

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Toronto, Canada

Meeting Date: June 18–21, 2019

From: João Fonseca

Agenda Item 7

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 March 2019 meeting	7.1.1
	Instructions up to March 2019 meeting	7.1.2
	Leases Project Roadmap	7.1.3
Decisions required at this meeting	Lessor Accounting	7.2.1
Other supporting items	Appendix A – Leases Project Plan and IPSASB Meetings Schedule	7.3.1
	Appendix B – Lessor accounting matrix outlining issues to be dealt with	7.3.2

DECISIONS UP TO MARCH 2019 MEETING

Date of Decision	Decision
March 2019	<ul style="list-style-type: none"> • To adopt the following criteria in assessing departures from the lessor accounting requirements in IFRS 16, <i>Leases</i>: <ul style="list-style-type: none"> a. Consistency with the IPSASB's Conceptual Framework; b. Consistency with the Rules of the Road; c. Implementation Issues; d. User needs; e. Relationship with Government Finance Statistics; and f. Relationship with IPSAS 32, <i>Service Concession Arrangements: Grantor</i> • To adopt two phases for evaluating approaches to lessor accounting: <ul style="list-style-type: none"> i. Phase 1: <ul style="list-style-type: none"> a. Examine all responses focusing on the reasons submitted for departing, or not departing, from IFRS 16; b. Subject to conclusions on 1 (above), evaluate implications and make recommendations to the IPSASB in June 2019; c. IPSASB to consider/redeliberate the approach in June 2019; d. Outcome of c. will determine next steps after the June 2019 meeting, including instructions to the Task Force; and e. Accounting for concessionary leases is only to be addressed once step d. has been completed. ii. Phase 2 will depend on the discussions at the June 2019 meeting.
December 2018	<ul style="list-style-type: none"> • To confirm the tentative decision made in September to adopt the lessee accounting requirements in ED 64, subject to decisions on the approach to be taken to lessor accounting, and where relevant, concessionary leases; • Not to publish lessee accounting requirements based on ED 64 ahead of the decisions on lessor accounting, and where relevant, concessionary leases; • To create a Task Force to consider all the issues raised by respondents; • Not to adopt the "bundle of rights" approach to lessee accounting; • Not to adopt exemption for leases between public sector entities; • Not to provide additional guidance on transfer of assets; • To create a Task Force for the Leases project to be established at March 2019 meeting; • Review all IPSASB's decisions in light of respondents' views; • Only take a final decision on lessee accounting, lessor accounting and concessionary leases after all issues have been discussed;

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September 2018	<ul style="list-style-type: none"> 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; To extend the timeline of the Leases project in order to carry out a detailed analysis of all the issues raised by respondents; and To get CAG's views on the Leases project at the December 2018 meeting.
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>;
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	<ul style="list-style-type: none"> • 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;
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 MARCH 2019 MEETING

Meeting	Instruction	Actioned
March 2019	The IPSASB instructed the Task Force to: 1 - Assess first the departure or not from IFRS 16 lessor accounting; 2 - Evaluate implications based on the same agreed criteria that was used for lessee accounting; and 3 - Make recommendations to IPSASB in June 2019;	
December 2018	The IPSASB instructed staff: 1. To include in the Basis for Conclusions the reasons not to include additional guidance on transfer of control; 2. To include in the analysis the consequential amendments to other IPSAS; 3. To include in the analysis the IASB's deliberations on lessor accounting; and 4. Bring for the March 2019 meeting options to deal with IFRS 16 lessor accounting with advantages and disadvantages.	

