0	7
Accountancy Firm	1	1	0	0	0	2
Other	2	1	1	2	0	6
Total	18	5	12	3	1	39

II – SMC 4 – By Region

	Agree	Partially Agree	Disagree	No Comment	Not Clear	Total
Europe	8	4	0	1	0	13
Latin America and the Caribbean	1	0	0	1	0	2
Africa and the Middle East	3	0	2	1	0	6
Australasia and Oceania	0	1	8	0	0	9
North America	3	0	0	0	0	3
Asia	2	0	1	0	1	4
International	1	0	1	0	0	2
Total	18	5	12	3	1	39

Lessee

III – SMC 4 – By Function

	Agree	Partially Agree	Disagree	No Comment	Not Clear	Total
Member or Regional Body	10	2	0	1	1	14
Audit Office	1	0	0	1	0	2
Preparer	4	0	2	2	0	8
Standard Setter / Standard Advisory Board	6	0	1	0	0	7
Accountancy Firm	1	1	0	0	0	2
Other	3	1	0	2	0	6
Total	25	4	3	6	1	39

IV – SMC 4 – By Region

	Agree	Partially Agree	Disagree	No Comment	Not Clear	Total
Europe	9	3	0	1	0	13
Latin America and the Caribbean	1	0	0	1	0	2
Africa and the Middle East	5	0	0	1	0	6
Australasia and Oceania	4	0	3	2	0	9
North America	2	0	0	1	0	3
Asia	3	0	0	0	1	4
International	1	1	0	0	0	2
Total	25	4	3	6	1	39

Appendix B – Summary of Respondents' Reasons to SMC 4⁷

Cat.	Main reasons
1	<p>(Lessor: Agree; Lessee: Agree)</p> <p>Lessor</p> <ul style="list-style-type: none"> • Agree with fair value measurement (R02, R14, R21, R32, R38) • The proposed approach is logical and provides transparency (R05) • Consistency between concessionary leases and concessionary loans (R06, R08, R14, R32, R37, R39) • Agree with expense recognition of the subsidy (R14) • Agree with day-one expense and revenue over the lease term (R21, R38) • Agree with the recognition of the subsidy as an expense (R32) • It is useful (R33) • The proposed approach is logical (R35) • Consistent with other IPSAS (R35, R37) <p>Lessee</p> <ul style="list-style-type: none"> • Consistent with other IPSAS (R35, R37) • Consistency between concessionary leases and concessionary loans (R06, R08, R19, R32, R36, R37, R39) • The proposed approach is logical (R05, R35) and provides transparency (R05) • Agree with fair value measurement (R02, R14, R21, R38) • Agree with revenue recognition of the subsidy according to IPSAS 23 (R02, R14, R21, R38)
2	<p>(Lessor: Agree; Lessee: No Comment)</p> <p>Lessor</p> <ul style="list-style-type: none"> • R13 did not provide reasons
3	<p>(Lessor: Partially Agree; Lessee: Agree)</p> <p>Lessor</p> <ul style="list-style-type: none"> • Agree with fair value measurement (R22, R34) • Agree with expense recognition of the subsidy (R22) • Should defer the expense of the subsidy if there are obligations (R34) • Recognize the subsidy component of the credit entry in net assets/equity (R22) • A concessionary lease is not comparable to a concessionary loan (R34) <p>Lessee</p>

⁷ Staff notes that this table provides a high-level summary of the main issues raised by respondents. In the next meetings, staff will bring a more detailed analysis of each issue identified in the above table, other issues that are not yet addressed in the above table, and the suggestions and recommendations from respondents.

