IPSASB International Public Sector Accounting Standards Board®

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Meeting:	International Public Sector Accounting Standards Board	**Agenda Item 9**	For: ☐ Approval ☒ Discussion ☒ Information
Meeting Location:	Abu Dhabi, United Arab Emirates		
Meeting Date:	December 10–13, 2019		

LEASES

Original project summary	Develop revised requirements for lease accounting covering both lessors and lessees in order to maintain alignment with IFRS 16, *Leases*, to the extent appropriate. The project will result in a new IPSAS that will replace IPSAS 13, *Leases*.	
Proposed project summary	Develop revised requirements for lease accounting covering both lessors and lessees or retain IPSAS 13, *Leases*.	
Meeting objectives	***Topic***	***Agenda Item***
Project management	Leases: Project Roadmap	9.1.1
	Instructions up to Previous Meeting	9.1.2
	Decisions up to Previous Meeting	9.1.3
Decisions required at this meeting	What is the objective and scope of the Leases project?	9.2.1
	Framework of analysis of IPSAS 13, *Leases*, IFRS 16, *Leases*, and Exposure Draft 64 based, *Leases*	9.2.2
	Concessionary leases	9.2.3
	Retain or replace IPSAS 13?	9.2.4
	If IPSAS 13 is to be replaced, what is the IPSASB emerging view: Option 2 or Option 3?	9.2.5
Other supporting items	Detailed analysis of options for the Leases project	9.3.1

Prepared by: João Fonseca (November 2019)

LEASES: PROJECT ROADMAP[1]

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
June 2016	1. Approval of Project Brief, *Leases*
December 2017	1. Approval of Exposure Draft (ED) 64, *Leases*
September 2018 to September 2019	1. Review of responses to ED 64, *Leases* 2. Redeliberation of issues
December 2019	1. What is the objective and scope of the Leases project? 2. Framework of analysis of IPSAS 13, *Leases*, IFRS 16, *Leases*, and Exposure Draft 64, *Leases* 3. Concessionary leases 4. Retain or replace IPSAS 13? 5. If replace IPSAS 13, what is the IPSASB emerging view: Option 2 or Option°3?
March 2020 onwards	1. [To be added after decisions at the December 2019 meeting]

[1] This agenda item proposes the IPSASB to revisit the objective and scope for the Leases project. As a result, this roadmap only contains the main steps, is forward-looking and therefore does not repeat all the actions taken since project commencement in March 2016.

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned[2]
September 2019	The IPSASB instructed the Task Force and staff to:	
	1. Reflect on the presentations and discussions of practical issues arising from the implementation of IFRS 16 (both lessor and lessee), review the material in Agenda Items 10.2.1 and 10.3.1, refine it to reflect the discussions at this meeting, and bring recommendations to the December IPSASB meeting.	1.
	2. Compare the definitions of 'Asset', 'Liability' and 'Control' in the Conceptual Frameworks of IPSASB, IASB, Financial Accounting Standards Board and Governmental Accounting Standards Board.	2.
	3. Develop a more detailed Basis for Conclusions presenting all the nuances in each issue, including the relationship with GFS.	3.
	4. Merge criterion 'Consistency with IPSAS 32' with criterion 'Consistency with IPSAS'.	4.
	5. Analyse practical issues on lessee accounting.	5.
	6. Include practical issues on lessee accounting in the lessor accounting analysis.	6.
	7. Assess the benefits of adopting the right-of-use model in the public sector for lessors and lessees.	7.
	8. Assess in more detail property leases and other types of leases.	8.
	9. Monitor the activity of the IASB and IFRIC as it relates to IFRS 16. Correspond with counterparts as necessary.	9. Next IPSASB/IASB liaison meeting in March 6th, 2020.
	10. Assess the principles in ED 70 to lessor accounting (performance obligation satisfied over time or at a point in time?).	10.

[2] The unactioned items will be addressed once the objective and scope of the Leases project is resolved at the December 2019 meeting.

Meeting	Instruction	Actioned[2]
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; and 3. To include in the analysis the IASB's deliberations on lessor accounting;	1. 2. 3.