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Meeting	Instruction	Actioned
September 2018	<p>The IPSASB instructed staff to:</p> <ul style="list-style-type: none"> • 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"> – Implementation issues; – User's needs; – Relationship with Government Finance Statistics; and – Relationship with public-private partnerships (IPSAS 32, <i>Service Concession Arrangements: Grantor</i>). • 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"> – Consistency between ED 64, IPSASB's Conceptual Framework and IPSAS, including a review of IPSASB's decisions on ED 64 and their rationale; – IASB's proposals for lessor accounting; – Consistency between the lessor accounting requirements of IFRS 16, <i>Leases</i>, and IASB's Conceptual Framework; – Compare IPSASB's decisions on ED 64 with IASB's decisions on IFRS 16; – Respondents' views on ED 64; – Consistency between ED 64 and Government Finance Statistics; and – ED 64 implementation issues. • 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"> – First step: Decide on lessee accounting, subject to a more extensive review of the responses to ED 64; – Second step: Decide to align or depart from IFRS 16 lessor accounting proposals; – Third step: Decide on the nature of any departure from IFRS 16 lessor accounting proposals; – Fourth step: Decide on the approach to concessionary leases; and – Fifth step: Decide on the next steps for the Leases project. 	

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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. Roadmap to Move the Leases Project Forward 2. Lessee Accounting 3. Assessment on the Feasibility of Publication of Only Revised Lessee Accounting Requirements
2019	March	<ol style="list-style-type: none"> 1. Development of ED 64, <i>Leases</i> 2. ED 64: Overview of single ‘right-of-use’ proposals 3. ED 64: Overview of responses 4. ED 64: Other Considerations 5. IPSASB CAG December 2018 Update 6. The Way Forward

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Meeting		Objective: IPSASB to consider:
	June	<ol style="list-style-type: none"> 1. Session outline: structure and purpose (Mike Blake) (Time: 10m) 2. Departure or not from IFRS 16 Lessor Accounting (Time: 1h 30m) <ol style="list-style-type: none"> a. Key reasons in ED 64, <i>Leases</i> for IFRS 16 Lessor Accounting Departure (João Fonseca) (Time: 10m) b. Presentation on IASB's <i>Leases</i> project: Key reasons to retain the IFRS 16 Lessor Accounting in the future IPSAS on <i>Leases</i> (Kimberley Crook) (Time: 30m) c. Presentation on GASB's <i>Leases</i> project history, and the key reasons to adopt a right-of-use model in the future IPSAS on <i>Leases</i> (David Bean) (Time: 30m) d. Board discussion, questions and answers (Time: 20m) 3. Lessor Accounting (Time: 1h 30m) <ol style="list-style-type: none"> a. Key features of ED 64 Lessor Accounting (João Fonseca) (Time: 10m) b. Key issues on ED 64 Lessor Accounting (Kimberley Crook) (Time: 30m) c. Key features of Statement No. 87, <i>Leases</i> of the Governmental Accounting Standards Board (David Bean) (Time: 30m) d. Board discussion, questions and answers (Time: 20m) 4. Next steps (Time 40m) <ol style="list-style-type: none"> a. Blake/Fonseca to summarize outcomes from (2) and (3) b. Identification of key issues for TF analysis at its July 18/19 meeting and advice to Board in September
	September	<ol style="list-style-type: none"> 1. Presentation on practical issues associated with IFRS 16 implementation (Isabelle Sapet) 2. UK Treasury presentation on practical issues associated with IFRS 16 implementation (TBD) 3. Presentation on practical issues associated with IFRS 16 implementation (Mike Blake) 4. Presentation on practical issues associated with data collection for GFS reporting guidelines (TBD) 5. Presentation of TF meeting results on the departure or not from IFRS 16 lessor accounting (João Fonseca) 6. Presentation of TF recommendation on the departure or not from IFRS 16 lessor accounting (Mike Blake) 7. IPSASB to take stock/redeliberate on the departure or not from IFRS 16 lessor accounting 8. Presentation of TF suggested next steps for the IPSASB <i>Leases</i> project for one of the both scenarios (departure and not departure) (Mike Blake)
	December	<ol style="list-style-type: none"> 1. To be determined
2020	March	<ol style="list-style-type: none"> 2. To be determined

Lessor Accounting**Question**

1. Whether the IPSASB agrees with the Task Force Project Plan to move the Leases Project forward.
2. Whether the IPSASB agrees with the Lessor accounting matrix outlining issues to be dealt with.
3. Whether the IPSASB has any additional issues for consideration by the Leases Task Force face-to-face meeting in July 18-19.

