

AGENDA ITEM 6.3.1

Exposure Draft 88
March 2024
Comments due: May 31, 2024

IPSAS®

Proposed International Public Sector Accounting Standard®

Arrangements Conveying Rights over Assets (Amendments to IPSAS 47 and IPSAS 48)

IPSASB

International Public
Sector Accounting
Standards Board®



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The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances.

In meeting this objective, the IPSASB sets IPSAS® and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

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REQUEST FOR COMMENTS

This Exposure Draft (ED), *Arrangements Conveying Rights over Assets* (Amendments to IPSAS 47 and IPSAS 48), was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by May 31, 2024.**

Respondents are asked to submit their comments electronically through the IPSASB website, using the [“Submit a Comment”](#) link. Please submit comments in both a PDF and Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. This publication may be downloaded from the IPSASB website: www.ipsasb.org. The approved text is published in the English language.

IPSASB’s Leases Project

In January 2022, the IPSASB published [IPSAS 43, Leases](#), which is aligned with IFRS 16, *Leases*. The publication of IPSAS 43 completed phase one of the IPSASB’s Leases project.

The Basis for Conclusions to IPSAS 43 explains how the IPSASB addressed the comment letters in developing IPSAS 43 and the reasons to have a phased approach to the Leases project.

Phase Two of the Leases project led to the publication in January 2021 of [Request for Information \(RFI\), Concessionary Leases and Other Arrangements Similar to Leases](#). The objective of phase two of the Leases project is to develop additional guidance on concessionary leases and other arrangements similar to leases.

In January 2023, the IPSASB published [ED 84, Concessionary Leases and Right-of-Use Assets In-kind \(Amendments to IPSAS 43 and IPSAS 23\)](#) to propose guidance for some of the arrangements identified in the RFI.

When ED 84 was published, the IPSASB had not approved IPSAS 47, *Revenue* and IPSAS 48, *Transfer Expenses*. This ED complements and updates the ED 84 proposals by clarifying the proposed amendments to IPSAS 47 and IPSAS 48 that arise from phase two of the Leases project.

The Final Pronouncement is expected to include illustrative examples in IPSAS 43 on Access Rights, Arrangements Allowing Right to Use an Asset, Social Housing without Consideration, and Shared Properties explaining why these arrangements are not leases.

Objective of the ED

The objective of this ED is to provide additional guidance for the concession in concessionary leases and for other arrangements that convey rights over assets.

Guide for Respondents

The IPSASB welcomes comments on all of the matters discussed in this ED. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

The Specific Matters for Comment requested for the ED are provided below.

EXPOSURE DRAFT 88, ARRANGEMENTS CONVEYING RIGHTS OVER ASSETS (AMENDMENTS TO IPSAS 47 AND IPSAS 48)

Specific Matter for Comment 1:

The IPSASB decided to propose new accounting guidance for the concession in concessionary leases in IPSAS 47 (see paragraphs IPSAS 47.BC141–BC145). Do you agree with the proposed amendments to IPSAS 47? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

Specific Matter for Comment 2:

The IPSASB decided to propose non-authoritative guidance for other arrangements conveying rights over assets in IPSAS 47 and IPSAS 48 (see paragraphs IPSAS 47.BC146–BC148 and IPSAS 48.BC41–BC44). Do you agree with the proposed non-authoritative amendments to IPSAS 47 and IPSAS 48? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

**EXPOSURE DRAFT 88, ARRANGEMENTS CONVEYING RIGHTS OVER
ASSETS (AMENDMENTS TO IPSAS 47 AND IPSAS 48)****CONTENTS**

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AMENDMENTS TO IPSAS 47, *REVENUE*

Paragraphs 194A, 203A, AG153A–AG153B, AG202A–AG202K, BC141–BC147, IE1A–IE1M, IE296A, and IE308 are added. Paragraphs AG1 and AG154 are amended. The headings above paragraphs AG153A, AG202A, AG202C, AG202D, AG202F, AG202H, BC141, IE1A, IE1B, IE1E, IE1H, IE1K, IE296A, and IE308 are added. New text is underlined and deleted text is struck through.

Effective Date and Transition

Effective Date

...

