

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: New York, USA

Meeting Date: March 21–25, 2022

Agenda Item 7

For:

- ☐ Approval
☒ Discussion
☐ Information

OTHER LEASE-TYPE ARRANGEMENTS

Project summary	Develop additional guidance identifying and addressing lease-related accounting issues associated with lease-type arrangements.	
Task Force members	<ul style="list-style-type: none"> Lynn Pamment, IPSASB Member (Task Force Chair) Claudia Beier, IPSASB Member Andrew van der Burgh, Technical Advisor 	
Meeting objectives	Topic	Agenda Item
Project management	Leases: Project Roadmap	7.1.1
	Instructions up to Previous Meeting	7.1.2
	Decisions up to Previous Meeting	7.1.3
Decisions required at this meeting	Project Management	7.2.1
	Education Session: Linkages with IPSASB's Current and Developing Literature	7.2.2
	List of Specific Cases Raised by Respondents to the Request for Information (RFI)	7.2.3
	Framework to Analyse Other Lease-type Arrangements Themes	7.2.4
Other supporting items	N/A	N/A

**OTHER LEASE-TYPE ARRANGEMENTS:
PROJECT ROADMAP**

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
December 2020	1. Approve Request for Information (RFI), <i>Concessionary Leases and Other Arrangements Similar to Leases</i>
March 2021	1. Document out for comment
June 2021	1. Document out for comment
December 2021	1. RFI: Preliminary review of responses and project direction
March 2022	1. Project management 2. Education session: Linkages with IPSASB's current and developing literature 3. List of specific cases raised by respondents to the Request for Information 4. Framework to analyse other lease-type arrangements themes
June 2022	1. Concessionary leases: Definitions and scope 2. Leases for zero or nominal consideration: Definitions and scope 3. Concessionary leases: Recognition and measurement 4. Leases for zero or nominal consideration: Recognition and measurement 5. Concessionary leases: Presentation and disclosures 6. Leases for zero or nominal consideration: Presentation and disclosures
September 2022	1. Social housing rental arrangements 2. Shared properties with or without a lease-arrangement in place 3. Arrangements allowing right-of use 4. Other arrangements similar to leases 5. First Review of [draft] ED [X], [TBD]
December 2022	1. Linkages with IPSASB's current and developing literature 2. Approval of [draft] ED [X], [TBD]
March 2023	1. Document out for comment
June 2023	1. ED [X], [TBD]: High-level review of responses 1. ED [X], [TBD]: Review of responses [Issues to be identified from the review of responses] 2. Project management update
September 2023	2. ED [X], [TBD]: Review of responses [Issues to be identified from the review of responses] 3. First Review of [draft] Final Guidance, [TBD]
December 2023	1. ED [X], [TBD]: Review of responses [Issues to be identified from the review of responses] 2. Second Review of [draft] Final Guidance, [TBD]
March 2024	1. Linkages with IPSASB's current and developing literature 2. Approval of [draft] of Final Guidance, [TBD]

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
December 2021	1. Summarize the learning points on the RFI for the March 2022 meeting.	1. See Agenda Item 7.2.2 .
	2. Liaise with respondents to get more information before detailed analysis on the RFI is performed.	2. In progress.
	3. Bring a revised timeline of Phase Two of the Leases project for the March 2022 meeting.	3. In progress.
	4. Communicate in the At-a-Glance the relationship between the RFI and IPSAS 43.	4. See page 1 of At-a-Glance .
	5. Clarify references to IFRS 15 within IPSAS 43 in the communication materials.	5. See BC99–BC100 of IPSAS 43 .
	6. Consider the usage of the term “service potential” in IPSAS 43 during the development of the new IPSAS on Measurement.	6. Reported to lead staff of Measurement project.
	7. Consider the need for any potential consequential amendments to IPSAS 16, <i>Investment Property</i> , during Phase Two of the Leases project.	7. In progress

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
	1. N/A	1. N/A

Project Management

Question

1. Does the IPSASB agree with staff and Task Force's recommendation on the project management approach?

Recommendation

2. Staff and Task Force recommend the IPSASB to:
 - (a) Issue an Exposure Draft (ED) as the next publication of this project;
 - (b) Delegate to the Task Force the development of the non-authoritative guidance of the ED; and
 - (c) Approve the project roadmap in [Agenda Item 7.1.1](#).