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
September 2019	1. The IPSASB **decided** that departure from IFRS 16 is conceptually justified. The practical implications of departure would now be considered.	
June 2019	2. None.	
March 2019	1. To adopt the following criteria in assessing departures from the lessor accounting requirements in IFRS 16, Leases: a. Consistency with Conceptual Framework; b. Consistency with IPSAS; c. IFRS Alignment; d. Implementation Issues; e. User needs of financial community; f. Relationship with Government Finance Statistics; and g. Relationship with public-private partnerships 2. To adopt two phases for evaluating approaches to lessor accounting: a. Phase 1: i. Examine all responses focusing on the reasons submitted for departing, or not departing, from IFRS 16; ii. Subject to conclusions on 1 (above), evaluate implications and make recommendations to the IPSASB in June 2019; iii. IPSASB to consider/redeliberate the approach in June 2019; iv. Outcome of c. will determine next steps after the June 2019 meeting, including instructions to the Task Force; and v. Accounting for concessionary leases is only to be addressed once step d. has been completed. b. Phase 2 will depend on the discussions at the June 2019 meeting.	

Meeting	Decision	BC Reference
December 2018	1. To confirm the provisional 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; 2. Not to publish lessee accounting requirements based on ED 64 ahead of the decisions on lessor accounting, and where relevant, concessionary leases; 3. To create a Task Force to consider all the issues raised by respondents; 4. Not to adopt the "bundle of rights" approach to lessee accounting; 5. Not to adopt exemption for leases between public sector entities; 6. Not to provide additional guidance on transfer of assets; 7. To create a Task Force for the Leases project to be established at March 2019 meeting; 8. Review all IPSASB's decisions in light of respondents' views; 9. Only take a final decision on lessee accounting, lessor accounting and concessionary leases after all issues have been discussed;	
September 2018	1. To provisionally adopt the proposals in ED 64, Leases, on lessee accounting in the draft IPSAS, Leases, subject to a more detailed analysis of the responses; 2. To extend the timeline of the Leases project in order to carry out a detailed analysis of all the issues raised by respondents; and 3. To get CAG's views on the Leases project at the December 2018 meeting.	

What is the objective and scope of the Leases project?

Question

1. Reconfirmation of the objective and scope of the Leases project.

Detail

Background

2. At the December 2018 meeting, the IPSASB considered the feedback to Exposure Draft (ED) 64, *Leases,* and provisionally decided to adopt the proposed lessee accounting requirements. This was a provisional decision as the IPSASB agreed to re-consider this view after it had decided on the approach to lessor accounting. At this time, the IPSASB also decided to create a Task Force for the project.

3. At the September 2019 meeting, the IPSASB received presentations from guest speakers on IFRS 16, *Leases* adoption and implementation issues. Based on those presentations and subsequent discussions, the IPSASB instructed the Leases Task Force to consider the expected costs and benefits of adopting a right-of-use model for lease accounting in the public sector for lessees and lessors. The IPSASB also requested that the Task Force consider the costs and benefits of departing from IPSAS 13, *Leases.*

4. Based on the IPSASB's September 2019 discussions, which effectively questioned the project approach, the Leases Task Force discussed the project objective on October 31st, 2019 and recommended that the IPSASB revisit this.

Changes in objective and scope of the Leases project

5. The IPSASB decided in 2015 to put Leases on the Work Plan because respondents to the 2014 Strategy Consultation highlighted the continued desire and importance of maintaining IFRS convergence[3]. However, staff highlighted at that time that there was not a strong call from respondents [4] to add or address leases specifically, or from a public sector perspective.

6. The IPSASB approved the Leases Project Brief in June 2016 that included the following objective: "*the objective was to issue a revised IPSAS 13 (or new IPSAS) on lease accounting which would be converged with the new IFRS"[5].*

7. In developing ED 64, *Leases,* the IPSASB took several decisions that changed the objective and scope of the project (details included in Appendix A), which added complexity to the project and extended its timetable. An outcome was the need for additional staff and IPSASB resources.

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[3] See paragraph 3 of Agenda Item 10.1 of the IPSASB March 2015 Issues Paper.