194A. Paragraphs AG1 and AG154 were amended and paragraphs 194A, 203A, AG153A–AG153B, AG202A–AG202K were added by [draft] IPSAS [X] (ED 88), *Arrangements Conveying Rights over Assets (Amendments to IPSAS 47 and IPSAS 48)* issued in [Month YYYY]. An entity shall apply these amendments for annual financial statements covering periods beginning on or at after [MM DD, YYYY]. Earlier application is permitted. If an entity applies the amendments for a period beginning before [MM DD, YYYY] it shall disclose that fact and apply IPSAS 43, IPSAS 45, IPSAS 46, and IPSAS 47, and IPSAS 48 at the same time.

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Transition

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203A. The transition requirements for right-of-use assets in IPSAS 43 are also applicable to the measurement of the right-of-use assets in-kind held by an entity, as appropriate.

Appendix A**Application Guidance**

This Appendix is an integral part of IPSAS 47.

AG1. This Application Guidance is organized into the following categories:

...

(e) Application of Principles to Specific Transactions (paragraphs AG139–AG202);

...

(va) Concessionary Leases (paragraphs AG153A–AG153B);

...

(xiv) Bill-and-Hold Arrangements (paragraph AG199–AG202); and

(xv) Right-of-use Assets In-kind (paragraphs AG202A–AG202K); and

...

Application of Principles to Specific Transactions

...

Concessionary Leases

AG153A. Concessionary leases are leases received by a lessee at below-market terms. The portion of the lease that is payable, along with any interest payments, is accounted for in accordance with IPSAS 43. A lessee considers whether any difference between the value of the right-of-use asset and the present value of contractual payments on initial recognition is revenue that should be accounted for in accordance with this Standard.

AG153B. Where a lessee determines that the difference between the value of the right-of-use asset and the present value of contractual payments on initial recognition is revenue, a lessee recognizes the difference as revenue, except if a compliance obligation exists, for example, where specific requirements are imposed on the transferred asset (the right-of-use asset) by the lessor result in a compliance obligation. Where a compliance obligation exists, the lessee considers if it gives rise to the existence and recognition of a liability. As the lessee satisfies the compliance obligation, the liability is reduced, and an equal amount of revenue is recognized.

Measurement of Transferred Assets

AG154. As required by paragraph 106, transferred assets are measured at their transaction consideration as at the date of recognition. When an entity received consideration in a form other than cash, the non-cash consideration is initially measured at its current value in accordance with relevant IPSAS;

...

(d) Right-of-use assets held by a lessee acquired through concessionary leases are to be initially measured at the present value of payments for the lease at market rates based on the current use of the underlying asset in accordance with IPSAS 43.

EXPOSURE DRAFT 88, ARRANGEMENTS CONVEYING RIGHTS OVER ASSETS (AMENDMENTS TO IPSAS 47 AND IPSAS 48)

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Right-of-Use Assets In-kindIdentification

AG202A. Right-of-use assets in-kind are right-of-use assets received without consideration. An entity identifies a right-of-use asset in-kind in accordance with the requirements of paragraphs 10–12 and AG10–AG34 of IPSAS 43, *Leases* for identifying a lease, with the necessary adaptations in the absence of payments.

AG202B. Right-of-use assets in-kind are voluntary transfers of assets that one entity makes to another, either free from requirements or may be subject to certain obligations. The resource provider may be an entity or an individual. For right-of-use assets in-kind, the past event giving rise to the control of resources embodying future economic benefits or service potential is normally the receipt of the right-of-use asset in-kind.

Recognition

AG202C. Right-of-use assets in-kind are recognized as assets in accordance with paragraphs 18–25 and the recognition of revenue depends on whether they arise from a transaction with a binding arrangement.

Measurement

AG202D. On initial recognition, right-of-use assets in-kind are measured at the present value of payments at market rates based on the current use of the underlying asset in accordance with paragraphs 26A and 26B of IPSAS 43 for right-of-use assets held by a lessee acquired through a concessionary lease if there is information of payments at market rates and IPSAS 46, *Measurement* if there is no information of payments at market rates.

AG202E. After initial recognition, an entity shall subsequently measure right-of-use assets in-kind in accordance with paragraphs 30–36 of IPSAS 43 for right-of-use assets.

PresentationDisplay

AG202F. An entity shall present in the statement of financial position or disclose in the notes right-of-use assets in-kind separately from other assets. If an entity does not present right-of-use assets in-kind separately in the statement of financial position, the entity shall:

- (a) Include right-of-use assets in-kind within the same line item as that within which the corresponding underlying assets would be presented if they were owned; and
- (b) Disclose which line items in the statement of financial position include those right-of-use assets in-kind.

AG202G. An entity may present right-of-use assets in-kind together with other right-of-use assets.