Background

3. In June 2016, the IPSASB approved the [Project Brief, Leases](#), where it proposed to address concessionary leases.
4. In January 2018, the IPSASB published [Exposure Draft \(ED\) 64, Leases](#). The ED proposed a single right-of-use model for lease accounting that would replace the risks and rewards incidental to ownership model in IPSAS 13, Leases. For lessees, ED 64 proposed accounting requirements that are converged with IFRS 16, *Leases* issued by the International Accounting Standards Board. For lessors, ED 64 proposed a right-of-use model specifically designed for public sector financial reporting. ED 64 also proposed new public sector specific accounting requirements for leases at below market terms (also known as "concessionary leases") for both lessors and lessees.
5. As a result of the public consultation, in [March 2020](#) the IPSASB decided to have a phased approach to the Leases project through:
 - (a) Phase One—addressing the lease accounting model for both lessors and lessees; and
 - (b) Phase Two—addressing the public sector specific issues, including concessionary leases, and consideration of other arrangements with similarities to leases in the public sector.
6. Phase One led to the publication of [ED 75, Leases](#) in January 2021 and of [IPSAS 43, Leases](#) in January 2022, which is aligned with IFRS 16, *Leases*.
7. Phase Two (henceforth relabeled as Other Lease-type Arrangements project) led to the publication in January 2021 of [Request for Information \(RFI\), Concessionary Leases and Other Arrangements Similar to Leases](#).
8. The objective of the Other Lease-type Arrangements project is to develop additional guidance identifying and addressing lease-related accounting issues associated with lease-type arrangements.

Analysis

9. Staff and Task Force recommend the IPSASB a project management approach supported by the following three elements:
 - (a) Publications;

- (b) Resources; and
- (c) Timeline.

Publications

10. Staff and Task Force recommend the IPSASB that next publication of this project to be an ED because:
 - (a) [IPSAS 43, Leases](#) was issued in January 2022, which provides the principles for lease accounting;
 - (b) The RFI consultation provides the information to analyze related to lease-type arrangements in the public sector to determine where additional IPSAS guidance will be useful in the public sector. That guidance will need to be exposed in an ED per IPSASB's due process to allow to IPSASB's constituents to comment on the proposals; and
 - (c) It enables for completion of the project before IPSAS 43 becomes effective on January 1, 2025, as initially intended by the IPSASB.

Resources

11. The project Task Force is comprised by Lynn Pamment, IPSASB Member (Task Force Chair), Claudia Beier, IPSASB Member, and Andrew van der Burgh, IPSASB Technical Advisor. The Task Force will be further formalized in Q2 2022 as staff continues to add lease accounting expertise, if needed.
12. Staff and the Task Force recommend the IPSASB delegate responsibility for developing the non-authoritative guidance of the ED to the Task Force. The Task Force will:
 - (a) Present at each IPSASB meeting the developing material that will inform the final proposals in the ED; and
 - (b) Highlight any key issues from the Task Force discussions for the IPSASB's consideration during the review to support its approval of the ED.
13. This approach builds on the successful process followed in the development of IPSAS 41, *Financial Instruments* (including the development process for the following: ED 62, *Financial Instruments* and ED 69, *Public Sector Specific Financial Instruments: Amendments to IPSAS 41*, Financial Instruments).
14. This approach is proposed for the following reasons:
 - (a) **High heterogeneity, complexity and granularity of specific cases to draw issues from (see paragraphs 4 and 5 of [Agenda Item 7.2.3](#)).** Unlike the traditional responses to ED accounting proposals, the responses to the RFI are mainly based on current fact patterns, many times without being clear what the issue is in the fact pattern described. The Task Force will need further discussions to clearly understand the issues. This diminishes Board discussions and is not thought to be the best way to use IPSASB's limited plenary agenda time.
 - (b) **Application of existing principles.** In this phase of work on leases the work will mainly entail interpreting existing IPSAS principles and their applicability to concessionary leases and other arrangements similar to leases to determine where additional guidance may be needed.

Agenda Item 7.2.1

Therefore, the Task Force will work with staff to analyze the information provided through the RFI to determine the additional guidance to propose in ED.

Timeline

15. Staff and the Task Force recommend the IPSASB to approve the timeline in [Agenda Item 7.1.1](#) to progress the project.
16. The key dates and main topics are as follows:

Meeting	Main Topic
June 2022	Concessionary leases and leases for zero or nominal consideration
December 2022	Approval of ED on public sector specific issues
March 2024	Approval of the final guidance based on ED on public sector specific issues

Decision Required

17. Does the IPSASB agree with the staff and Task Force's recommendations?

Education Session: Linkages with IPSASB's Current and Developing Literature

Purpose

1. To provide the:
 - (a) Learning points from the Request for Information (RFI) consultation; and
 - (b) Linkages with IPSASB's current and developing literature.

