

**Meeting:** International Public Sector Accounting  
Standards Board

**Meeting Location:** Kuala Lumpur, Malaysia

**Meeting Date:** December 4–7, 2018

**From:** João Fonseca

## Agenda Item 12

For:

☐ Approval

☒ Discussion

☒ Information

### LEASES

<b>Project summary</b>	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> .	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Project management</b>	Decisions up to September 2018 meeting	<a href="#">12.1.1</a>
	Instructions up to September 2018 meeting	<a href="#">12.1.2</a>
	Leases Project Roadmap	<a href="#">12.1.3</a>
<b>Decisions required at this meeting</b>	Roadmap to Move the Leases Project Forward	<a href="#">12.2.1</a>
	Lessee Accounting (SMC 1)	<a href="#">12.2.2</a>
	Assessment on the Feasibility of Publishing Only Revised Lessee Accounting Requirements Based on ED 64	<a href="#">12.2.3</a>

### DECISIONS UP TO SEPTEMBER 2018 MEETING

Date of Decision	Decision
September 2018	<ul style="list-style-type: none"> <li>To tentatively adopt the proposals in ED 64, <i>Leases</i>, on lessee accounting in the draft IPSAS, <i>Leases</i>, subject to a more detailed analysis of the responses;</li> <li>To extend the timeline of the Leases project in order to carry out a detailed analysis of all the issues raised by respondents; and</li> <li>To get CAG's views on the Leases project at the December 2018 meeting.</li> </ul>
December 2017	<ul style="list-style-type: none"> <li>To restructure ED 64 as follows: <ul style="list-style-type: none"> <li>(a) Additional guidance to explain the classification and recognition of leases at market terms and concessionary leases;</li> <li>(b) New Implementation Guidance section to explain the relationship between leases with other types of transactions; and</li> <li>(c) Amendments to simplify the requirements for sale and concessionary leaseback transactions.</li> </ul> </li> <li>To propose in ED 64 that the credit entry should be a liability (unearned revenue);</li> <li>To include in ED 64 four SMCs on: <ul style="list-style-type: none"> <li>(a) Lessee accounting (SMC 1);</li> <li>(b) The departure from IFRS 16 on lessor accounting (SMC 2);</li> <li>(c) The proposed model for lessor accounting in ED 64 (SMC 3); and</li> <li>(d) The accounting for the subsidy component on concessionary leases for lessors and lessees (SMC 4).</li> </ul> </li> <li>To approve ED 64. 17 members voted in favour. There was one absentee.</li> <li>To a consultation period expiring on June 30, 2018;</li> </ul>

# Agenda Item

## 12.1.1

September 2017	<ul style="list-style-type: none"><li>• The terms “double-counting”, “gross” and “offset”/“net” should not be used interchangeably;</li><li>• Double-counting is not resolved in IPSAS by offsetting one transaction against another transaction or one element against another;</li><li>• Double-counting is only resolved in IPSAS by not repeating the accounting of the same transaction more than once;</li><li>• The underlying asset should be measured in accordance with the relevant (applicable) IPSAS;</li><li>• 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;</li><li>• 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);</li><li>• 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;</li><li>• Lessor – Measurement of the lease receivable using market interest rates for concessionary leases;</li></ul>
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# Agenda Item

## 12.1.1

June 2017	<ul style="list-style-type: none"> <li>• 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;</li> <li>• To retain the IFRS 16 term fair value in the Exposure Draft;</li> <li>• 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;</li> <li>• To add the references to the objectives of public sector financial reporting of accountability and decision-making in paragraph 1 of the Exposure Draft;</li> <li>• To exclude from the scope section of the Exposure Draft the reference to scoping out leases for zero or nominal consideration;</li> <li>• 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;</li> <li>• Not to define the term “contract” for consistency with the Exposure Draft to update IPSAS 28-30;</li> <li>• To retain the IFRS 16 definition of interest rate implicit in the lease and unguaranteed residual value;</li> <li>• To apply the recognition exemption on short-term leases for lessor accounting;</li> <li>• 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;</li> <li>• 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;</li> <li>• To exclude from the Exposure Draft the IFRS 16 requirements on manufacturer or dealer lessor;</li> <li>• 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;</li> <li>• Agreed with the paragraphs on lease modifications for lessor accounting in the draft Exposure Draft;</li> <li>• 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;</li> <li>• 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>;</li> <li>• 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;</li> </ul>
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# Agenda Item

## 12.1.1

March 2017	<ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• Agreed with the draft sections on Sale and Leaseback Transactions, including the Basis for Conclusions, without amendments;</li> <li>• 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;</li> </ul>
December 2016	<ul style="list-style-type: none"> <li>• Replace the term “peppercorn leases” with the term “concessionary leases”;</li> <li>• Measure leases that are exchange transactions at cost and measure concessionary leases at fair value;</li> <li>• Account for the subsidized component in a concessionary lease in the same way as in a concessionary loan;</li> </ul>
September 2016	<ul style="list-style-type: none"> <li>• 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>;</li> <li>• The IPSASB decided not to adopt the lessor accounting requirements in IFRS 16, <i>Leases</i>;</li> </ul>
June 2016	<ul style="list-style-type: none"> <li>• To apply the right-of-use model to lessee accounting in the Exposure Draft on Leases;</li> <li>• 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;</li> <li>• To adopt the IFRS 16 recognition exemptions in the Exposure Draft on Leases;</li> <li>• Recognition exemptions should be an option, rather than a requirement, in the Exposure Draft on Leases;</li> </ul>