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Disclosure

AG202H. An entity shall disclose in the notes to the general purpose financial statements the nature and type of major classes of right-of-use assets in-kind, showing separately major classes of and right-of-use assets in-kind received.

AG202I. For right-of-use assets in-kind, an entity shall disclose in the notes to the general purpose financial statements the:

(a) Depreciation charge for right-of-use assets in-kind by class of underlying asset; and

(b) Carrying amount at the end of the reporting period by class of underlying asset.

AG202J. If right-of-use assets in-kind meet the definition of investment property, an entity shall apply the disclosure requirements in IPSAS 16. In that case, an entity is not required to provide disclosures in AG202I for those right-of-use assets in-kind.

AG202K. If an entity measures right-of-use assets in-kind at revalued amounts applying IPSAS 45, an entity shall disclose the information required by paragraph 74 of IPSAS 45 for those right-of-use assets in-kind.

EXPOSURE DRAFT 88, ARRANGEMENTS CONVEYING RIGHTS OVER ASSETS (AMENDMENTS TO IPSAS 47 AND IPSAS 48)

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 47.

...

Revision of IPSAS 47 as a result of [draft] IPSAS [X] (ED 88), Arrangements Conveying Rights over Assets (Amendments to IPSAS 47 and IPSAS 48) issued in [Month and Year]

BC141. In January 2021, the IPSASB issued the Request for Information (RFI), *Concessionary Leases and Other Arrangements Similar to Leases*. The Request for Information included a set of arrangements similar to leases that are common in the public sector¹.

BC142. Based on the information received from respondents to the Request for Information, in January 2023, the IPSASB issued Exposure Draft (ED) 84, *Concessionary Leases and Right-of-Use Assets In-kind* (Amendments to IPSAS 43 and IPSAS 23). ED 84 proposed new public sector specific accounting requirements for two of the six types of arrangements identified in the RFI. Regarding the RFI remaining arrangements, the IPSASB had taken the view that the applicable IPSAS at the time of publication of ED 84 already provided the principles on how to account for those arrangements.

BC143. During the review of responses to ED 84, the IPSASB noted that some respondents raised some issues that were related to arrangements that do not meet the definition of a lease or right-of-use asset in-kind. The IPSASB also noted that this may be related to the fact that ED 84 did not propose accounting for the remaining types of arrangements included in the RFI that do not meet the definition of a lease or right-of-use asset in-kind. Therefore, respondents did not have a comprehensive view on the accounting for these types of arrangements that convey rights over assets.

BC144. In May 2023, the IPSASB published IPSAS 45, *Property, Plant, and Equipment*², IPSAS 46, *Measurement*, IPSAS 47, *Revenue*³, and IPSAS 48, *Transfer Expenses*. As IPSAS 47 supersedes IPSAS 23, the ED 84 proposals of amendments to IPSAS 23 will no longer be applicable in 2026 onwards.

BC145. The IPSASB decided to publish ED 88 with proposed new authoritative and non-authoritative guidance for the concession in concessionary leases for lessees in IPSAS 47 to update the proposals in ED 84 to the new IPSAS on Revenue.

BC146. The IPSASB also decided to propose non-authoritative guidance in IPSAS 47 and IPSAS 48, *Transfer Expenses* for the remaining arrangements in the Request for Information that convey rights over assets, thus complementing, and updating the proposals in ED 84.

BC147. The IPSASB noted that some respondents to the Request for Information had identified in their jurisdiction arrangements that conveyed the right to use an underlying asset for zero consideration. As this type of arrangement does not meet the definition of a lease because they lack consideration,

¹ The Request for Information included six types of arrangements, as follows: (i) Concessionary Leases, (ii) Leases for Zero or Nominal Consideration, (iii) Access Rights (or Rights of Access to Property and/or Land), (iv) Arrangements Allowing Right-of-Use, (v) Social Housing Arrangements, (vi) Shared Properties with or without a Lease-Arrangement in Place.

² IPSAS 45 will be effective on January 1, 2025, and supersedes IPSAS 17, *Property, Plant, and Equipment*.

³ IPSAS 47 will be effective on January 1, 2026, and supersedes IPSAS 9, *Revenue from Exchange Transactions*, IPSAS 11, *Construction Contracts*, and IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*.

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and with the approval of IPSAS 43 it was decided to create a new type of asset –the right-of-use asset in-kind– that did not exist at the time of approval of IPSAS 47, the IPSASB decided to amend this Standard to provide guidance on accounting for this type of arrangement.