Recommendation

2. No recommendation provided. For information purposes only.

Background

3. In March 2020, the IPSASB decided to adopt a phased approach to the Leases project, as follows:
 - (a) Phase One, dealing with lease accounting model(s) for both lessees and lessors based on the same definition of a lease as in IFRS 16, *Leases*; and
 - (b) Phase Two, dealing with public sector specific issues, such as concessionary leases, access rights, and other lease-type arrangements in the public sector.
4. In January 2021, the IPSASB issued Exposure Draft (ED), 75 *Leases* and [Request for Information \(RFI\), Concessionary Leases and Other Arrangements Similar to Leases](#), as part of Phase One and Phase Two of the Leases project, respectively.
5. In January 2022, the IPSASB issued [IPSAS 43, Leases](#), thus completing Phase One of the Leases Project. IPSAS 43 introduces the right of use model for lessees and substantially carries forward the risks and rewards model that exists in IPSAS 13, *Leases*.
6. The objective of Phase Two of the Leases project (relabelled as Other Lease-type Arrangements project) is to develop additional guidance identifying and addressing lease-related accounting issues associated with lease-type arrangements.
7. Given that there are some similarities and differences between the themes covered in the RFI and IPSASB's current and developing literature, the objective of this Agenda Item is to provide an education session on the linkages with IPSASB's current and developing literature relevant for the development of the Other Lease-type Arrangements project and the learning points from the RFI.

Analysis

Learning points from the RFI

8. Staff identified the following three learning points from the RFI:
 - (a) **Highly diversified content of responses**—the responses to the RFI have the following main characteristics:
 - (i) High heterogeneity – the responses provide highly diversified fact patterns;
 - (ii) High complexity – the responses provide highly complex fact patterns;
 - (iii) High granularity – the responses provide very specific fact patterns; and

- (iv) Different degree of explanation of fact patterns – the responses vary between a brief explanation of fact patterns to a more detailed explanation. In some cases, it is possible to identify what the accounting issue is, while in other cases it is not clear what the IPSAS accounting issue is.
- (b) **Possible different types of analysis**—the responses to the RFI provide a very diversified landscape of specific cases to understand the accounting practices that might inform the development of IPSAS guidance.
- (c) **Different specific cases with similar issues**—the specific cases identified [in Appendix A of Agenda Item 7.2.3](#) highlight similar issues in each theme regarding recognition, measurement, presentation, and disclosures irrespective of the type of underlying asset (for example, public school, land, property or equipment).
- (d) **Increased challenge in developing guidance**—the combination of the two previous learning points leads to an increased challenge in:
 - (i) Developing a guidance because of diversified or opposing accounting views; and
 - (ii) The assessment of determining the need for amendments to guidance in existing IPSAS or whether additional guidance is necessary.

Linkages with current IPSAS guidance

- 9. Staff has identified three topics in the current guidance that are important for the development of the Other Lease-type Arrangements project:
 - (a) Definitions—definition of transactions in current IPSAS similar to the ones covered by the RFI;
 - (b) Scope—identification of types of transactions that are within, or not within, the scope of current IPSAS; and
 - (c) Comparison between concessionary loans and concessionary leases.

Definitions

- 10. [Appendix A](#) provides an extract of relevant definitions for this Project.
- 11. Staff highlights that many transactions identified in the responses to the RFI will be assessed according to the definitions of intangible asset, service concession arrangement and lease.
- 12. The project will then address where those transactions fall in considering the scope of the relevant standards and guidance in current IPSAS, if any.
- 13. IPSAS 43 defines a lease based on control of the:
 - (a) Right to obtain economic benefits or service potential from use; and
 - (b) Right to direct the use.
- 14. These criteria will be a very important factor when assessing if items should be accounted for as within IPSAS 43, or another IPSAS.
- 15. The following diagram summarizes the relationship between a service, a service concession and a lease.

Criteria	Service	Service concession	Lease
Control of an asset	Supplier: Yes Customer: No	Grantor: Yes Operator: No	Lessor: Yes Lessee: No
Control the use of an asset	Supplier: Yes Customer: No	Grantor: Yes Operator: No	Lessor: No Lessee: Yes
Access to operate an asset	Supplier: Yes Customer: No	Grantor: No Operator: Yes	Lessor: No Lessee: Yes

Scope

16. [Appendix B](#) provides the scope of IPSAS 31, *Intangible Assets*, IPSAS 32, *Service Concession Arrangements: Grantor*, and IPSAS 43, *Leases*.
17. Staff highlights that the scope of each IPSAS will also allow the assessment of where the transactions identified in the RFI are scoped in current IPSAS.

Comparison between concessionary loans and concessionary leases

18. [Appendix C](#) provides a brief comparison between concessionary loans and concessionary leases from an economics perspective. [Appendix C](#) also provides the current IPSAS guidance for recognition and measurement of concessionary loans and identifies the IPSAS guidance to be assessed for concessionary leases and an illustrative example of a concessionary loan from the perspectives of both lender and borrower.
19. IPSAS 41, *Financial Instruments* and IPSAS 23, *Revenue from Non-exchange Transactions* provides guidance on identification of and accounting for concessionary loans. While there is no guidance in IPSASB's literature on how to account for concessionary leases, it is nevertheless possible to draw some comparisons in some topics and identify other topics where future guidance might be required regarding concessionary leases (see [Appendix C](#)).