Detail

4. After the March 2019 meeting, the IPSASB established the Leases Task Force.
5. Over the second quarter of 2019, the Task Force:
 - (a) Developed the Leases Project Plan¹ (see [Appendix A](#)) to move the Leases Project forward;
 - (b) Developed the Lessor accounting matrix outlining issues to be dealt with (see [Appendix B](#));
 - (c) Organized a face-to-face Task Force meeting to be held at the Mazars office in Paris on July 18-19, 2019 to discuss departure or not from IFRS 16 Lessor Accounting;
 - (d) Provided staff with a one-page document outlining the individual views of TF members on the IPSASB selected criteria to assess departure or not from IFRS 16 Lessor Accounting to be discussed at the Task Force meeting;
 - (e) Has been preparing the Issues Papers for the Task Force meeting in July with the:
 - (i) Detailed analysis of the comment letters to ED 64, *Leases* on departure or not from IFRS 16 Lessor Accounting (SMC 2); and
 - (ii) Task Force members and Task Force Staff's views on the criteria selected by the IPSASB to assess departure or not from IFRS 16 Lessor Accounting and practical issues with implementation of ED 64 lessor accounting.
6. Additionally, the IPSASB and Task Force Chairs invited Kimberley Crook (Chair of the New Zealand Accounting Standards Board) and David Bean (Director of Research and Technical Activities for the Governmental Accounting Standards Board of the United States) to make presentations on lessor accounting to the IPSASB at the June 2019 meeting.

Decisions required

7. Does the IPSASB:
 - (a) Agrees with the Task Force recommended Project Plan to move the Leases project forward?
 - (b) Agrees with the Lessor accounting matrix outlining issues to be dealt with?
 - (c) Has any additional issues for consideration by the Leases Task Force at the face-to-face meeting in July 18-19, 2019?

¹ Includes the outline for the IPSASB June 2019 meeting.

Appendix A – Leases Project Plan and IPSASB Meetings Schedule

Date (local time)		Event	Issues
Month, Day	Year		
March 25	2019	Email	1. John Stanford sent confirmation of membership to TF members
April 5	2019	Email	TF Chair to send email on: <ol style="list-style-type: none"> 1. Welcoming TF members 2. Roles and Responsibilities of IPSASB Task Forces 3. History of the IPSASB and IASB Leases Project 4. Task Force work between now and the June 2019 IPSASB meeting 5. Task Force meeting between June 2019 and September 2019 IPSASB meetings 6. Task Force Meetings after September 2019 7. Notes on the New Zealand Roundtable
April 19	2019	Email	1. TF members to confirm availability on the proposed TF meeting in July and in November to TF staff
May 3	2019	Email	1. TF Staff to send to TF members the draft project plan and draft matrix (note, the draft matrix also includes a proposed outline of the June 2019 meeting)
May 10	2019	Email	1. TF members to send to TF chair and TF staff review of the draft project plan and draft matrix
May 13-May 17	2019	Email	1. If needed, TF Chair and/or TF staff follows up with TF members on their comments to project plan and draft matrix
April 30	2019	Email	1. TF members to send to TF Chair and TF staff one page summary views on the departure or not from IFRS 16 lessor accounting using the criteria decided by the IPSASB at the March meeting.
May 24	2019	Email	1. TF members to send to TF Chair and TF staff examples from the respective jurisdictions of practical issues arising from the ED 64, <i>Leases</i> from a lessor perspective.