BC148. The IPSASB decided that accounting for right-of-use assets in-kind should follow the same principles as for right-of-use assets acquired through a concessionary lease because both have types of non-cash consideration.

BC149. The IPSASB also decided not to add illustrative examples accompanying IPSAS 31, *Intangible Assets* because the main objective of issuing ED 88 is to update IPSAS 47 and IPSAS 48 as these IPSAS had not yet been issued by the IPSASB at the time of approval of ED 84.

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Illustrative Examples

These illustrative examples accompany, but are not part of, IPSAS 47.

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Scope

IE1A. Examples 0A–0D illustrate the requirements in paragraph 3(d) of IPSAS 47 to assess whether the arrangement is in the scope of IPSAS 47, rather than in the scope of IPSAS 43, *Leases*.

Example 0A – Access Rights

IE1B. Government Agency (the Entity) enters into an arrangement with a public sector entity (Customer) to convey the right to access to land in a forest and to small station cabins for use by the Customer's employees in the course of its operations for a period of five years. The Customer uses the land to feed sheep and cows that are to be sold in the course of its activities. From season to season, the Entity has the discretion to change the portion of land and the small station cabins used by the Customer depending on other Entity's activities that take place on the land. The Customer pays the transaction consideration upfront to the Entity for the use of the land and small station cabins.

IE1C. Based on the analysis in Example 10A of IPSAS 43, this arrangement is not a lease.

IE1D. In accordance with paragraph 3(d) of IPSAS 47, the Entity determined that this arrangement is a revenue transaction in the scope of IPSAS 47. The Entity confirms that the arrangement is a binding arrangement because it has an enforceable obligation to provide access to the land and cabins, in exchange for an enforceable right to receive payment from the Customer. Thus, the Entity would account for the arrangement by applying paragraphs 56-147 of IPSAS 47.

Example 0B – Arrangements Allowing the Right to Use an Asset

IE1E. Municipality A (the Entity) enters into an arrangement to provide Government agency X (Customer) the right to use the Entities' properties, which are specifically designed to deliver education services as part of a national program for certifying the qualifications of the national labor force for a period of seven years, in exchange for transaction consideration that is paid monthly. Throughout the seven-year period, the Entity can and will change the buildings where the certification occurs according to its needs, as long as it gives the Customer a 30-day notice for the Customer's planning purposes.

IE1F. Based on the analysis in Example 10B of IPSAS 43, this arrangement is not a lease.

IE1G. In accordance with paragraph 3(d) of IPSAS 47, the Entity determined that this arrangement is a revenue transaction in the scope of IPSAS 47. The Entity confirms that the arrangement is a binding arrangement because it has an enforceable obligation to provide the right to use its properties for the Customer to deliver education services in exchange for an enforceable right to receive payments from the Customer. Thus, the Entity would account for the arrangement by applying paragraphs 56-147 of IPSAS 47.

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Example 0C – Social Housing without Consideration

IE1H. The national government publishes new legislation which requires municipal governments to take action to reduce the number of homeless in their community. To implement the legislation requirements, Municipality Z (the Municipality) engages a municipal non-profit organization (the Entity) to operate social housing services for the homeless in the local community. Under the 10-year arrangement, the Entity is able to use 100 vacant social housing units (to temporarily house the homeless until they find a more permanent place to live) and attached office space to be used in these operations, for zero consideration.

IE1I. Based on the analysis in Example 10C of IPSAS 43, this arrangement is not a lease.

IE1J. In accordance with paragraph 3(d) of IPSAS 47, the Entity determined that this arrangement is a revenue transaction in the scope of IPSAS 47. The Entity confirms that the arrangement is not a binding arrangement because it has an enforceable right to use the vacant social housing units for 10 years, but it does not have an enforceable obligation. Thus, the Entity would account for the arrangement by applying paragraphs 18-25 of IPSAS 47.

Example 0D – Shared Properties

IE1K. Municipality A (the Entity) enters into an arrangement with Government Agency B (Customer) to share the use of a floor in an office building for three years. The Municipality will continue to use the floor for the majority of the time and coordinates with the Customer the dates that each can use it to their own activities. The Customer pays transaction consideration upfront each month, based on the number of days it plans to use.

IE1L. Based on the analysis in Example 10D of IPSAS 43, this arrangement is not a lease.