Linkages with IPSASB's Revenue project

20. The IPSASB is currently developing a new IPSAS on Revenue. The final guidance developed in the Other Lease-type Arrangements project may:
 - (a) Cross-refer to guidance in the developing IPSAS on Revenue; and/or
 - (b) Provide guidance on the application of the scope of the revenue vs lease standards and how to identify/initially measure these components.

Decision Required

21. No decision required. For information purposes only.

Appendix A—Extract of Relevant IPSAS Definitions

IPSAS 31, <i>Intangible Assets</i>	IPSAS 32, <i>Service Concession Arrangements: Grantor</i>	IPSAS 43, <i>Leases</i>
	<p>A service concession arrangement is a binding arrangement between a grantor and an operator in which:</p> <p>(a) The operator uses the service concession asset to provide a public service on behalf of the grantor for a specified period of time; and</p> <p>(b) The operator is compensated for its services over the period of the service concession arrangement.</p> <p>[IPSAS 32.AG3–AG4 provides further guidance]</p>	<p>A lease is a contract, or part of a contract that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.</p>
<p>An intangible asset is an identifiable nonmonetary asset without physical substance.</p>	<p>A service concession asset is an asset used to provide public services in a service concession arrangement that:</p> <p>(a) Is provided by the operator which:</p> <p>(i) The operator constructs, develops, or acquires from a third party; or</p> <p>(ii) Is an existing asset of the operator; or</p> <p>(b) Is provided by the grantor which:</p> <p>(i) Is an existing asset of the grantor; or</p> <p>(ii) Is an upgrade to an existing asset of the grantor</p> <p>[IPSAS 32.AG5–AG23 provides further guidance]</p>	<p>A right-of-use asset is an asset that represents a lessee's right to use an underlying asset for the lease term.</p> <p>Underlying asset is an asset that is the subject of a lease, for which the right to use that asset has been provided by a lessor to a lessee.</p>
<p>An asset is identifiable if it either:(a) Is separable, i.e., is capable of being separated or divided from the entity and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or(b) Arises from binding arrangements (including rights from contracts or other legal rights), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations. [IPSAS 31.18–20 provides further guidance]</p>		<p>To assess whether a contract conveys the right to control the use of an identified asset for a period of time, an entity shall assess whether, throughout the period of use, the customer has both of the following:</p> <p>(a) The right to obtain substantially all of the economic benefits or service potential from use of the identified asset; and</p> <p>(b) The right to direct the use of the identified asset. [IPSAS 43.AG10–AG32 provides further guidance]</p>
<p>An entity controls an asset if the entity has the power to obtain the future economic benefits or service potential flowing from the underlying resource and to restrict the access of others to those benefits or that service potential. [IPSAS 31.21–24 provides further guidance]</p>		

IPSAS 31, <i>Intangible Assets</i>	IPSAS 32, <i>Service Concession Arrangements: Grantor</i>	IPSAS 43, <i>Leases</i>
The future economic benefits or service potential flowing from an intangible asset may include revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity. [IPSAS 31.25 provides further guidance]		