### INSTRUCTIONS UP TO SEPTEMBER 2018 MEETING

Meeting	Instruction	Actioned
September 2018	<p>The IPSASB <b>instructed</b> staff to:</p> <ul style="list-style-type: none"> <li>• Develop a more detailed analysis of respondents' views on lessee accounting for the December 2018 meeting with the following factors (no ranking): <ul style="list-style-type: none"> <li>– Implementation issues;</li> <li>– User's needs;</li> <li>– Relationship with Government Finance Statistics; and</li> <li>– Relationship with public-private partnerships (IPSAS 32, <i>Service Concession Arrangements: Grantor</i>).</li> </ul> </li> <li>• Develop for the December 2018 meeting a roadmap for a decision-making process on lessor accounting and concessionary leases with the following factors (no ranking): <ul style="list-style-type: none"> <li>– Consistency between ED 64, IPSASB's Conceptual Framework and IPSAS, including a review of IPSASB's decisions on ED 64 and their rationale;</li> <li>– IASB's proposals for lessor accounting;</li> <li>– Consistency between the lessor accounting requirements of IFRS 16, <i>Leases</i>, and IASB's Conceptual Framework;</li> <li>– Compare IPSASB's decisions on ED 64 with IASB's decisions on IFRS 16;</li> <li>– Respondents' views on ED 64;</li> <li>– Consistency between ED 64 and Government Finance Statistics; and</li> <li>– ED 64 implementation issues.</li> </ul> </li> <li>• Develop for the December 2018 meeting the following five-step roadmap for the decision-making process of the issues to be considered at subsequent meetings: <ul style="list-style-type: none"> <li>– <b>First step:</b> Decide on lessee accounting, subject to a more extensive review of the responses to ED 64;</li> <li>– <b>Second step:</b> Decide to align or depart from IFRS 16 lessor accounting proposals;</li> <li>– <b>Third step:</b> Decide on the nature of any departure from IFRS 16 lessor accounting proposals;</li> <li>– <b>Fourth step:</b> Decide on the approach to concessionary leases; and</li> <li>– <b>Fifth step:</b> Decide on the next steps for the Leases project.</li> </ul> </li> </ul>	

# Agenda Item

## 12.1.2

Meeting	Instruction	Actioned
September 2017	<p>The IPSASB <b>instructed</b> staff to:</p> <ul style="list-style-type: none"> <li>• Develop a complete draft Exposure Draft with requirements and guidance reflecting the cost model (transaction price) to account for concessionary leases for lessors;</li> <li>• Include the requirements and guidance for concessionary leases for lessors of the remaining two options in the appendices to the December 2017 Issues Paper;</li> <li>• Include flowcharts on lease accounting to be included in the Implementation Guidance section of the draft Exposure Draft;</li> <li>• Develop a revised structure of the Exposure Draft; and</li> <li>• Present a separate decision tree on investment property for lessees and lessors.</li> </ul>	
June 2017	<p>The IPSASB <b>instructed</b> staff to:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• Reassess the paragraphs related to measurement of concessionary leases in both lessee and lessor accounting.</li> </ul>	
March 2017	<p>The IPSASB <b>instructed</b> 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"> <li>• The Leases project and the Revenue and Non-Exchange Expense project on the economic nature of the credit entry in lessor accounting; and</li> <li>• IFRS 16 accounting requirements of a sale and leaseback transaction below market terms and concessionary leases.</li> </ul>	
December 2016	<p>The IPSASB <b>instructed</b> 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>	

# Agenda Item

## 12.1.2

Meeting	Instruction	Actioned
September 2016	<p>The IPSASB <b>instructed</b> staff to:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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.</li> </ul>	
June 2016	<p>The IPSASB <b>instructed</b> staff to bring the following issues and items to future meetings:</p> <ul style="list-style-type: none"> <li>• Recognition exemptions and threshold of leases of low-value assets;</li> <li>• Presenting some fact patterns based on several types of "peppercorn leases";</li> <li>• Explaining in more detail the IFRS 16 lessor accounting model;</li> <li>• 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;</li> <li>• Present a high level history of the IASB's project to explore why and when IASB modified their proposals for lessor accounting;</li> <li>• Explain how property and vehicle leases are accounted for in existing guidance in IPSAS 13 and in IFRS 16.</li> </ul>	



### LEASES PROJECT ROADMAP

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

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## 12.1.3

Meeting		Objective: IPSASB to consider:
	September	<ol style="list-style-type: none"> <li>1. "Double-Counting" versus "Gross" versus "Offset"/"Net"</li> <li>2. Lessor—Measurement of the Underlying Asset</li> <li>3. Concessionary Leases—Measurement</li> <li>4. Lessor—Credit Entry (Liability—Unearned Revenue) Related to Subsidy in Concessionary Leases</li> </ol>
	December	<ol style="list-style-type: none"> <li>1. Restructuring of the Exposure Draft</li> <li>2. Lessor—Options to Account for the Subsidy Component of the Credit Entry in Concessionary Leases</li> <li>3. Lessor and Lessee—Presentation</li> <li>4. Amendments to Other IPSASs</li> <li>5. Transitional Provisions</li> <li>6. Approval and Exposure Period</li> </ol>
2018	March	Exposure Period
	June	
	September	<ol style="list-style-type: none"> <li>1. Review of Responses: Lessee Accounting (SMC 1)</li> <li>2. Review of Responses: Lessor Accounting (SMCs 2 and 3)</li> <li>3. Review of Responses: Concessionary Leases (SMC 4)</li> </ol>
	December	<ol style="list-style-type: none"> <li>1. Roadmap to Move the Leases Project Forward</li> <li>2. Lessee Accounting</li> <li>3. Assessment on the Feasibility of Publication of Only Revised Lessee Accounting Requirements</li> </ol>
2019	March	<ol style="list-style-type: none"> <li>1. IFRS 16 Lessor Accounting Departure</li> <li>2. Approval of Basis for Conclusions on Lessee Accounting</li> </ol>
	June	1. Lessor Accounting
	September	1. Concessionary Leases: Lessor and Lessee
	December	<ol style="list-style-type: none"> <li>1. Remaining Issues on ED 64 (to be determined)</li> <li>2. Decision on to proceed or not with ED 64 proposals for lessor accounting and concessionary leases in the IPSAS on Leases</li> </ol>
2020	March	3. To be determined