[4] See paragraph 11 of Agenda Item 10.1 of the IPSASB March 2015 Issues Paper.

[5] Paragraph 2.2 of the proposed Project Brief – Leases (Agenda Item 10.9) of the IPSASB March 2015 Issues Paper https://www.ifac.org/system/files/meetings/files/Agenda%20Item%2010%20combined-v1_2.pdf

IPSASB 2019-23 Strategic Objective

8. The IPSASB's 2019—23 Strategy and Work Plan sets out the Board's strategic objective as:

   'Strengthening PFM through increasing adoption of accrual-based IPSAS, delivered through two main areas of activity, both of which have a public interest focus:

   (a) Developing and maintaining IPSAS and other high-quality financial reporting guidance for the public sector; and

   (b) Raising awareness of IPSAS and the benefits of accrual adoption.'

9. One of the five Strategic Themes (Theme B) is 'Maintaining IFRS Alignment'. In addition, it is noted under Theme A (Setting standards on public sector specific issues) that 'reducing unnecessary differences with GFS will also be integral to its work'. The IPSASB has policy papers that help implement both aims.

10. The IPSASB also adopted four criteria to be applied in selecting projects within this overarching framework:

   (a) Prevalence;
   (b) Consequences;
   (c) Urgency; and
   (d) Feasibility.

IPSASB Consultative Advisory Group (CAG) views

11. The CAG discussed the Leases project during the development of ED 64, and comments received on ED 64, at its December 2016 and December 2018 meetings, respectively.

12. The main views provided by the CAG (2016 and 2018) on leases were:

   (a) CAG members highlighted that lease accounting is a very challenging topic with a diversity of views—the consequence of this is that it can be challenging to build consensus in the standard setting process[6];
   (b) CAG members noted support for extending the project timeline to ensure that all views receive due consideration so that the IPSASB can agree the way forward; and
   (c) CAG members flagged that accounting for concessionary leases raises significant measurement challenges, which means there is a need to consider carefully the cost benefit of adding requirements for these.

Staff's recommendation

13. Because the IPSASB raised questions at its September 2019 meeting on the need for the project (whether to change IPSAS 13 or not) and the modifications to the scope throughout its development, staff recommends that the IPSASB considers options to take forward the project.

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[6] The IASB added the Leases project to their work program in July 2006 and published IFRS 16, *Leases* in January 2016. The IPSASB started the Leases project in June 2016 and had an initial project timeline of June 2018 for publishing a new IPSAS.

14. Staff further recommends that those options be considered in the context of criteria that explicitly reflect the IPSASB agreed framework provided by the Strategy and Work Plan 2019—2023.

15. In this context, staff proposes that the IPSASB assesses the following broad options in relation to the future direction of the project:

    (a) Option 1—Retain IPSAS 13; or

    (a) Option 2—Proceed with the original project to align with IFRS 16; or
    (b) Option 3—ED 64 based approach[7].

16. To help the IPSASB decide between the three options, the following agenda items have been developed:

    (a) Agenda Item 9.2.2 presents an updated framework to analyze the three options;
    (b) Agenda Item 9.2.3 considers whether work on concessionary leases should be deferred from the current phase of the Leases project;
    (c) Agenda Item 9.2.4 analyzes the options to retain or replace IPSAS 13; and
    (d) Agenda Item 9.2.5 asks the IPSASB for a view on whether it wants to continue with either Option 2 or Option 3.

Decisions required

17. Does the IPSASB agree to revisit the objective and scope of the Leases project in the context of criteria that explicitly reflect the framework provided by the 2019—23 Strategy and Work Plan?

[7] "ED 64 based approach" means a final IPSAS on Leases with a right-of-use model for both lessees and lessors after consideration of alternatives lessor accounting right-of-use models proposed by respondents to ED 64 and the Task Force.