Appendix B—Extract of Relevant IPSAS Scope

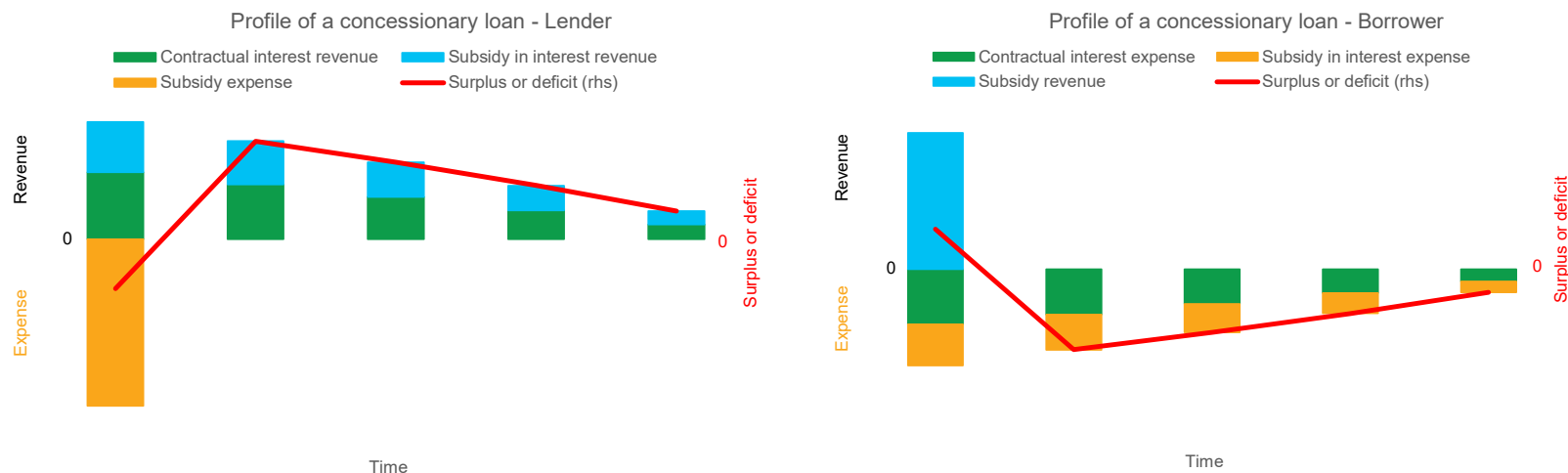
	IPSAS 31, <i>Intangible Assets</i>	IPSAS 32, <i>Service Concession Arrangements: Grantor</i>	IPSAS 43, <i>Leases</i>
Scope in	Accounting for intangible assets	Accounting for service concession arrangements	Accounting for leases
Scope out	<ul style="list-style-type: none"> Intangible assets that are within the scope of another Standard; Financial assets, as defined in IPSAS 28, <i>Financial Instruments: Presentation</i>; Exploration and evaluation assets; Expenditure on the development and extraction of minerals, oil, natural gas and similar non-regenerative resources; Powers and rights conferred by legislation, a constitution, or by equivalent means; Deferred tax assets (see the relevant international or national accounting standard dealing with income taxes); Deferred acquisition costs, and intangible assets, arising from an insurer's contractual rights under insurance contracts within the scope of the relevant international or national accounting standard dealing with insurance contracts. In cases where the relevant international or national accounting standard does not set out specific disclosure requirements for those intangible assets, the disclosure requirements in this Standard apply to those intangible assets; Intangible heritage assets. However, the disclosure requirements of paragraphs 115–127 apply to those heritage assets that are recognized. Intangible assets held by an entity for sale in the ordinary course of operations (see IPSAS 11, <i>Construction Contracts</i>, and IPSAS 12, <i>Inventories</i>); Leases that are within the scope of IPSAS 43, <i>Leases</i>; Assets arising from employee benefits (see IPSAS 39, <i>Employee Benefits</i>); Financial assets as defined in IPSAS 28; Recognition and initial measurement of service concession assets that are within the scope of IPSAS 32, <i>Service Concession Assets: Grantor</i>. However, this Standard applies to the subsequent measurement and disclosure of such assets; and Goodwill (see IPSAS 40, <i>Public Sector Combinations</i>). <p>[IPSAS 31.2–15 provides further guidance]</p>	Arrangements that do not involve the delivery of public services and arrangements that involve service and management components where the asset is not controlled by the grantor (e.g., outsourcing, service contracts, or privatization).	<ul style="list-style-type: none"> Leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources; Leases of biological assets within the scope of IPSAS 27, <i>Agriculture</i> held by a lessee; Service concession arrangements within the scope of IPSAS 32, <i>Service Concession Arrangements: Grantor</i>; and Rights held by a lessee under licensing agreements within the scope of IPSAS 31, <i>Intangible Assets</i> for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.
Scope in election			A lessee may, but is not required, to apply this IPSAS 43 to leases of intangible assets other than those described above.

Appendix C – Brief Comparison Between Concessionary Loan and Concessionary Lease

Topic	Concessionary Loan	Concessionary Lease
Economics of the Transactions		
Description of transaction	Loan at below market terms	Lease at below market terms
Type of resource	Cash (in-cash)	Right-of-use asset (in-kind)
Type of concession	Concession to the price of:	
	Time/money (interest)	Asset (right-of-use asset)
Timing of below market conditions	At inception	
Objective/Intention at the outset	Provide/receive resources with a price at below market terms	
IPSAS Guidance		
Measurement Basis	Fair Value	To be assessed
Party to the transaction	Lender	Lessor
Initial recognition of the concession	Expense in surplus or deficit, except where the loan is a transaction with owners	To be assessed
Subsequent recognition of the concession	Concession included in interest revenue over the loan term	To be assessed
Party to the transaction	Borrower	Lessee
Initial recognition of the concession	Revenue, except if a present obligation exists (recognizes a liability)	To be assessed
Subsequent recognition of the concession	If there is a liability, reduction of liability and concession included in interest expense over the loan term	To be assessed

Appendix C – Brief Comparison Between Concessionary Loan and Concessionary Lease (cont.)

1. The two graphs below provide a visualization of an illustrative example of the accounting for concessionary loans from both the perspective of the lender and the borrower and should be read together with comparison table above.
2. From the borrower perspective, the assumption is that there is no performance obligation in the loan contract for the borrower to perform.



3. Staff highlights that the amount of subsidy recognized in year one as revenue in the borrower's accounts and expense in the lender's accounts will be recognized over the loan term as expense and revenue, respectively.