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

1. Whether the IPSASB agrees with the staff's recommended roadmap to move the Leases project forward.

**Detail**

2. At the September 2018 meeting, the IPSASB instructed staff to develop a roadmap to move the leases project forward. The IPSASB decided that the roadmap should include the issues raised by respondents to Exposure Draft 64 (ED), *Leases* and analyze those issues in light of the analysis factors identified by IPSASB (see [instructions section of this Issues Paper at the September 2018 meeting](#)).
3. Respondents to ED 64 raised a number of issues that fall into two main categories:
  - (a) **Major issues related to the principles exposed in ED 64** – Staff proposes these issues to be discussed by the IPSASB, taking into consideration the analysis factors directed by IPSASB, and are included in [Appendix A](#). As directed by IPSASB at the September meeting, staff will also provide a consistency assessment between IFRS 16 lessor accounting model and IASB's conceptual framework.
  - (b) **Minor issues** – These issues are related to editorials or minor technical issues that can be quickly addressed with a staff's recommendation to IPSASB and are included in [Appendix B](#).
4. Staff notes that some of the issues in both [Appendix A](#) and [Appendix B](#) are provisional depending on IPSASB's decisions on lessor accounting and concessionary leases.

*Staff's recommendation*

5. Staff recommends the IPSASB that the issues identified in:
  - (a) [Appendix A](#) should be discussed by the IPSASB in accordance with the [Leases Project Roadmap](#).
  - (b) [Appendix B](#) should be reviewed and approved after the IPSASB takes decisions on lessor accounting and concessionary leases.

**Decisions required**

6. Does the IPSASB:
  - (a) Agree with the staff's recommended [roadmap](#) to move the leases project forward?
  - (b) Agree with the staff recommended list of issues identified by respondents, including any suggestion on:
    - (i) Other issues to be included in [Appendix A](#) or [Appendix B](#); or
    - (ii) Move issues from [Appendix A](#) to [Appendix B](#) or vice-versa?

# Agenda Item

## 12.2.1

### Appendix A – Issues Related to the Principles Exposed in ED 64 to be Discussed by IPSASB

Accounting Issue		Analysis Factors					Staff's Comments
		Implementation issues	User's needs of financial community	Relationship with Government Finance Statistics	Relationship with public-private partnerships	Respondents' Views on ED 64	
#	Description						
<b>LESSEE ACCOUNTING (SMC 1) (December 2018 Meeting)</b>							
1	Whether the ED 64 model is too complicated, costly and/or concentrated on the statement of financial position.	[Analyzed in Agenda Item 12.2.2]	[Analyzed in Agenda Item 12.2.2]	[Analyzed in Agenda Item 12.2.2]	[Analyzed in Agenda Item 12.2.2]	[Analyzed in Agenda Item 12.2.2]	[Analyzed in Agenda Item 12.2.2]
2	Whether the ED 64 model is appropriate for public sector financial reporting.	[Analyzed in Agenda Item 12.2.2]	[Analyzed in Agenda Item 12.2.2]	[Analyzed in Agenda Item 12.2.2]	[Analyzed in Agenda Item 12.2.2]	[Analyzed in Agenda Item 12.2.2]	[Analyzed in Agenda Item 12.2.2]
3	Whether an exemption should be provided for public sector entities.	[Analyzed in Agenda Item 12.2.2]	[Analyzed in Agenda Item 12.2.2]	[Analyzed in Agenda Item 12.2.2]	[Analyzed in Agenda Item 12.2.2]	[Analyzed in Agenda Item 12.2.2]	[Analyzed in Agenda Item 12.2.2]
4	Whether guidance on the recognition and measurement of the transferred asset at the end of the lease term should be added.	[Analyzed in Agenda Item 12.2.2]	[Analyzed in Agenda Item 12.2.2]	[Analyzed in Agenda Item 12.2.2]	[Analyzed in Agenda Item 12.2.2]	[Analyzed in Agenda Item 12.2.2]	[Analyzed in Agenda Item 12.2.2]
<b>IFRS 16 LESSOR ACCOUNTING DEPARTURE (SMC 2) (March 2019 Meeting)</b>							
5	<b>Consistency</b> with Conceptual Framework and IPSAS	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]	<b>Staff note:</b> Staff did not include the respondent's number and views because of the	[To be included]
6	<b>Consolidation procedures</b> in the public sector	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]		[To be included]