IE1M. In accordance with paragraph 3(d) of IPSAS 47, the Entity determined that this arrangement is a revenue transaction in the scope of IPSAS 47. The Entity confirms that the arrangement is a binding arrangement because it has an enforceable obligation to share the use of the office space with the Customer, in exchange for an enforceable right to payment from the Customer. Thus, the Entity would account for the arrangement by applying paragraphs 56-147 of IPSAS 47.

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Concessionary LeasesExample 54A – Concessionary Lease (Lessee)–Concession Results from 30% Lower Contractual Payments than Payments for the Lease at Market Rates.

IE296A. Public sector not-for-profit entity X (Lessee) enters into a lease with municipality Y (Lessor) to use a building to provide medical services to the population over a period of 5 years. The municipality does not regulate the types of medical services provided to the population.

The annual payment for the lease at market rates based on the current use of the underlying asset is CU5,312,420.

The lease stipulates that it should be paid over the 5-year period as follows:

Year 1: CU3,718,694

Year 2: CU3,718,694

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Year 3: CU3,718,694Year 4: CU3,718,694Year 5: CU3,718,694

This represents an agreed reduction of 30% to the lease payments at market rates. The interest rate implicit in the lease is 5 percent per annum which is readily determinable by the lessee.

The lease includes a compliance obligation, specifically to use the building to provide medical services to the population for 5 years. To the extent the compliance obligation is not met, the lease is cancelled, and the right to use the underlying asset returns to the lessor. The compliance obligation is met on a straight-line basis.

It is a concessionary lease as the present value of the payments for the lease at market rates based on the current use of the underlying asset is higher than the present value of the contractual payments. The lessee has effectively received a concession of CU6,900,000, which is the difference between the present value of the payments for the lease at market rates and the present value of the contractual payments. (Note: An entity would consider whether the substance of the CU6,900,000 is a contribution from owners or revenue; assume for purposes of this example that the CU6,900,000 is revenue).

The revenue of CU6,900,000 is accounted for in accordance with IPSAS 47, and the lease, with its related contractual interest and lease payments, in accordance with IPSAS 43.

The journal entries to account for the concessionary lease are as follows:

1. On initial recognition, the lessee will recognize the following:

<u>Dr</u>	<u>Right-of-use asset</u>	<u>CU23,000,000</u>	
<u>Cr</u>	<u>Lease liability</u>		<u>CU16,100,000</u>
<u>Cr</u>	<u>Liability</u>		<u>CU6,900,000</u>

2. Year 1: the lessee will recognize the following:

<u>Dr</u>	<u>Liability</u>	<u>CU1,380,000</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU1,380,000</u>

(1/5 of the compliance obligation met by the lessee CU6,900,000)

(Note: The journal entries for the repayment of interest and capital and interest accruals, have not been reflected in this example as it is intended to illustrate the recognition of revenue arising from concessionary leases. A comprehensive example is included in the Illustrative Examples to IPSAS 43.)

3. Year 2: the lessee will recognize the following (the lessee subsequently measures the concessionary lease at amortized cost):

<u>Dr</u>	<u>Liability</u>	<u>CU1,380,000</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU1,380,000</u>

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(1/5 of the compliance obligation met X CU6,900,000)

4. Year 3: the lessee will recognize the following:

<u>Dr</u>	<u>Liability</u>	<u>CU1,380,000</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU1,380,000</u>

(1/5 of the compliance obligation met X CU6,900,000)

5. Year 4: the lessee will recognize the following:

<u>Dr</u>	<u>Liability</u>	<u>CU1,380,000</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU1,380,000</u>

(1/5 of the compliance obligation met X CU6,900,000)

6. Year 5: the lessee will recognize the following:

<u>Dr</u>	<u>Liability</u>	<u>CU1,380,000</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU1,380,000</u>

(1/5 of the compliance obligation met X CU6,900,000)

If the concessionary lease was granted with no compliance obligation, the lessee would recognize the following on initial recognition:

<u>Dr</u>	<u>Right-of-use asset</u>	<u>CU23,000,000</u>	
<u>Cr</u>	<u>Lease liability</u>		<u>CU16,100,000</u>
<u>Cr</u>	<u>Revenue</u>		<u>CU6,900,000</u>

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Right-of-Use Assets In-kind

Example 59 – Right-of-Use Assets In-kind

IE308. Public sector not-for-profit entity Z (Entity Z) enters into an arrangement with a Government Agency (Agency) for 5 years to have the right to use for free a sports field to be used specifically by youth. The Agency does not regulate the types of sports services and their pricing that Entity Z provides.