APPENDIX A – LIST OF CHANGES IN THE OBJECTIVE AND SCOPE OF THE PROJECT

Date	Decision
March 2016	• Inclusion of concessionary leases for lessors and lessees
June 2017	• Not to consider Government Finance Statistics in the Leases project
September 2017	• Not to adopt the lessor accounting requirements in IFRS 16, *Leases*
December 2018	• Consider Government Finance Statistics in lessee accounting • Preliminary decision to adopt right-of-use model for lessees • Reassess right-of-use model for lessors • Reassess concessionary leases for lessors and lessees • Not to include guidance on transfer of control of physical assets
March 2019	• Consider Government Finance Statistics in lessor accounting
September 2019	• To include guidance on transfer of control of physical assets • Reassess right-of-use model for lessees • Revisit decision to depart from IPSAS 13

Framework of analysis of IPSAS 13, *Leases*, IFRS 16, *Leases*, and Exposure Draft 64 based, *Leases*

Question

1. Whether the IPSASB agrees with the framework of analysis to discuss the options for taking the Leases project forward.

Detail

Background

2. At the September 2019 meeting, the IPSASB instructed the Leases Task Force and staff to:

   (a) Assess the costs and benefits of adopting the right-of-use model in the public sector for both lessors and lessees; and

   (b) Revisit the decision to replace IPSAS 13, *Leases*.

3. At the September 2018, March 2019 and September 2019 meetings, the IPSASB agreed on the following criteria to analyze lessee and lessor accounting in ED 64, respectively:

   (a) Consistency with Conceptual Framework;
   (b) Consistency with IPSAS;
   (c) IFRS Alignment;
   (d) Implementation issues;
   (e) User needs of financial community; and
   (f) Relationship with Government Finance Statistics.

4. Building on that methodology, staff developed the following framework of analysis to aid the IPSASB's decision-making process by explicitly reflecting the framework provided by the 2019—23 Strategy and Work Plan, as discussed in Agenda Item 9.2.1.

Proposed framework of analysis

5. The following table presents six factors to analyze the three options identified in Agenda Item 9.2.1.

Factors \ Options	No change		Change			
			Partial change		Full change	
	Option 1 – IPSAS 13 (risks and rewards model for lessor and lessee)		Option 2 – IFRS 16 (right-of-use model for lessee and risks and rewards model for lessor)		Option 3 – ED 64 based approach (right-of-use model for both lessee and lessor)	
	Lessee	Lessor	Lessee	Lessor	Lessee	Lessor
PFM benefits	[traffic light]	[traffic light]	[traffic light]	[traffic light]	[traffic light]	[traffic light]
Implementation costs / challenges	[traffic light]	[traffic light]	[traffic light]	[traffic light]	[traffic light]	[traffic light]
GFS alignment impact	[traffic light]	[traffic light]	[traffic light]	[traffic light]	[traffic light]	[traffic light]
IPSASB Conceptual Framework	[traffic light]	[traffic light]	[traffic light]	[traffic light]	[traffic light]	[traffic light]
IFRS alignment	[traffic light]	[traffic light]	[traffic light]	[traffic light]	[traffic light]	[traffic light]

Factors \ Options	No change		Change			
			Partial change		Full change	
	Option 1 – IPSAS 13 (risks and rewards model for lessor and lessee)		Option 2 – IFRS 16 (right-of-use model for lessee and risks and rewards model for lessor)		Option 3 – ED 64 based approach (right-of-use model for both lessee and lessor)	
	Lessee	Lessor	Lessee	Lessor	Lessee	Lessor
Feasibility of Leases project	[traffic light]	[traffic light]	[traffic light]	[traffic light]	[traffic light]	[traffic light]

6. The factors “IPSASB Conceptual Framework”, “IFRS alignment”, and “GFS alignment” were included in the table because the IPSASB:

   (a) Has policy papers on IFRS and GFS when developing an IPSAS; and
   (b) Decided that they were appropriate factors to analyze lease accounting in IFRS 16 and ED 64.

7. The factor “Implementation cost / challenges” was included because of the IPSASB’s concern with the costs and challenges with implementing a new IPSAS on Leases raised at the September meeting, following the presentations from the guest speakers.

8. The factors “Public Financial Management benefits” and “Feasibility of Leases Project” were included because of the impact on the execution of the Strategy & Work Plan 2019—2023.