List of Specific Cases Raised by Respondents to the Request for Information

Question

1. Does the IPSASB agree with staff and Task Force's recommendation to address the issues raised in the themes identified in [Appendix A](#)?

Recommendation

2. Staff and Task Force recommend the IPSASB to address the issues raised in the themes identified in [Appendix A](#).

Background

3. In January 2021, the IPSASB issued [Request for Information \(RFI\)](#), [Concessionary Leases and Other Arrangements Similar to Leases](#), as part of Other Lease-type Arrangements project. [Appendix A](#) identifies the seven themes that were included in the RFI.
4. At the December 2021 meeting, the IPSASB discussed a preliminary review of responses to the RFI (see [Agenda Item 4.2.1](#)). Staff had noted that the responses to the RFI have the following main characteristics:
 - (a) High heterogeneity – the responses provide highly diversified fact patterns;
 - (b) High complexity – the responses provide highly complex fact patterns;
 - (c) High granularity – the responses provide very specific fact patterns; and
 - (d) Different degree of explanation of fact patterns – the responses vary between a brief explanation of fact patterns to a more detailed explanation.
5. Staff also noted that these characteristics significantly increase the challenge of analyzing the responses to identify common themes. It further complicates the assessment in determining the need for amendments to guidance in existing IPSAS or whether additional guidance is necessary.

Analysis

6. [Appendix A](#) provides the list of specific cases that staff identified in the responses to the RFI.
7. Staff notes that whenever respondents provided specific terminology labelling the arrangements in their jurisdiction, those terms are also used in [Appendix A](#) (for example, easements).
8. Staff also merged the specific cases related to *Theme 1. Concessionary Leases* and *Theme 2. Leases for Zero or nominal Consideration* because:
 - (a) Many respondents also merged the two themes;
 - (b) The majority of specific cases of leases at below market terms encompasses both themes; and
 - (c) Sometimes it was not clear from the responses to the RFI to which theme the specific case relates to.
9. In the case of responses' specific cases on concessionary leases and leases for zero or nominal, staff noted the existence of common issues related to those specific cases, irrespective of the type of underlying asset (for example: public lands, public housing or public equipment), as follows:
 - (a) Whether the concession should be recognized in the financial statements;

- (b) How the arrangements should be measured and presented in the financial statements; and
 - (c) Whether and how the arrangements should be disclosed in the financial statements.
- 10. Similar situations, but to a lesser extent, exist within the remaining RFI themes.
 - 11. When applying the flowchart proposed in [Appendix A](#) of Agenda Item 7.2.4, the IPSASB may have to consider aggregating the specific cases according to the issues identified in paragraphs 9 and 10.
 - 12. Staff will bring to the IPSASB the specific cases and the associated issues in each theme according to the proposed timeline in [Agenda Item 7.1.1](#) and explained in [Agenda Item 7.2.1](#).

Staff and Task Force recommendation

- 13. Staff and the Task Force recommend the IPSASB to address the seven themes identified in [Appendix A](#).

Decision Required

- 14. Does the IPSASB agree with the staff and Task Force's recommendation?

Appendix A – List of Specific Cases per Themes Identified in the Responses to RFI

Themes / Specific cases
Theme 1. Concessionary leases / Theme 2. Leases for zero or nominal consideration
1. Leases of land/building for a specified purpose
2. Long-term concessionary leases
3. Concessionary leases of land and improvements with an indefinite period for a specified purpose
4. Non-integrated state schools
5. Public lands
6. Public housing
7. Public equipment
8. Sale and leaseback transactions
9. Student accommodations
10. Housing granted to Public Servants
11. Infrastructure
12. Historical objects
Theme 3. Access rights
3.1. Access to roads railways
3.2. Easements
3.3. Wayleaves
3.4. Access to land/buildings
3.5. Encroachments
3.6. Servitudes
3.7. Right to graze livestock
Theme 4. Arrangements allowing right-of use
4.1. Right of use of land/buildings
Theme 5. Social housing rental arrangements
5.1. Social housing rental arrangements
5.2. Rent-to-own agreements
Theme 6. Shared properties with or without a lease-arrangement in place
6.1. Shared properties with a lease-arrangement in place
6.2. Shared properties without a lease-arrangement in place
Theme 7. Other arrangements similar to leases
7.1. Marginal lands
7.2. Tripartite agreement
7.3. Licenses
7.4. Access to water
7.5. Temporary occupancy permits
7.6. Other

Framework to Analyze Other Lease-type Arrangements Themes

Question

1. Does the IPSASB agree with staff and Task Force's recommendation to apply the flowchart in [Appendix A](#) to analyze the themes in the Request for Information (RFI) consultation?