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## 12.2.1

7	<b>Comparability</b> between the public and private sectors, and within the public sector	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]	complexity and diversity of views on these issues.	[To be included]
8	<b>Understandability</b> of lease transactions	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]	Staff has paraphrased the issues and aggregated similar issues into themes so the IPSASB can discuss.	[To be included]
9	<b>Asymmetry of information</b> between the public and private sectors, and within the public sector	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]	Staff will identify the respondents' number and views at the March 2019 meeting.	[To be included]
10	Whether the <b>user's needs</b> in the public sector are significantly different from user's in the private sector.	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]		[To be included]
11	Whether the <b>IPSASB's reasons to depart from IFRS 16 lessor accounting</b> are public sector specific or/and strong enough.	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]		[To be included]
12	Whether the IFRS 16 lessor accounting model reflects the <b>economics of the transaction</b> .	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]		[To be included]
<b>ED 64 LESSOR ACCOUNTING (SMC 3) (June 2019 Meeting)</b>							
13	Whether the ED 64 lessor accounting model reflects the <b>economics of the transaction</b> .	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]	<b>Staff note:</b> Staff did not include the respondent's number and views because of the complexity and diversity of views on these issues.	[To be included]
14	Whether there is <b>double-counting</b> in the ED 64 lessor accounting model.	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]		[To be included]
15	Whether the underlying asset should be <b>derecognized in portions of rights</b> at the commencement date of a lease.	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]	Staff has paraphrased the issues and aggregated similar issues into themes so the IPSASB can discuss.	[To be included]
16	Whether a <b>recognition exemption for leases of low value assets should be added</b> .	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]		[To be included]

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17	Whether a <b>recognition exemption for leases between public sector entities should be added.</b>	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]	Staff will identify the respondents' number and views at the June 2019 meeting.	[To be included]
18	Whether the <b>credit entry for the liability (unearned revenue)</b> is in fact a liability	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]		[To be included]
19	Whether <b>guidance</b> on the recognition and measurement of the transferred asset at the end of the lease term should be added.  [Staff note: also included in Agenda Item 12.2.2]	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]		[To be included]
CONCESSIONARY LEASES (SMC 4) (September 2019 Meeting)							
LESSOR AND LESSEE							
20	Whether the guidance on concessionary leases should be <b>included in the future IPSAS</b> on Revenue and Non-exchange expenses or wait until these IPSASs are issued	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]	[Staff note:  Staff did not include the respondent's number and views because of the complexity and diversity of views on these issues.  Staff has paraphrased the issues and aggregated similar issues into themes so the IPSASB can discuss.  Staff will identify the respondents' number and views at the September 2019 meeting.	[To be included]
21	Whether concessionary leases should be <b>measured at cost or at fair value.</b>	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]		[To be included]

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LESSOR							
22	Whether the lessor should <b>defer the expense of the subsidy</b> if there are conditions and/or performance obligations.	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]	<b>Staff note:</b> Staff did not include the respondent's number and views because of the complexity and diversity of views on these issues.  Staff has paraphrased the issues and aggregated similar issues into themes so the IPSASB can discuss.  Staff will identify the respondents' number and views at the September 2019 meeting.	[To be included]
23	Whether the credit entry related to the subsidy <b>should be set-off against the underlying asset.</b>	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]		[To be included]
24	Whether the final IPSAS on leases should allow the derecognition of the underlying asset for leases for no consideration.	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]		[To be included]
LESSEE							
25	Whether the subsidy should be recognized as <b>revenue over the lease term even if there are no conditions and/or performance obligations.</b>	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]	<b>Staff note:</b> Staff did not include the respondent's number and	[To be included]

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26	Whether the lessee should also account as a <b>capital contribution if the subsidy component is a transaction with owners.</b>	[To be analyzed]	[To be analyzed]	[To be analyzed]	[To be analyzed]	views because of the complexity and diversity of views on these issues.  Staff has paraphrased the issues and aggregated similar issues into themes so the IPSASB can discuss.  Staff will identify the respondents' number and views at the September 2019 meeting.	[To be included]
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## Appendix B – Minor Issues to be Addressed by Staff for IPSASB's Approval

September/December 2019 Meeting			
Accounting Issue		Respondents' Number and Views on ED 64	Staff's Recommendation
#	Description		
Scope			
1	Whether the final IPSAS on Leases should have a specific section to deal with leasing of intangibles (ED 64.3-4)	(R09) [To be included]	[To be included]
2	Whether the scope section in the final IPSAS on Leases should include leases for zero or nominal consideration	(R10, R12, R16, R27) [To be included]	[To be included]
3	Whether the final IPSAS on Leases should provide guidance on the scope of perpetual right of renewal of leases from the lessee.	(R27) [To be included]	[To be included]
4	Whether the final IPSAS on Leases should address transfer of mission and competence and the use of the public domain	(R06, R39) [To be included]	[To be included]