Cat.	Main reasons
	<ul style="list-style-type: none"> • Agree with fair value measurement (R34) • Agree with revenue recognition of the subsidy according to IPSAS 23 (R34)
4	<p>(Lessor: Partially Agree; Lessee: Partially Agree)</p> <p>Lessor</p> <ul style="list-style-type: none"> • Should defer the expense of the subsidy if there are obligations (R09, R20) <p>Lessee</p> <ul style="list-style-type: none"> • Should recognize the subsidy as revenue on day one (R09, R24) • Add the possibility of capital contributions as recipient (R24)
5	<p>(Lessor: Disagree; Lessee: Partially Agree)</p> <p>Lessor</p> <ul style="list-style-type: none"> • The credit entry should be to the underlying asset (R16) • Does not support ED 64 lessor accounting (R16) <p>Lessee</p> <ul style="list-style-type: none"> • Should defer the revenue of the subsidy even if there are no conditions (R16)
6	<p>(Lessor: Disagree; Lessee: Agree)</p> <p>Lessor</p> <ul style="list-style-type: none"> • Should defer the expense of the subsidy over the lease term (R03) • Does not support ED 64 lessor accounting (R10, R11) • Disagree for cost-benefit reasons (R25) • The upfront expense is counter intuitive for a public sector entity providing public services (R29, R31) <p>Lessee</p> <ul style="list-style-type: none"> • Agree with revenue recognition of the subsidy according to IPSAS 23 (R03, R11) • Agree with fair value measurement (R11)
7	<p>(Lessor: Disagree; Lessee: Disagree)</p> <p>Lessor</p> <ul style="list-style-type: none"> • The credit entry should be credited to the underlying asset (R27) • A concessionary lease is not comparable to a concessionary loan (R17, R27) • Disagree with fair value measurement (R04) • Does not support ED 64 lessor accounting (R27) <p>Lessee</p> <ul style="list-style-type: none"> • Disagree with fair value measurement (R04, R27) • A concessionary lease is not comparable to a concessionary loan (R17)

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Cat.	Main reasons
8	(Lessor: Disagree; Lessee: No Comment)
	Lessor <ul style="list-style-type: none">• Disagree with fair value measurement (R12)• The recognition of the subsidy inflates the expenditure (R18)

Appendix C – Opposing Views on Concessionary Leases

Agree or Partially Agree	Disagree
Lessor	
Agree with fair value measurement (R02, R14, R21, R22, R32, R34, R38)	Disagree with fair value measurement (R04, R12, R27)
Consistency between concessionary leases and concessionary loans (R06, R08, R14, R21, R32, R36, R37)	A concessionary lease is not comparable to a concessionary loan (R17, R27, R34)
Agree with day-one expense and revenue over the lease term (R21, R38)	The credit entry should be credited to the underlying asset (R16, R27)
Lessee	
Agree with fair value measurement (R02, R11, R14, R21, R32, R34, R38)	Disagree with fair value measurement (R04, R27)
Consistency between concessionary leases and concessionary loans (R06, R08, R32, R37)	A concessionary lease is not comparable to a concessionary loan (R17)

Strategy to Move the Leases Project Forward**Question**

1. Whether the IPSASB agree with staff's recommendation to adopt a new strategy to move the Leases project forward.

Detail*Need of a New Strategy for the Leases Project*

2. Agenda Items 11.2.1, 11.2.2 and 11.2.3 show that respondents have diverse views on:
 - (a) ED 64 proposals on lessee accounting;
 - (b) The departure from IFRS 16 lessor accounting;
 - (c) ED 64 proposals on lessor accounting; and
 - (d) Accounting for concessionary leases.
3. Additionally, respondents also:
 - (a) Expressed a diversity of views on other sections of ED 64 (scope, definitions, illustrative examples) that staff did not address in the previous Agenda Items; and
 - (b) Linked lessor accounting with the accounting for concessionary leases, independently of agreeing or disagreeing with the accounting for concessionary leases.
4. As a consequence, staff is of the view that the IPSASB needs a new strategy to move the Leases project forward. The proposed strategy involves:
 - (a) Extending the Leases project timeline in order to fully analyze the issues arising from the responses (see Agenda Item 4—Technical Director's Report on Work Plan); and
 - (b) Adopting a three-step approach to project development:
 - (i) First step—Review the issues that respondents raised on lessee accounting, and tentatively decide on the approach to these issues at the September 2018 meeting, and make the final decision on lessee accounting at the December 2018 meeting;
 - (ii) Second step—Review and decide on all the issues that respondents raised on lessor accounting and concessionary leases between December 2018 and June 2019; and
 - (iii) Third step—In September 2019, decide to:
 - a. Maintain ED 64 proposals for lessor accounting and concessionary leases in the IPSAS on Leases (including any minor changes); or
 - b. Modify significantly ED 64 proposals for lessor accounting and concessionary leases.
5. Staff notes that depending on the decision that the IPSASB will make on 4(b)(iii), there might be a need to issue a further ED.