Recommendation

2. Staff and the Task Force recommend the IPSASB to:
 - (a) Apply as a starting point the flowchart identified in [Appendix A](#) to the themes identified in the RFI consultation; and
 - (b) Analyze the arrangements from the perspectives of both:
 - (i) Parties to the arrangements; and
 - (ii) Consolidated financial statements and separate financial statements.

Background

3. In January 2021, the IPSASB issued [RFI, Concessionary Leases and Other Arrangements Similar to Leases](#), as part of Other Lease-type Arrangements project. [Appendix A](#) of Agenda Item 7.2.3 identifies the 7 themes that were included in the RFI.
4. At the December 2021 meeting, the IPSASB discussed a preliminary review of responses to the RFI (see [Agenda Item 4.2.1](#)). Staff had noted that the responses to the RFI have the following main characteristics:
 - (a) High heterogeneity – the responses provide highly diversified fact patterns;
 - (b) High complexity – the responses provide highly complex fact patterns;
 - (c) High granularity – the responses provide very specific fact patterns; and
 - (d) Different degree of explanation of fact patterns – the responses vary between a brief explanation of fact patterns to a more detailed explanation.
5. Staff also noted that these characteristics significantly increase the challenge of analyzing the responses to identify common issues. It further complicates the assessment in determining the need for amendments to guidance in existing IPSAS or whether additional guidance is necessary.

Analysis

6. Staff and the Task Force propose a framework to analyze the issues from the RFI consultation supported by the flowchart identified in [Appendix A](#). This flowchart was also applied by the IPSASB in the Financial Instruments projects initially and then formalized and applied again in the Heritage and Infrastructure projects in the development of ED 78.
7. Staff and Task Force view the flowchart as a:
 - (a) Tool to analyze the themes/issues/specific cases and, as such, should be used to flexibly provide a balanced solution for each issue; and

- (b) Starting point to analyze the themes/issues/specific cases and, as such, it may not always provide the right solution for all themes/issues/specific cases. In such cases, the Task Force and the IPSASB will apply judgement to address the issues.
- 8. Where available, staff and the Task Force will analyze guidance issued by national accounting standard-setters related to the RFI themes.
- 9. Staff and the Task Force will also analyze the arrangements from both:
 - (a) Parties to the arrangements because the accounting may not be symmetrical (lessee and lessor perspective). This is consistent with the asymmetrical lease accounting model in IPSAS 43; and
 - (b) Consolidated financial statements and separate financial statements because some of the issues raised may only be prevalent between inter-related entities, which may be eliminated and hence detailed guidance may not be required.
- 10. [Appendix B](#) explains the flowchart to analyze other lease-type arrangements issues.
- 11. [Appendix C](#) explains how IPSAS guidance is structured.