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Accounting Issue		Respondents' Number and Views on ED 64	Staff's Recommendation
#	Description		
Definitions			
5	Whether the definition of a lease should include a reference to “other arrangements” or “agreements” (ED 64.4)	(R31) [To be included]	[To be included]
6	Whether barter transactions are considered to be leases (ED 64.4)	(R25) [To be included]	[To be included]
7	Whether the definition of concessionary lease should also include leases for zero or nominal consideration	(R06, R27, R39) [To be included]	[To be included]
8	Whether the final IPSAS on Leases should have a definition on nominal or consideration	(R12) [To be included]	[To be included]
Identifying a Lease			
9	Whether the final IPSAS on Leases should have more guidance on how to allocate consideration similar to IFRS 15 (ED 64.10)	(R25) [To be included]	[To be included]
10	Whether the final IPSAS on Leases should have more guidance to clarify the treatment of discounts and other reductions when determining whether the lease is at market terms or at below market terms similar to IPSAS 23.11 (ED 64.15)	(R25) [To be included]	[To be included]
Lessor			
11	Whether the credit entry should be labelled only as a liability	(R20) [To be included]	[To be included]
12	Whether the liability (unearned revenue) should be always adjusted by the same amount as the change resulting from the measurement of the lease receivable	(R20, R24) [To be included]	[To be included]
13	Whether ED 64 lessor accounting model can be applied to leases of underlying assets with limited useful life	(R23) [To be included]	[To be included]
14	Whether the interest rate in a sublease can be different from the head lease when both have different terms (ED 64.27)	(R29) [To be included]	[To be included]

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Accounting Issue		Respondents' Number and Views on ED 64	Staff's Recommendation
#	Description		
15	Whether should be included guidance that initial direct costs are added to the fair value of the lease receivable measured at fair value (ED 64.29)	(R29) [To be included]	[To be included]
16	Whether the maturing analysis disclosures should be consistent with IFRS 7 and IPSAS 30 (ED 64.58)	(R29) [To be included]	[To be included]
<b>Lessee</b>			
17	Whether ED 64.73 should be redrafted to clarify that initial direct costs an dismantling and rehabilitation costs are added to fair value	(R29) [To be included]	[To be included]
18	Whether ED 64.74 should be redrafted to clarify that such that cost should be fair value, rather than that fair value is equal to cost	(R29) [To be included]	[To be included]
19	Whether lessee presentation requirements is according to the Conceptual Framework that distinguishes between information selected for display or disclosure. (ED 64.98-112)	(R25) [To be included]	[To be included]
<b>Concessionary Leases: Lessor (SMC 4)</b>			
20	Whether the final IPSAS on Leases should provide guidance on the effect a concessionary lease has on the lease term	(R24) [To be included]	[To be included]
<b>Concessionary Leases: Lessee (SMC 4)</b>			
21	Whether the fair value of the lease liability should always be measured using a market interest rate, instead of using the lessee's incremental borrowing rate (ED 64.78)	(R24) [To be included]	[To be included]
<b>Concessionary Leases: Lessor and Lessee (SMC 4)</b>			
22	Whether a lease for zero or nominal consideration is a type of service in-kind	(R09) [To be included]	[To be included]

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September/December 2019 Meeting			
Accounting Issue		Respondents' Number and Views on ED 64	Staff's Recommendation
#	Description		
23	Whether the final IPSAS on Leases should provide detailed guidance on how to measure leases at fair value	(R04, R06, R12, R15, R16) [To be included]	[To be included]
24	Whether the final IPSAS on Leases should provide a minimum threshold to measure leases at fair value	(R15) [To be included]	[To be included]
25	Whether the final IPSAS on Leases should provide guidance on the cancellation of concessionary leases	(R25) [To be included]	[To be included]
26	Whether the final IPSAS on Leases should provide guidance on interest rate related to right-of-use assets specific to public sector	(R32) [To be included]	[To be included]
27	Whether the final IPSAS on Leases should provide guidance on distinguishing what is nominal and what is below market value	(R12) [To be included]	[To be included]
28	Whether the final IPSAS on Leases should provide guidance on should provide guidance on what constitutes a market lease payment	(R32) [To be included]	[To be included]
Transitional Provisions			
29	Whether the final IPSAS on Leases should allow the use of historical cost to determine a deemed carrying value of the right-of-use asset/liability in an existing concessionary lease.	(R13) [To be included]	[To be included]
30	Whether ED 64.128 should clarify on what is the residual value	(R29) [To be included]	[To be included]
31	Whether in relation to the simplified method, should a similar choice be given to recalculate the unearned revenue from the start of the lease (ED 64.129)	(R29) [To be included]	[To be included]
32	Whether in relation to the simplified method, should a similar choice be given to recalculate the right-of-use asset from the start of the lease (ED 64.139)	(R29) [To be included]	[To be included]

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September/December 2019 Meeting			
Accounting Issue		Respondents' Number and Views on ED 64	Staff's Recommendation
#	Description		
Application Guidance			
33	Whether the final IPSAS on Leases should provide guidance on statutory leases	(R31) [To be included]	[To be included]
34	Whether the definition of a contract includes verbal contracts (ED 64.AG3)	(R25) [To be included]	[To be included]
35	Whether the final IPSAS on Leases should include reference on service potential when assessing the right to obtain substantially all of the economic benefits from use of the identified asset. (ED 64.AG4-AG26)	(R13, R25) [To be included]	[To be included]
36	Whether the final IPSAS on Leases should identify whether a contract is a lease or a sale under IPSAS 9, especially for an arrangement that conveys the right to control the use of the asset for substantially all of its economic life. (ED 64.AG4-AG26)	(R25) [To be included]	[To be included]
37	Whether the final IPSAS on Leases should include guidance on treating land and buildings as single unit in the context of assessing whether an entity has conveyed the right to use an asset for substantially its economic life. (ED 64.AG27-AG28)	(R25) [To be included]	[To be included]
38	Whether the IPSASB should provide guidance on month- to-month leases (ED 64.AG29-AG37)	(R25) [To be included]	[To be included]
39	Whether there is a difference between IFRS 16 and ED 64 regarding to availability of funding cancellation clause (ED 64 AG37)	(R29) [To be included]	[To be included]
39	Whether the guidance in ED 64.AG41 is too generous	(R29) [To be included]	[To be included]
40	Whether the final IPSAS on Leases should clarify the meaning of enforceable right and determination of the lease term	(R25) [To be included]	[To be included]
41	Whether the final IPSAS on Leases should clarify the accounting for a lease where an entity enters into a lease as an intermediary with a third party on behalf of the lessee. (ED 64.AG56-AG57)	(R25) [To be included]	[To be included]
42	Whether the final IPSAS on Leases should acknowledge that there is no guidance to account for subsidy in an international or national accounting standard. (ED 64.AG60)	(R25, R27) [To be included]	[To be included]
43	Whether ED 64.AG24 contradicts ED 64.AG19(i)	(R37) [To be included]	[To be included]