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Date (local time)		Event	Issues
Month, Day	Year		
June 18-21	2019	IPSASB Meeting	<ol style="list-style-type: none"> 1. Session outline: structure and purpose (Mike Blake) (Time: 10m) 2. Departure or not from IFRS 16 Lessor Accounting (Time: 1h 30m) <ol style="list-style-type: none"> a. Key reasons in ED 64, <i>Leases</i> for IFRS 16 Lessor Accounting Departure (João Fonseca) (Time: 10m) b. Presentation on IASB's Leases project: Key reasons to retain the IFRS 16 Lessor Accounting in the future IPSAS on Leases (Kimberley Crook) (Time: 30m) c. Presentation on GASB's Leases project history, and the key reasons to adopt a right-of-use model in the future IPSAS on Leases (David Bean) (Time: 30m) d. Board discussion, questions and answers (Time: 20m) 3. Lessor Accounting (Time: 1h 30m) <ol style="list-style-type: none"> a. Key features of ED 64 Lessor Accounting (João Fonseca) (Time: 10m) b. Key issues on ED 64 Lessor Accounting (Kimberley Crook) (Time: 30m) c. Key features of Statement No. 87, <i>Leases</i> of the Governmental Accounting Standards Board (David Bean) (Time: 30m) d. Board discussion, questions and answers (Time: 20m) 4. Next steps (Time 40m) <ol style="list-style-type: none"> a. Blake/Fonseca to summarize outcomes from (2) and (3) b. Identification of key issues for TF analysis at its July 18/19 meeting and advice to Board in September
July 4	2019	Email	<p>TF staff to send to TF members the following documents:</p> <ol style="list-style-type: none"> 1. TF members' individual views on departure or not from IFRS 16 lessor accounting; 2. TF staff's Issues Paper with the detailed analysis of responses to ED 64 based on the criteria adopted by the IPSASB at the March 2019 meeting 3. TF members' summary of practical issues arising from ED 64, <i>Leases</i> from a lessor perspective 4. Summary of conceptual issues arising from the June IPSASB meeting 5. TF Meeting Agenda

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Date (local time)		Event	Issues
Month, Day	Year		
July 18-19	2019	Face-to-face TF meeting	Subject: IFRS 16 lessor accounting departure or not 1. [Include the issues identified in this draft matrix any instructions from the June IPSASB meeting] 2. Agree on recommendations to the September IPSASB meeting 3. Develop proposals for suggested next steps for the IPSASB Leases project for both scenarios (departure and not departure) [to be completed after the June 2019 meeting]
July 26	2019	Email	1. Staff to send to TF members draft Issues Paper for the September IPSASB meeting on the results of the TF meeting
August 23	2019	Email	1. TF members to send their feedback on the IPSASB Issues Paper.
August 26-September 6	2019	Emails/Calls	1. TF staff engages with TF members and TF Chair in finalizing the IPSASB Issues Paper for the September meeting
September 9	2019	Posting on website	1. TF staff posts on IPSASB website the September IPSASB Issues Paper on Leases
September 24-27	2019	IPSASB Meeting	1. Presentation on practical issues associated with IFRS 16 implementation (Isabelle Sapet) 2. UK Treasury presentation on practical issues associated with IFRS 16 implementation (TBD) 3. Presentation on practical issues associated with IFRS 16 implementation (Mike Blake) 4. Presentation on practical issues associated with data collection for GFS reporting guidelines (TBD) 5. Presentation of TF meeting results on the departure or not from IFRS 16 lessor accounting (João Fonseca) 6. Presentation of TF recommendation on the departure or not from IFRS 16 lessor accounting (Mike Blake) 7. IPSASB to take stock/redeliberate on the departure or not from IFRS 16 lessor accounting 8. Presentation of TF suggested next steps for the IPSASB Leases project for one of the both scenarios (departure and not departure) (Mike Blake)

Appendix B – Lessor accounting matrix outlining issues to be dealt with

I – Issues to be addressed up to IPSASB's decision on departure or not from IFRS 16