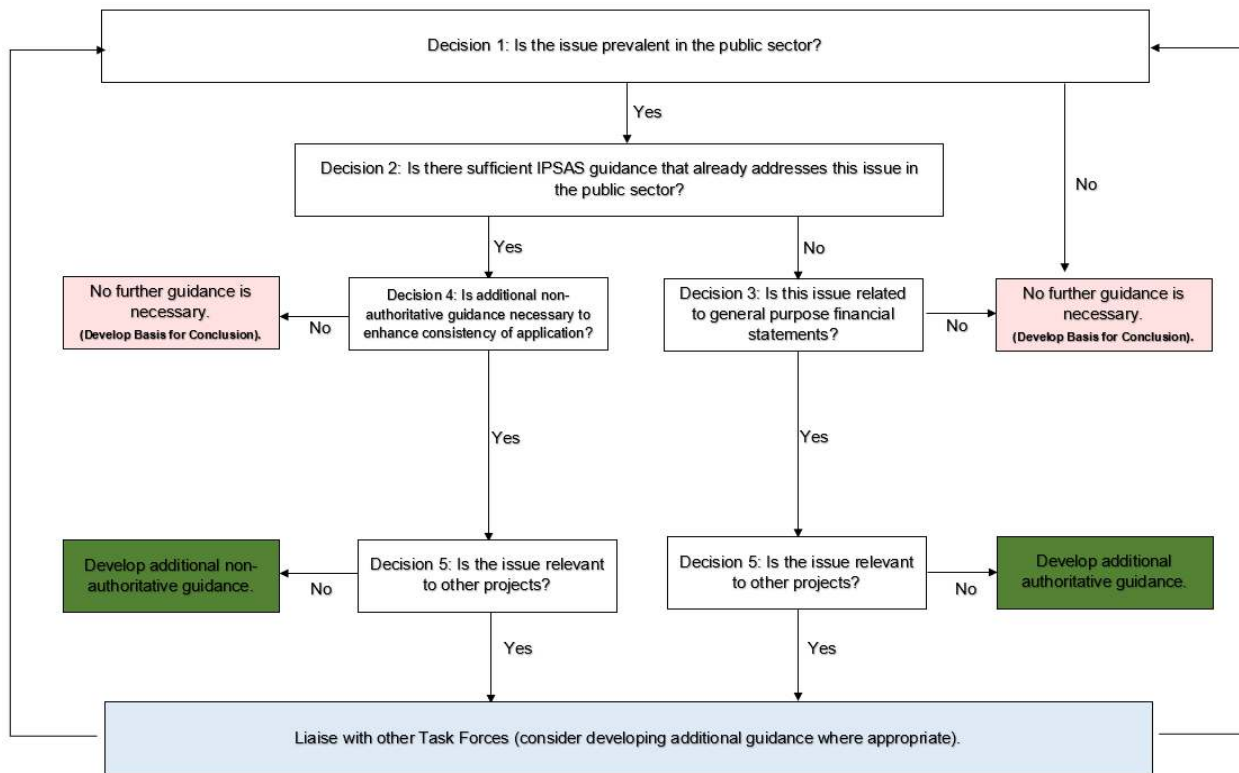
Staff and Task Force recommendation

- 12. Staff and the Task Force recommend the IPSASB to:
 - (a) Apply with flexibility and as a starting point the flowchart identified in [Appendix A](#) to the issues identified in the RFI consultation; and
 - (b) Analyze the arrangements from the perspectives of both:
 - (i) Parties to the arrangements.
 - (ii) Consolidated financial statements and separate financial statements.

Decision Required

- 13. Does the IPSASB agree with the staff and Task Force's recommendation?

Appendix A – Flowchart to Analyze Other Lease-type Arrangements Issues



Note: This appendix was based on [Appendix 12.2.2C of Agenda Item 12.2.2](#) of the December 2019 meeting.

Appendix B – Explanation of Flowchart to Analyze Other Lease-type Arrangements Issues

Decision 1: Is the issue prevalent in the public sector?

This criterion is consistent with the approach used by the IPSASB when considering potential new projects.

Decision 2: Is there sufficient IPSAS guidance that already addresses this issue in the public sector?

This criterion considers if IPSAS guidance (authoritative and non-authoritative) is sufficient to address the issue. IPSAS guidance is sufficient to address the issue if it exists; directly addresses the issue that is prevalent in the public sector; and is consistently applied in practice. This criterion requires significant professional judgment.

Decision 3: Is this issue related to general purpose financial statements?

This criterion evaluates whether the identified issue is related to general purpose financial statements. This criterion only considers issues related to financial reporting.

Decision 4: Is additional non-authoritative guidance necessary to enhance consistency of application?

The criterion evaluates whether additional non-authoritative guidance could be necessary to enhance consistency of application. This criterion also requires significant professional judgment. Additional non-authoritative guidance is necessary if it elaborates/illustrates the application of a principle in order to enhance the consistency of application and if the issue identified is unique in the public sector. For example, additional non-authoritative guidance may be necessary if the other lease-type arrangement issue identified also exists in the private sector and if interpretation issues have been raised by the IFRS Standards adopters.

Decision 5: Is the issue relevant to other projects?

This criterion requires consideration whether other lease-type arrangement issues identified are unique or relevant to other projects.

- If the issue is relevant to other projects – liaise with other Task Forces (consider developing additional guidance or summarizing in the Basis for Conclusions if additional guidance is unnecessary where appropriate).
- If the issue is not relevant to other projects – develop additional authoritative or non-authoritative guidance where appropriate.

Note: This appendix was based on [Appendix 12.2.2B of Agenda Item 12.2.2](#) of the December 2019 meeting and adapted to the Other Lease-type Arrangements project.

Appendix C – IPSAS Guidance

1. IPSAS guidance comprise of authoritative and non-authoritative sections.

IPSAS Authoritative Sections

2. The authoritative section of IPSAS includes:
 - (a) Core text, which prescribe the minimum requirements and principles for dealing with transactions in the Objective, Scope, Definition, Recognition, Measurement, Derecognition, Presentation, Disclosure and Effective Date paragraphs; and
 - (b) Application Guidance, which elaborates existing literature or principles and describes the application of the core text.
3. Core text and application guidance have equal authority and are integral to the Standard. Core text is in the main body of the Standard, whilst application guidance is in the appendices of the Standard.

IPSAS Non-Authoritative Sections

4. Non-Authoritative Guidance includes Basis for Conclusions, Implementation Guidance (IGs), and Illustrative Examples (IEs), which do not form part of the Standard and are in the appendices.
5. The Basis for Conclusions summarizes decisions and considerations made by the IPSASB in reaching conclusions. It also includes the IPSASB's rationale for accepting and rejecting certain views.
6. Implementation Guidance and Illustrative Examples illustrate certain principles of the Standard.

Note: This Appendix was based on [Appendix 12.2.2A of Agenda Item 12.2.2](#) of the December 2019 meeting.