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September/December 2019 Meeting			
Accounting Issue		Respondents' Number and Views on ED 64	Staff's Recommendation
#	Description		
44	Whether ED 64.AG32 is unclear about whether the entity making the assessment about the lessee is the lessor or the lessee	(R37) [To be included]	[To be included]
45	Whether a cancellation clause related to appropriations should only be considered if there is reasonable uncertainty that the appropriation will not be made (ED 64.AG37)	(R37) [To be included]	[To be included]
Amendments to Other IPSAS			
46	Whether the underlying asset should be impaired at the commencement of the lease	(R24) [To be included]	[To be included]
47	Whether IPSAS 16, IPSAS 17 and IPSAS 31 should be amended to include more guidance to avoid double-counting	(R12) [To be included]	[To be included]
48	Whether IPSAS 16, IPSAS 17 and IPSAS 31 should require the underlying asset to be measured at fair value, irrespective of whether the IPSAS relevant to that underlying asset allows the use of the revaluation, fair value or cost model	(R25) [To be included]	[To be included]
49	Whether underlying assets that are lease out should be presented in a separate category	(R13) [To be included]	[To be included]
50	Whether IPSAS 26 should be amended to provide guidance to avoid double-counting	(R24) [To be included]	[To be included]
Editorials to ED 64			
51	This is the definition of lease payments included in the <b>lessor's</b> lease receivable. (ED 64.28)	(R24) [To be included]	[To be included]
52	ED 64.28(a) should state "...less any lease incentives <b>payable</b> ", instead of "... <b>receivable</b> ".	(R24) [To be included]	[To be included]
53	"ED 64.41: This paragraph addresses the remeasurement of the lease receivables of the lessor. 41(a) does not fit the definition of lease payments in ED 64.28. "...amounts expected to be payable under a residual value guarantee" in referring to the definition of lease payments for the lessee (see ED 64.76). Residual value guarantees are included in the lessor's lease receivable as "any residual value guarantees", not "amounts expected to be payable". Also, as it is from the lessor's view, it should state "receivable", instead of "payable".	(R24) [To be included]	[To be included]
54	Whether ED 64.54(a) and (c) are the same thing	(R24) [To be included]	[To be included]

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Accounting Issue				Respondents' Number and Views on ED 64	Staff's Recommendation
#	Description				
55	Whether there is a contradiction in ED 64.AG60			(R24) [To be included]	[To be included]
Editorials received off-line by Staff					
56	“optional lease payments” should not be italicised. (ED 64.AG53)			(R27) [To be included]	[To be included]
57	should read “provide references” twice (ED 64.IG2)			(R27) [To be included]	[To be included]
58	...maintaining the long reach computed tomography machine... (ED 64.Example 12)			(R27) [To be included]	[To be included]
59	Segment as a column heading – the ‘S’ should not be underlined. (ED 64.Example 22C)			(R27) [To be included]	[To be included]
60	First journal entry: Cr Lease liability 16,100,000 (ED 64.Example 24)			(R27) [To be included]	[To be included]
Editorials to Amendments to Other IPSAS (received off-line by Staff)					
61	IPSAS	Paragraph	Correction needed		
62	IPSAS 2	63E	...If an entity applies the amendments for a period ...	(R27) [To be included]	[To be included]
63	IPSAS 4 IPSAS 5 IPSAS 27	71C 42C 58G	...If an entity applies the amendments for a period ...	(R27) [To be included]	[To be included]
64	IPSAS 16	Heading above paragraph 8	Instructions (and paragraph 101F) say paragraph 8 “and its related heading” are deleted but the heading above paragraph 8 is not shown as struck through. <b>Property Interest Held by a Lessee under an Operating Lease</b>	(R27) [To be included]	[To be included]
65	IPSAS 16	101F	The wording in the paragraph is not the same as the wording in other new effective date paragraphs. Other paragraphs start “Paragraphs....were amended” but this paragraph starts “[draft] IPSAS [X] (ED 64)....”	(R27) [To be included]	[To be included]
66	IPSAS 19	13(b)	...applies to leases at market terms that becomes onerous	(R27) [To be included]	[To be included]
67	IPSAS 19	111D	...If an entity applies the amendments for a period ...	(R27) [To be included]	[To be included]