9. Agenda Item 9.2.4 analyzes Option 1.

10. Agenda Item 9.2.5 analyzes Options 2 and 3.

11. Agenda Item 9.3.1 provides a detailed analysis of all three options.

Decisions required

12. Does the IPSASB agree with the framework to analyze the options?

Concessionary leases

Question

1. Whether the IPSASB wants to defer the work on concessionary leases from the current phase of the Leases project.

Detail

2. At the June 2016 meeting, the IPSASB approved the leases project brief which included concessionary leases in the scope of the project.

3. Agenda Item 9.2.1 highlights that the scope and complexity of the Leases project was increased by including concessionary leases.

4. Respondents to ED 64 did not have a unified or consistent view on the appropriate accounting for concessionary leases (for either lessors and lessees). Progress on concessionary leases will be dependent on the IPSASB first agreeing on an approach to lessor accounting. This will need to be subject to public consultation in the form of a second exposure draft, whichever new lessor model is proposed (Options 2 or 3), before revised proposals on concessionary leases can be developed by the IPSASB.

5. Staff expects that it will take several further meetings for the IPSASB to adequately discuss and agree on an approach to concessionary leases and has reservations as to whether a feasible approach exists in the short to medium term, without first agreeing on the general lessor accounting model.

6. The IPSASB Revenue projects are ongoing and will set out the principles for revenue recognition for all transactions in the public sector. As these principles will impact leases, it is logical that revenue be completed before finalizing a view on accounting for concessionary leases.

Staff's recommendation

7. Staff recommends the deferral of work on concessionary leases from the current project phase because it would:

   (a) Simplify the scope for the current phase of the Leases project, and align this with the reasons for adding the Leases project to the work program and those respondents' views that advocated it being added in the 2014 Strategy Consultation;
   (b) Reduce the complexity of the current phase of the Leases project and the initial version of any new IPSAS on Leases; and
   (c) Help improve the feasibility of the delivery of the current phase of the Leases project output in accordance with the timetable.

Decisions required

8. Does the IPSASB agree with the staff's recommendation to defer the work on concessionary leases from the current phase of the Leases project?

Retain or replace IPSAS 13?

Question

1. Whether the IPSASB wants to retain IPSAS 13 for the time being or replace it.

Detail

2. At the September 2019 meeting, the IPSASB instructed the Leases Task Force and staff to assess the costs and benefits of adopting the right-of-use model in the public sector for lessors and lessees, and to revisit the decision to replace IPSAS 13.

3. Agenda Item 9.2.1 identifies Option 1—Retain IPSAS 13, which means there would be no change to the IPSASB literature, at least for the time being, thus giving the IPSASB time to more fully evaluate the consequences of IFRS 16 implementation or an ED 64 based approach.

4. The table below summarizes the results of the analysis by applying the table referred to in Agenda Item 9.2.2.

Factors \ Options	No change		Change			
			Partial change		Full change	
	Option 1 – IPSAS 13 (risks and rewards model for lessor and lessee)		Option 2 – IFRS 16 (right-of-use model for lessee and risks and rewards model for lessor)		Option 3 – ED 64 based approach (right-of-use model for both lessee and lessor)	
	Lessee	Lessor	Lessee	Lessor	Lessee	Lessor
PFM benefits						
Implementation costs / challenges						
GFS alignment impact						
IPSASB Conceptual Framework						
IFRS alignment						
Feasibility of Leases project						

5. Agenda Item 9.3.1 provides the detailed information supporting the traffic light colors.

6. The main conclusion from the table is that retaining IPSAS 13 is the worst option in terms of PFM benefits, consistency with the Conceptual Framework and IFRS Alignment because it:

   (a) Continues to allow off-balance sheet financing of operating leases for lessees;
   (b) May result in the underlying asset not being recognized by either lessee or lessor (if the lessee classifies the lease as an operating lease and the lessor classifies it as a finance lease);
   (c) Is inconsistent with the control-based approach to asset recognition/derecognition in the Conceptual Framework; and
   (d) Is different from IFRS 16 for both lessees, and to a smaller degree, lessors.

7. On the other hand, retaining IPSAS 13 is the best option in terms of "GFS Alignment", "Implementation costs/challenges" and "Feasibility of Leases project" (as the standard exists and has been in place since January 1, 2008).