Type	Issue to be dealt with	Source of issue	Resolution resource	To be addressed	
				By	Date
Process	IPSASB Rules of the Road	Rules of the Road	TF meetings	TF	July 18-19
	Views expressed by the CAG	CAG	December 2016 IPSASB CAG meeting December 2018 IPSASB CAG [hyperlink to be added as soon as the minutes are available]	TF to explicitly address CAG issues	July 18-19, 2019
	Underlying principles to be addressed in all instances include: 1. Regard for the public interest with explicit consideration as to why public and private sector accountants may take differing points of view when accounting for the same transaction by a lessor 2. IPSASB CF financial reporting objectives of accountability by preparers and useful decision making by users 3. IPSASB CF qualitative characteristics of relevance, understandability, timeliness, comparability and verifiability bearing in mind the pervasive constraints of materiality and cost benefit	IPSASB CF	N/A	TF to ensure compliance	July 18-19, 2019

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Type	Issue to be dealt with	Source of issue	Resolution resource	To be addressed	
				By	Date
	IPSASB has three options going forward: 1. Proceed with ED64 2. Revert to IFRS 16 approach 3. Develop another approach	ED 64	To be re-visited once all of the above completed. Items 2 and or 3 will require re-exposure.	1. TF 2. IPSASB	1. July 18-19, 2019 2. September 2019 meeting 3. Post September meeting [TBD]
Conceptual issues	Consistency with IPSASB CF and IPSAS	IPSASB CF and IPSAS and how addressed in ED 64	Revisit consistency of ED 64 with IPSASB CF and IPSAS	Joao and Mike	June 2019 IPSASB meeting
	IASB CF and action taken by GASB	1. IASB CF 2. Various EDs issued by the IASB in the lead up to finalising IFRS 16 3. GASB CF 4. GASB standard on leases including lessor accounting	1 and 2 – Presentation on IASB approach 3 and 4 – Presentation on GASB approach	1 and 2 – Kimberley Crook 3 and 4 – David Bean	1 to 4 – June 2019 IPSASB meeting
Practical issues	Practical difficulties encountered in applying IFRS 16 (effective date January 1, 2019)	Information gathered to date suggest private and public sectors are encountering difficulties including the scale of systems changes required and relevance of exemptions in IFRS 16	Presentations on difficulties experienced (e.g., consolidation)	Isabelle Sapet, UK Treasury (TBD), GFS (TBD) and Mike Blake	September 2019 IPSASB meeting

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Type	Issue to be dealt with	Source of issue	Resolution resource	To be addressed	
				By	Date
IFRS 16 Lessor Accounting Departure	<p>Issues raised by respondents:</p> <ol style="list-style-type: none"> 1. Consistency with Conceptual Framework and IPSAS 2. Consolidation procedures in the public sector 3. Comparability between the public and private sectors, and within the public sector 4. Understandability of lease transactions 5. Asymmetry of information between the public and private sectors, and within the public sector 6. Whether the user's needs in the public sector are significantly different from user's in the private sector. 7. Whether the IPSASB's reasons to depart from IFRS 16 lessor accounting are public sector specific or/and strong enough. 8. Whether the IFRS 16 lessor accounting model reflects the economics of the transaction. 9. Cost-benefit considerations 	ED 64 responses	Revisit all reasoning in the lead up to finalising ED64 along with matters raised by respondents who both supported and did not support departure	<ol style="list-style-type: none"> 1. TF 2. IPSASB 	<ol style="list-style-type: none"> 1. July 18-19, 2019 2. September 2019 meeting

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Type	Issue to be dealt with	Source of issue	Resolution resource	To be addressed	
				By	Date
	Criteria for assessing departure or not from IFRS 16: 1. Consistency with Conceptual Framework (Rules of the Road) 2. Consistency with IPSAS (Rules of the Road) 3. IFRS Alignment 4. Implementation Issues 5. User's needs of financial community 6. Relationship with GFS 7. Relationship with public-private partnerships	IPSASB decision at its meeting in March 2019	N/A	1. TF 2. IPSASB	1. July 18-19, 2019 2. September 2019 meeting

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II – Potential issues to be addressed depending on IPSASB’s decision on departure or not from IFRS 16 (excluding concessionary leases)—For information only at this stage²