Staff's Recommendation

6. Staff recommends that the IPSASB adopts the strategy proposed in paragraph 4.

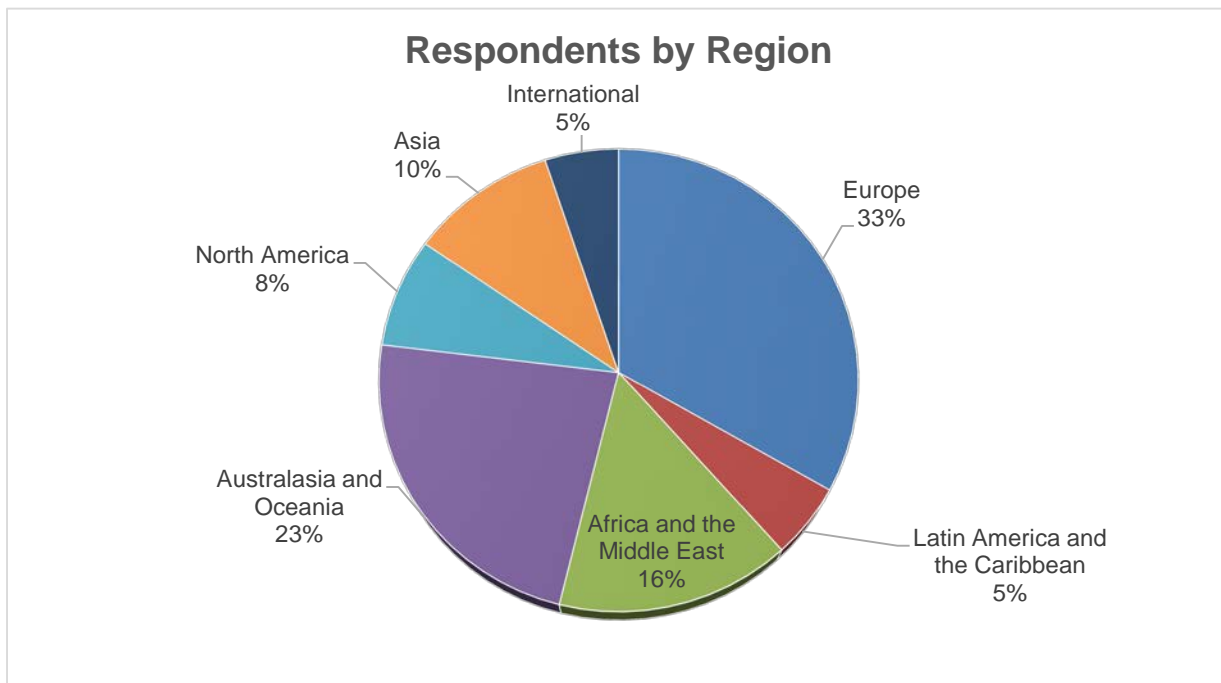
Decisions required

7. Does the IPSASB agree with staff's recommendation to adopt a new strategy to progress the Leases project by:
 - (a) Extending the Leases project timeline?
 - (b) Adopting the three-step approach to project development on key moments of the Leases project described in paragraph 4?

ANALYSIS OF RESPONDENTS BY REGION, FUNCTION, AND LANGUAGE

Geographic Breakdown

Regions	Respondents	Total
Europe	R02, R06, R07, R08, R09, R20, R22, R24, R28, R32, R33, R35, R39	13
Latin America and the Caribbean	R01, R02	2
Africa and the Middle East	R03, R14, R15, R21, R25, R26,	6
Australasia and Oceania	R04, R10, R12, R17, R18, R27, R29, R31, R34	9
North America	R13, R36, R37,	3
Asia	R11, R19, R23, R30	4
International	R05, R16	2
Total		39