8. However, in addition to the risks mentioned in paragraph 6 above, there are other risks for the IPSASB in pursuing Option 1 including, but not limited to:

   (a) May give rise to mixed group issues where some publicly owned entities are required to comply with IFRS; and

   (b) Frustration of constituents because of their expectations that the IPSASB has committed to an update, or replacement, of IPSAS 13.

9. The staff does not recommend Option 1—Retain IPSAS 13.

Decisions required

10. Does the IPSASB agree with staff's recommendation not to pursue Option 1—Retain IPSAS 13?

If IPSAS 13 is to be replaced, what is the IPSASB emerging view: Option 2 or Option 3?

Question

1. Whether the IPSASB has an emerging view on the way forward: Option 2—IFRS 16 or Option 3—ED 64 based?

Detail

2. If the IPSASB decides to replace IPSAS 13, it then needs to decide whether to proceed with the right-of-use model for:

   (a) Lessees only by proceeding to develop an aligned standard with IFRS 16 as this relates mainly to lessees; or
   (b) Lessees and lessors by proceeding with an ED 64 based standard.

High-level Insights from Respondents to ED 64

3. The key issues identified from the ED 64 feedback were the lack of unified or consistent view on an appropriate approach to:

   (a) Lessor accounting under the right of use model; and
   (b) Accounting for concessionary leases by both lessors and lessees (refer Agenda Item 9.2.3).

4. A significant majority of respondents (85%) supported the proposed ED 64 right-of-use model for lessee accounting based on IFRS 16. However, a much smaller majority fully favored departing from IFRS 16 for lessors (56%), and only 33% fully supported the ED 64 proposed approach to lessor accounting.

Analysis of options

5. The table below summarizes the results of the analysis of Options 2 and 3 (with Agenda Item 9.3.1 again providing the detailed information supporting the traffic light colors).

Factor \ Options	Change			
	Partial change		Partial change	
	Option 2 – IFRS 16 (right-of-use model for lessee and risks and rewards model for lessor)		Option 3 – ED 64 based approach (right-of-use model for both lessee and lessor)	
	Lessee	Lessor	Lessee	Lessor
PFM benefits				
Implementation costs / challenges				
GFS alignment impact				
IPSASB Conceptual Framework				
IFRS alignment				
Feasibility of Leases project				

6. Option 3 is the approach most consistent with the IPSASB Conceptual Framework and, from a PFM factor, Options 2 and 3 are similar.

7. For Option 2, lessor accounting has an amber traffic light in 'Implementation costs/challenges' because the IASB also made some changes to IAS 17 (for example, IFRS 16 changes requirements for: subleases, disclosures, lease modifications, initial direct costs and variable lease payments).

8. GFS Alignment is a complex issue impacting the analysis. As explained at the September 2019 meeting, whichever route the IPSASB chooses (other than Option 1) there will be conceptual differences between IPSAS and GFS that will give rise to practical problems in terms of data collection:

   (a) Option 2 results in moving away from GFS for lessee accounting; and
   (b) Option 3 results in moving away from GFS for both lessee and lessor accounting.

9. Regarding Feasibility, pursuing Option 3 would require a significant investment in staff and IPSASB resources because of the absence of an agreed model, or agreed principles, for lessor accounting. From this perspective it is important to consider the best use of staff resources in delivering on the current IPSASB projects during the Strategy and Work Program 2019—2023 period.

10. As a result, staff has strong feasibility concerns with Option 3 because of the expected significant additional time that would be required to develop proposals which address ED 64 respondent issues with lessor accounting. The staff's view is that this should be the decisive criterion.

11. The staff recommendation is that Option 2 is the most feasible option.

Decisions required

12. Does the IPSASB support the staff's recommendation to move ahead with developing a revised Leases Exposure Draft based on IFRS 16 (Option 2)?