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September/December 2019 Meeting						
Accounting Issue				Respondents' Number and Views on ED 64	Staff's Recommendation	
#	Description					
68	IPSAS 23	43A	...right-of-use assets held by a lessee <del>is</del> <u>are</u> measured...	(R27) [To be included]	[To be included]	
69	IPSAS 23	105C	<u>Concessionary leases (including concessionary leasebacks) are granted to or received by an entity at below market terms, ...</u> (the lessee receives the concessionary lease – IPSAS 23 deals with non-exchange revenue)	(R27) [To be included]	[To be included]	
70	IPSAS 23	123A (new)	...held by a lessee of concessionary leases of <u>for</u> zero or nominal amount.	(R27) [To be included]	[To be included]	
71	IPSAS 23	IG55 analysis	The grant of CU6,900,000 ....and capital payments, <u>is accounted for</u> in accordance with...	(R27) [To be included]	[To be included]	
72	IPSAS 23	IG56(a)	The title of IPSAS 9 should be italicized	(R27) [To be included]	[To be included]	
73	IPSAS 40	Instructions and paragraph 126A	Paragraphs.....AG89 <u>and its related heading</u> are amended...	(R27) [To be included]	[To be included]	

### Lessee Accounting

#### Question

- Whether the IPSASB agrees with staff's recommendation to adopt ED 64 lessee accounting proposals in the IPSAS on Leases.

#### Detail

- At the September 2018 meeting, the IPSASB tentatively decided to adopt lessee accounting requirements in the IPSAS on Leases subject to a more detailed analysis of the responses to Exposure Draft (ED) 64, *Leases* in light of the following analysis factors:
  - Implementation issues;
  - User's needs of financial community;
  - Relationship with GFS; and
  - Relationship with public-private partnerships.

#### Analysis of Responses

- [Appendix A](#) below presents a detailed analysis of the issues raised by respondents and are summarized in the following table:

**Table 1 – Summary of Issues Raised by Respondents on Lessee Accounting**

#	Items	Analysis Factors			
		Implementation issues	User's needs of financial community	Relationship with GFS	Relationship with public-private partnerships
1	Whether it should be added an exemption for leases between public sector entities.	No public sector specific issues identified	No public sector specific user's needs identified.	GFS does not apply the right-of-use model.  GFS does not provide exemptions for public sector entities under the risks and rewards model.	Inconsistent with IPSAS 32 and IFRIC 12
2	Whether lessee accounting requirements are complex, costly and concentrated on the statement of financial position.	No public sector specific issues identified			ED 64 lessee accounting is consistent with IFRIC 12
3	Whether the right-of-use model is appropriate for public sector financial reporting.	Right-of use model is easier to implement than the bundle of rights			
4	Where guidance on recognition and measurement of the transferred asset at the end of the lease term should be added.	No public sector specific issues identified.			Guidance in ED 64 is consistent with IPSAS 32 and IFRIC 12

- Table 1 above and [Appendix A](#) show that the issues raised by respondents are not public sector specific issues and/or are inconsistent with IPSAS/IFRS Standards related to public-private partnerships.



### *Staff's Recommendation*

5. 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 do not warrant departure from IFRS 16, staff's recommendation is that the IPSASB agrees to adopt ED 64 lessee accounting proposals in the IPSAS on Leases.

### **Decisions required**

6. Does the IPSASB agree with staff's recommendation to adopt ED 64 lessee accounting proposals in the IPSAS on Leases?

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### Appendix A– Detailed Analysis of Main Issues Raised by Respondents on Lessee Accounting

Accounting Issue		Analysis Factors					Staff's Comments
#	Description	Implementation issues	User's needs of financial community	Relationship with GFS	Relationship with public-private partnerships	Respondents' Views on ED 64	
1	Whether it should be added an exemption for leases between public sector entities.	<p>Staff did not identify specific public implementation issues. In other words, public sector entities will face the same challenges as private sector entities in applying the new lessee accounting requirements.</p> <p>One option to facilitate the implementation of the new IPSAS on Leases is to provide a longer effective date.</p>	<p>Staff did not identify any specific public sector user's needs of financial community.</p> <p>However, as the IASB did not provide an exemption for leases between entities of the same economic entity, staff did not identify a public sector specific reason to warrant such exemption.</p>	<p>GFS does not apply the right-of-use model, but applies the risks and rewards model.</p> <p>GFS does not provide exemptions for public sector entities under the risks and rewards model.</p>	<p>Inconsistent with IPSAS 32, <i>Service Concession Arrangements</i> and IFRIC 12, <i>Service Concessions Arrangements</i> because they do not provide exemptions for public sector entities.</p>	<p>Provide relief from applying the proposed accounting requirements<sup>1</sup> because of:</p> <p>(a) Cost-benefit reasons;</p> <p>(b) Divergence with Government Finance Statistics (GFS); and</p> <p>(c) Additional liabilities. (R06, R39)</p>	<p>(a) Staff is of the view that the benefits of the proposals in ED 64 outweigh the costs of the revised accounting.</p> <p>(b) The determination of public debt under GFS is not impacted because changes proposed are to IPSAS, not GFS.</p> <p>(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.</p>

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

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Accounting Issue		Analysis Factors					Staff's Comments
		Implementation issues	User's needs of financial community	Relationship with GFS	Relationship with public-private partnerships	Respondents' Views on ED 64	
#	Description						
2	Whether lessee accounting requirements are complex, costly and concentrated on the statement of financial position.	ED 64 provides the same guidance for transitional provisions as in IFRS 16. The IPSASB may consider provide a longer effective date to give time for entities to apply the new IPSAS on Leases.	IFRS 16.BC3 explains the reasons of the financial community that the risks and rewards model failed to meet the needs of users of financial statements. Those reasons are also applicable to public sector financial reporting.		ED 64 lessee accounting requirements are consistent with IFRIC 12, <i>Service Concession Arrangements</i> because the operator also recognizes an intangible asset related to the right to access the service concession asset.	"Proposed model is too complicated, costly and concentrated on the statement of financial position" (R08)	ED 64 proposals are consistent with IFRS 16. Respondent's reasons are not public sector specific and therefore 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.
3	Whether the right-of-use model is appropriate for public sector financial reporting.	The right-of-use model is easier to implement because assets are accounted for as whole, not as individually rights. Accounting for individual separate rights would raise significant recognition and measurement issues that has never been addressed in IPSASB literature.				"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)	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).