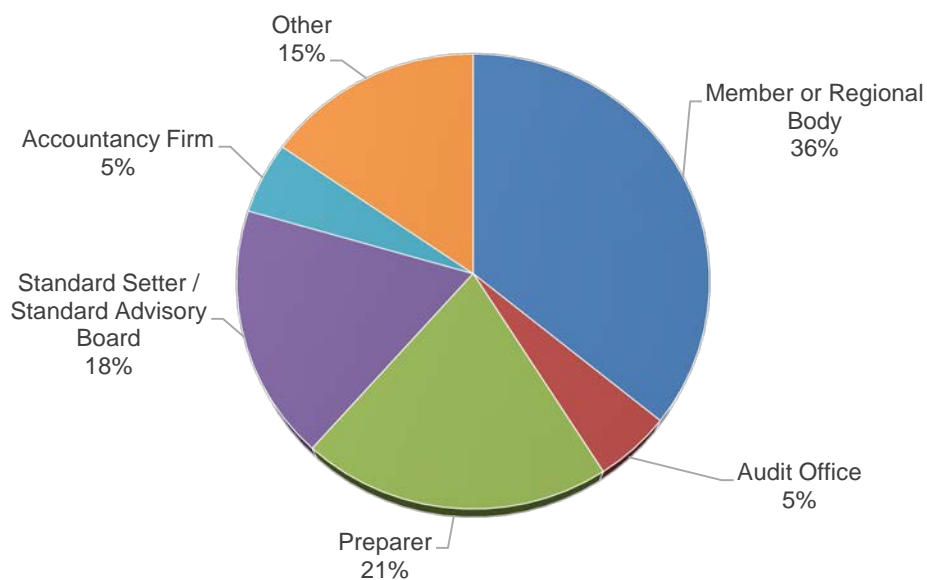


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Functional Breakdown

Regions	Respondents	Total
Member or Regional Body	R02, R03, R10, R11, R15, R16, R20, R21, R22, R23, R26, R28, R30, R38	14
Audit Office	R12, R29,	2
Preparer	R04, R13, R17, R18, R33, R34, R36, R39	8
Standard Setter / Standard Advisory Board	R06, R08, R14, R19, R25, R27, R37	7
Accountancy Firm	R24, R32	2
Other	R01, R05, R07, R09, R31, R35,	6
Total		39

Respondents by Function

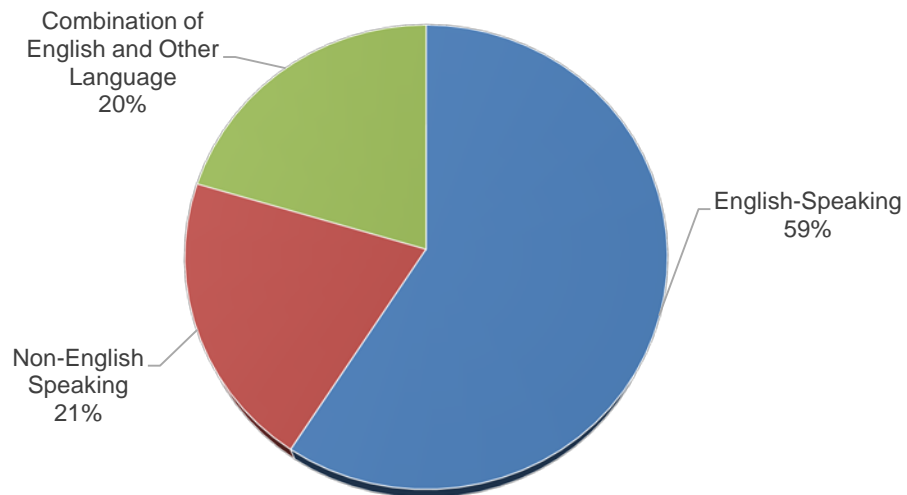


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Language Breakdown

Regions	Respondents	Total
English-Speaking	R03, R04, R05, R07, R10, R12, R14, R16, R17, R18, R21, R22, R25, R27, R28, R29, R31, R34, R35	29
Non-English Speaking	R01, R06, R08, R11, R19, R20, R30, R32, R38, R39	10
Combination of English and Other Language	R02, R09, R13, R15, R23, R24, R26, R33, R36, R37	10
Total		39

Respondents by Language



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LIST OF RESPONDENTS

#	Respondent	Country	Region	Function	Language
01	Álvaro Fonseca Vivas	Colombia	Latin America and the Caribbean	Other	Non-English Speaking
02	Institute of Certified Public Accountants in Ireland (CPA Ireland)	Ireland	Europe	Member or Regional Body	Combination of English and Other Language
03	Institute of Chartered Accountants (Ghana) (ICAG)	Ghana	Africa and the Middle East	Member or Regional Body	English-Speaking
04	Auckland Council	New Zealand	Australasia and Oceania	Preparer	English-Speaking
05	International Consortium on Governmental Financial Management (ICGFM)	Regional / International	International	Other	English-Speaking
06	Conseil de Normalisation des Comptes Publics (CNoCP)	France	Europe	Standard Setter / Standard Advisory Body	Non-English Speaking
07	Ichabod's Industries	United Kingdom	Europe	Other	English-Speaking
08	Schweizerisches Rechnungslegungsgremium für den öffentlichen Sektor (SRS)	Switzerland	Europe	Standard Setter / Standard Advisory Body	Non-English Speaking
09	Task Force IRSPM A&A SIG, CIGAR Network, EGPA PSG XII	Regional / International	Europe	Other	Combination of English and Other Language