DETAILED ANALYSIS OF OPTIONS FOR THE LEASES PROJECT

Factors \ Options	Option 1 – IPSAS 13 (risks and rewards model for lessor and lessee)		Option 2 – IFRS 16 (right-of-use model for lessee and risks and rewards model for lessor)		Option 3 – ED 64 based approach (right-of-use model for both lessee and lessor)	
	Lessee	**Lessor**	**Lessee**	**Lessor**	**Lessee**	**Lessor**
PFM benefits	• **Operating lease:** Lack of accountability and decision-making for the lease liability. • Well understood model.	• **Finance leases:** Lack of accountability and decision-making for the underlying asset • **Operating lease:** Lack of accountability and decision-making for the lease receivable • Well understood model	• Provides better information on financial and operating capacities. • Prevents arbitrage, gaming and information asymmetry. • Improves comparability between public sector entities that lease assets and public sector entities that purchase assets.	• **Finance leases:** Lack of accountability and decision-making for the underlying asset. • **Operating lease:** Lack of accountability and decision-making for the lease receivable. • Well understood model.	• Provides better information on financial and operating capacities. • Prevents arbitrage, gaming and information asymmetry. • Improves comparability between public sector entities that lease assets and public sector entities that purchase assets.	• As there is no consensus from respondents to ED 64 on lessor accounting, it is not clear which lessor accounting model provides the most universal benefits to PFM.

Factors \ Options	Option 1 – IPSAS 13 (risks and rewards model for lessor and lessee)		Option 2 – IFRS 16 (right-of-use model for lessee and risks and rewards model for lessor)		Option 3 – ED 64 based approach (right-of-use model for both lessee and lessor)	
	Lessee	**Lessor**	**Lessee**	**Lessor**	**Lessee**	**Lessor**
Implementation costs / challenges	Based on the assumption that IPSAS 13 is already applied there are no implementation costs/challenges.		There will be implementation costs/challenges in applying the right of use accounting model to lessees.	Although IFRS 16 includes the risks and rewards model, there are changes compared to the IPSAS 13 model related to subleases, disclosures, lease modifications, initial direct costs and variable lease payments. So, there will be implementation costs / challenges. However, these should be less than ED 64.	There will be implementation costs/challenges in applying the right-of-use accounting model.	
GFS alignment impact	Conceptually the most aligned with GFS, but data is not directly used because further adjustments are required to ensure that the underlying asset is recorded in someone's balance sheet.		GFS does not apply the right-of-use model.	GFS applies the risks and rewards model.	Symmetric model completely different from GFS.	
IPSASB Conceptual Framework	Not consistent (CF follows a control-based approach to asset recognition/derecognition, not a risks and rewards approach).		Consistent (see ED 64.BC6-BC8 for full details).	Not consistent (see ED 64.BC9-BC13 for full details)	Consistent (see ED 64.BC6-BC8 and ED 64.BC34-BC117 for full details)	

Factors \ Options	Option 1 – IPSAS 13 (risks and rewards model for lessor and lessee)		Option 2 – IFRS 16 (right-of-use model for lessee and risks and rewards model for lessor)		Option 3 – ED 64 based approach (right-of-use model for both lessee and lessor)	
	Lessee	**Lessor**	**Lessee**	**Lessor**	**Lessee**	**Lessor**
IFRS alignment	IPSAS 13 applies a risks and rewards model and IFRS 16 applies a right-of-use model.	Compared to IAS 17, IFRS 16 changed subleases, disclosures, lease modifications, initial direct costs and variable lease payments.	Aligned		Aligned	Not aligned
Feasibility of Leases project	IPSAS 13 is already published. Current *status quo* is maintained.		Feasible, IPSASB alignment projects historically are relatively straight forward and completed in a timely manner.	Feasible, IPSASB alignment projects historically are relatively straight forward and completed in a timely manner. Even with a need for re-exposure it is feasible to complete the project by the end of 2021.	Feasible, ED 64 proposals were strongly supported and IPSASB provisionally agreed to adopt this model, contingent on lessor accounting decisions.	Not feasible. Constituents did not have unified or consistent views on the ED 64 proposed lessor accounting model. No alternative models have been identified that would be consensual. Task Force has also not identified a consensual model to propose (although, several options have been discussed). Without of a unified view on a consensual model, the timeline for the project is unpredictable and likely to extend well past 2021 (and will likely include re-exposure).