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Accounting Issue		Analysis Factors					Staff's Comments
		Implementation issues	User's needs of financial community	Relationship with GFS	Relationship with public-private partnerships	Respondents' Views on ED 64	
#	Description						
4	Where it should be added guidance on recognition and measurement of the transferred asset at the end of the lease term.	No public sector specific issues identified.	No public sector specific user's needs identified.		Guidance in ED 64 is consistent with IPSAS 32 and IFRIC 12	"We note that BC9(c)(ii) mentions that a lease conveys the right to use an underlying asset for a period of time and does not transfer control of the underlying asset. We would strongly recommend that the scope of the future standard should clearly state that where the arrangement leads in substance to transferring control of the underlying asset to another party it does not meet the definition of a lease; in other words, such arrangement should be out of the scope of this standard. Additional guidance on when arrangements transfer control would also be welcome." (R06, R39)	Staff is of the view that providing guidance on transfer of control of the underlying asset is outside of the scope of the Leases project, which is consistent with IFRS 16, <i>Leases</i> .

**Assessment on the Feasibility of Publishing Only New Lessee Accounting Requirements Based on ED 64****Question**

1. Whether the IPSASB should publish only new lessee accounting requirements based on ED 64.

**Detail**

2. Staff was instructed to consider the feasibility of publishing now new lessee accounting requirements based on ED 64.
3. This would allow the proposals in ED 64 for lessees, which were highly supported, to be introduced as new guidance, and the focus of the leases project could shift to address the more challenging issues of lessor accounting and concessionary leases.
4. In order to move the Leases project faster, staff explored the option of publishing amendments to revise lease accounting requirements only and to retain the current lessor accounting requirements from IPSAS 13 in the new IPSAS on Leases.
5. Staff has identified the following four problems with this approach:
  - (a) The IFRS 16 lessee accounting model also resulted in changes to lessor accounting;
  - (b) IPSAS 13, *Leases* would require amendments which need to be exposed;
  - (c) An approach to proceed with lessee accounting only was not explicitly communicated to constituents; and
  - (d) Potential problems with inconsistency would arise within the IPSAS on Leases.

*IASB also changed lessor requirements in IFRS 16, Leases compared to IAS 17, Leases for consistency reasons with IFRS 16 lessee accounting*

6. IFRS 16 introduced the following changes to lessor accounting under the risks and rewards model:
  - (a) Subleases;
  - (b) Disclosures;
  - (c) Lease modifications; and
  - (d) Variable lease payments.
7. Publishing revised lessee accounting requirements without the above changes to lessor accounting would create unintended technical inconsistencies in the IPSAS on Leases.

*Changes to lessor accounting in IPSAS 13, Leases would need to be exposed*

8. Staff notes that according to IPSASB's due process any necessary technical changes to lessor accounting identified in paragraph 4 would need to be exposed to receive feedback from IPSASB's constituents.

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9. Given that it will take at least one year between publishing proposed changes to lessor accounting in IPSAS 13 and its final publication (assuming that constituents agreed with the proposals), it will not help achieve the objective of having faster lessee accounting requirements in place because the changes to lessee accounting will not work without the necessary amendments to the current guidance on lessor accounting in IPSAS 13.

*An approach to proceed with lessee accounting only was not explicitly communicated to constituents*

10. ED 64 proposed a single right-of-use model for lease accounting to replace the risks and rewards model in IPSAS 13, *Leases*. If the IPSASB approves new guidance for lessee accounting only, it is questionable if the lessor accounting guidance in IPSAS 13, *Leases*, would be appropriate. Constituents may have a view on the feasibility of applying ED 64 lessee accounting and IPSAS 13 lessor accounting.

*Potential problems with inconsistency would arise within the IPSAS on Leases*

11. ED 64 introduces several changes compared to IPSAS 13, such as:
  - (a) Scope;
  - (b) Definitions;
  - (c) Identifying a lease;
  - (d) Lease term; and
  - (e) Sale and leaseback transactions.
12. Additionally, ED 64 also introduces new guidance on concessionary leases that impacts definitions, classification of leases, subleases, and sale and leaseback transactions for both lessors and lessees.
13. Staff is of the view that in order to publish the revised lessee accounting in the IPSAS on Leases, the IPSASB needs to assess the consistency within ED 64 with the current guidance on lessor accounting in IPSAS 13, taking into consideration the amendments identified in paragraph 4.
14. Staff notes that this assessment would take at least two to three meetings, which makes this approach less effective in achieving its aim of finding a timely solution to updating the lease guidance.

*Staff's recommendation*

15. Because of the reasons identified in paragraphs 3-14, staff recommends the IPSASB not to publish only revised lessee accounting requirements.

### **Decisions required**

16. Does the IPSASB agree with staff's recommendation not to publish only new lessee accounting requirements based on ED 64?