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10	CPA Australia	Australia	Australasia and Oceania	Member or Regional Body	English-Speaking
11	Japanese Institute of Certified Public Accountants (JICPA)	Japan	Asia	Member or Regional Body	Non-English Speaking
12	Office of the Auditor-General New Zealand	New Zealand	Australasia and Oceania	Audit Office	English-Speaking
13	Treasury Canada	Canada	North America	Preparer	Combination of English and Other Language
14	Public Sector Accounting Standards Board (PSASB)	Kenya	Africa and the Middle East	Standard Setter / Standard Advisory Body	English-Speaking
15	Pan African Federation of Accountants (PAFA)	Regional / International	Africa and the Middle East	Member or Regional Body	Combination of English and Other Language
16	Joint - Chartered Accountants Australia and New Zealand (CAANZ)_Association of Chartered Certified Accountants (ACCA)	Regional / International	International	Member or Regional Body	English-Speaking
17	Treasury New Zealand	New Zealand	Australasia and Oceania	Preparer	English-Speaking
18	Wellington City Council New Zealand	New Zealand	Australasia and Oceania	Preparer	English-Speaking
19	Government Accounting and Finance Statistics Center (GAFSC) at the Korea Institute of Public Finance (KIPF)	Korea	Asia	Standard Setter / Standard Advisory Body	Non-English Speaking

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20	Institut der Wirtschaftsprüfer (IDW)	Germany	Europe	Member or Regional Body	Non-English Speaking
21	Association of National Accountants of Nigeria (ANAN)	Nigeria	Africa and the Middle East	Member or Regional Body	English-Speaking
22	Chartered Institute of Public Finance and Accountancy (CIPFA)	United Kingdom	Europe	Member or Regional Body	English-Speaking
23	Institute of Chartered Accountants of India (ICAI)	India	Asia	Member or Regional Body	Combination of English and Other Language
24	PricewaterhouseCoopers (PwC)	Regional / International	Europe	Accountancy Firm	Combination of English and Other Language
25	Staff of the Accounting Standards Board (SA)	South Africa	Africa and the Middle East	Standard Setter / Standard Advisory Body	English-Speaking
26	The National Board of Accountants and Auditors (Tanzania)	Tanzania, United Republic of	Africa and the Middle East	Member or Regional Body	Combination of English and Other Language
27	External Reporting Board (XRB) of the New Zealand Accounting Standards Board (NZASB)	New Zealand	Australasia and Oceania	Standard Setter / Standard Advisory Body	English-Speaking
28	Institute of Chartered Accountants in England and Wales (ICAEW)	United Kingdom	Europe	Member or Regional Body	English-Speaking
29	Australasian Council of Auditors-General (ACAG)	Australia	Australasia and Oceania	Audit Office	English-Speaking

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30	Malaysian Institute of Accounting	Malaysia	Asia	Member or Regional Body	Non-English Speaking
31	David Hardidge	Australia	Australasia and Oceania	Other	English-Speaking
32	Ernst & Young GmbH	Germany	Europe	Accountancy Firm	Non-English Speaking
33	European Commission	Regional / International	Europe	Preparer	Combination of English and Other Language
34	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)	Australia	Australasia and Oceania	Preparer	English-Speaking
35	Kalar Consulting	United Kingdom	Europe	Other	English-Speaking
36	British Columbia (Office of the Comptroller General)	Canada	North America	Preparer	Combination of English and Other Language
37	Staff of the Public Sector Accounting Board (PSAB)	Canada	North America	Standard Setter / Standard Advisory Body	Combination of English and Other Language
38	Conselho Federal de Contabilidade (CFC)	Brazil	Latin America and the Caribbean	Member or Regional Body	Non-English Speaking
39	Direction Générale des Finances Publiques (DGFIP)	France	Europe	Preparer	Non-English Speaking