	Issue to be dealt with	Source of issue	Resolution resource	To be addressed	
				By	Date
ED 64 Lessor Accounting	<p>Issues related to the principles exposed in ED 64 raised by respondents:</p> <ol style="list-style-type: none"> Whether the lease receivable meets the definition of a financial asset Practical consolidation issues where lessee and lessor are within same consolidation entity, which is more prevalent in the public sector Whether the ED 64 lessor accounting model reflects the economics of the transaction. Whether there is double-counting in the ED 64 lessor accounting model. Whether the underlying asset should be derecognized in portions of rights at the commencement date of a lease. Whether a recognition exemption for leases of low value assets should be added. Whether a recognition exemption for leases between public sector entities should be added. Whether the credit entry for the liability (unearned revenue) is in fact a liability Whether guidance on the recognition and measurement of the transferred asset at the end of the lease term should be added. 	ED 64 responses	[TBD]	<ol style="list-style-type: none"> TF IPSASB 	Post September 2019 meeting [TBD]

² The items noted in part II of this matrix include relevant matters related to accounting by lessees as well as by lessors.

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	Issue to be dealt with	Source of issue	Resolution resource	To be addressed	
				By	Date
	Minor Issues raised by respondents: <ol style="list-style-type: none"> Whether the credit entry should be labelled only as a liability Whether the liability (unearned revenue) should be always adjusted by the same amount as the change resulting from the measurement of the lease receivable Whether ED 64 lessor accounting model can be applied to leases of underlying assets with limited useful life Whether the interest rate in a sublease can be different from the head lease when both have different terms (ED 64.27) 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) Whether the maturing analysis disclosures should be consistent with IFRS 7 and IPSAS 30 (ED 64.58) 	ED 64 responses	[TBD]	1. TF 2. IPSASB	Post September 2019 meeting [TBD]
Scope	<ol style="list-style-type: none"> Whether the final IPSAS on Leases should have a specific section to deal with leasing of intangibles (ED 64.3-4) Whether the scope section in the final IPSAS on Leases should include leases for zero or nominal consideration Whether the final IPSAS on Leases should provide guidance on the scope of perpetual right of renewal of leases from the lessee. Whether the final IPSAS on Leases should address transfer of mission and competence and the use of the public domain 	ED 64 responses	[TBD]	1. TF 2. IPSASB	Post September 2019 meeting [TBD]
Definitions	<ol style="list-style-type: none"> Whether the definition of a lease should include a reference to "other arrangements" or "agreements" (ED 64.4) Whether barter transactions are considered to be leases (ED 64.4) Whether the definition of concessionary lease should also include leases for zero or nominal consideration Whether the final IPSAS on Leases should have a definition on nominal or consideration 	ED 64 responses	[TBD]	1. TF 2. IPSASB	Post September 2019 meeting [TBD]

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	Issue to be dealt with	Source of issue	Resolution resource	To be addressed	
				By	Date
Identifying a Lease	<ol style="list-style-type: none"> Whether the final IPSAS on Leases should have more guidance on how to allocate consideration similar to IFRS 15 (ED 64.10) 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) 	ED 64 responses	[TBD]	<ol style="list-style-type: none"> TF IPSASB 	Post September 2019 meeting [TBD]
Lessee accounting	<ol style="list-style-type: none"> Whether ED 64.73 should be redrafted to clarify that initial direct costs and dismantling and rehabilitation costs are added to fair value Whether ED 64.74 should be redrafted to clarify that cost should be fair value, rather than that fair value is equal to cost Whether lessee presentation requirements is according to the Conceptual Framework that distinguishes between information selected for display or disclosure. (ED 64.98-112) 	ED 64 responses	[TBD]	<ol style="list-style-type: none"> TF IPSASB 	Post September 2019 meeting [TBD]
Transitional Provisions	<ol style="list-style-type: none"> 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. Whether ED 64.128 should clarify on what is the residual value 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) 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) 	ED 64 responses	[TBD]	<ol style="list-style-type: none"> TF IPSASB 	Post September 2019 meeting [TBD]

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	Issue to be dealt with	Source of issue	Resolution resource	To be addressed	
				By	Date
Application Guidance	<ol style="list-style-type: none"> Whether the final IPSAS on Leases should provide guidance on statutory leases Whether the definition of a contract includes verbal contracts (ED 64.AG3) 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) 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) 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) Whether the IPSASB should provide guidance on month- to-month leases (ED 64.AG29-AG37) Whether there is a difference between IFRS 16 and ED 64 regarding to availability of funding cancellation clause (ED 64 AG37) Whether the guidance in ED 64.AG41 is too generous Whether the final IPSAS on Leases should clarify the meaning of enforceable right and determination of the lease term 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) 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) Whether ED 64.AG24 contradicts ED 64.AG19(i) Whether ED 64.AG32 is unclear about whether the entity making the assessment about the lessee is the lessor or the lessee 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) 	ED 64 responses	[TBD]	<ol style="list-style-type: none"> TF IPSASB 	Post September 2019 meeting [TBD]]

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	Issue to be dealt with	Source of issue	Resolution resource	To be addressed	
				By	Date
Amendments to Other IPSAS	<ol style="list-style-type: none"> Whether the underlying asset should be impaired at the commencement of the lease Whether IPSAS 16, IPSAS 17 and IPSAS 31 should be amended to include more guidance to avoid double-counting 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 Whether underlying assets that are lease out should be presented in a separate category Whether IPSAS 26 should be amended to provide guidance to avoid double-counting 	ED 64 responses	[TBD]	<ol style="list-style-type: none"> TF IPSASB 	Post September 2019 meeting [TBD]
Editorials to ED 64	<ol style="list-style-type: none"> This is the definition of lease payments included in the lessor's lease receivable. (ED 64.28) ED 64.28(a) should state "...less any lease incentives payable", instead of "...receivable". "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". Whether ED 64.54(a) and (c) are the same thing Whether there is a contradiction in ED 64.AG60 	ED 64 responses	[TBD]	<ol style="list-style-type: none"> TF IPSASB 	Post September 2019 meeting [TBD]
Editorials received off-line by Staff	<ol style="list-style-type: none"> "optional lease payments" should not be italicised. (ED 64.AG53) should read "provide references" twice (ED 64.IG2) ...maintaining the long reach computed tomography machine... (ED 64.Example 12) Segment as a column heading – the 'S' should not be underlined. (ED 64.Example 22C) First journal entry: Cr Lease liability 16,100,000 (ED 64.Example 24) 	ED 64 responses	[TBD]	<ol style="list-style-type: none"> TF IPSASB 	Post September 2019 meeting [TBD]

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	Issue to be dealt with			Source of issue	Resolution resource	To be addressed	
						By	Date
Editorials to Amendments to Other IPSAS (received off-line by Staff)	IPSAS	Paragraph	Correction needed	ED 64 responses	[TBD]	1. TF 2. IPSASB	Post September 2019 meeting [TBD]
	IPSAS 2	63E	...If an entity applies the amendments for a period ...				
	IPSAS 4	71C 42C	...If an entity applies the amendments for a period ...				
	IPSAS 5	58G					
	IPSAS 27						
	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. Property Interest Held by a Lessee under an Operating Lease				
	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)....”				
	IPSAS 19	13(b)	...applies to leases at market terms that becomes onerous				
IPSAS 19	111D	...If an entity applies the amendments for a period ...					
IPSAS 40	Instructions and paragraph 126A	Paragraphs.....AG89 <u>and its related heading</u> are amended...					

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	Issue to be dealt with	Source of issue	Resolution resource	To be addressed	
				By	Date
Other Issues	Matters raised by ED64 constituents either not considered or previously considered by the IPSASB but warrant re-deliberation: <ul style="list-style-type: none"> • Access rights v lease • Service contract v lease of a distinct asset • What is a lease in the public sector 	NZ Roundtable	[TBD]	1. TF 2. IPSASB	Post September 2019 meeting [TBD]