A similar sports field built at the same time and with the same characteristics at a different location is being leased by the same government agency to a private sector entity for CU300,000 annually for 5 years. This information is publicly available on the Agency's website.

Entity Z's incremental borrowing rate is 5 percent per annum.

Case A – With a Binding Arrangement

Entity Z determines that under the arrangement, it has an enforceable right to use the sports field for free, and that it has an enforceable obligation (because the Agency can terminate the arrangement if that field is not being used by youth at any time in the 5 years). Entity Z determines that the arrangement meets the definition of a binding arrangement, and it includes a compliance

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obligation to ensure that only youth use the sports field. The compliance obligation is satisfied over time, on a straight-line basis.

Entity Z confirmed that the substance of the right-of-use is not a contribution from owners.

Analysis

Entity Z acquired a right-of-use asset for zero consideration. The present value of payments at market rates is CU1,298,843 (refer to Table 1), which corresponds to the value of the right-of-use asset and total revenue.

The journal entries to account for the right-of-use asset and revenue are as follows:

1. On initial recognition, Entity Z will recognize the following:

<u>Dr</u>	<u>Right-of-use asset</u>	<u>CU1,298,843</u>	
<u>Cr</u>	<u>Liability</u>		<u>CU1,298,843</u>

2. Year 1: Entity Z will recognize the following:

<u>Dr</u>	<u>Liability</u>	<u>CU259,769</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU259,769</u>

(1/5 of the compliance obligation met by Entity Z CU1,298,843)

3. Year 2: Entity Z will recognize the following:

<u>Dr</u>	<u>Liability</u>	<u>CU259,769</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU259,769</u>

(1/5 of the compliance obligation met CU1,298,843)

4. Year 3: Entity Z will recognize the following:

<u>Dr</u>	<u>Liability</u>	<u>CU259,769</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU259,769</u>

(1/5 of the compliance obligation met CU1,298,843)

5. Year 4: Entity Z will recognize the following:

<u>Dr</u>	<u>Liability</u>	<u>CU259,769</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU259,769</u>

(1/5 of the compliance obligation met CU1,298,843)

6. Year 5: Entity Z will recognize the following:

<u>Dr</u>	<u>Liability</u>	<u>CU259,769</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU259,769</u>

(1/5 of the compliance obligation met CU1,298,843)

Case B – Without a Binding Arrangement

Entity Z determines that under the arrangement, it has an enforceable right to use the sports field for free, but there is no enforceable obligation (because the Agency is not able to force Entity Z to restrict use of the

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field to youth only). Thus, Entity Z determines that the arrangement is not a binding arrangement.

Entity Z recognizes the following on initial recognition:

<u>Dr</u>	<u>Right-of-use asset</u>	<u>CU1,298,843</u>
<u>Cr</u>	<u>Revenue</u>	<u>CU1,298,843</u>

Table 1: Annual Payments (Using Incremental Borrowing Rate of Z at 5%)

	<u>Undiscounted Annual Payments for the Lease at Market Rates</u>	<u>Present Value of Payments at Market Rates (Value of Right- of-use asset and total revenue)</u>
	<u>(1)</u>	<u>(2)</u>
<u>Year 1</u>	<u>300,000</u>	<u>285,714</u>
<u>Year 2</u>	<u>300,000</u>	<u>272,109</u>
<u>Year 3</u>	<u>300,000</u>	<u>259,151</u>
<u>Year 4</u>	<u>300,000</u>	<u>246,811</u>
<u>Year 5</u>	<u>300,000</u>	<u>235,058</u>
<u>Total</u>	<u>1,500,000</u>	<u>1,298,843</u>

AMENDMENTS TO IPSAS 48, *TRANSFER EXPENSES*

Paragraphs BC41–BC44 and IE12A– IE12G are added. Paragraph IE2 is amended. The headings above paragraphs IE12A and IE12F are added. New text is underlined.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 48.

...

Revision of IPSAS 48 as a result of [draft] IPSAS [X] (ED 88), *Arrangements Conveying Rights over Assets (Amendments to IPSAS 47 and IPSAS 48)* issued in [Month and Year]

- BC41. In January 2021, the IPSASB issued the Request for Information (RFI), *Concessionary Leases and Other Arrangements Similar to Leases*. The Request for Information included a set of arrangements similar to leases that are common in the public sector⁴.
- BC42. Based on the information received from respondents to the Request for Information, in January 2023, the IPSASB issued Exposure Draft (ED) 84, *Concessionary Leases and Right-of-Use Assets In-kind* (Amendments to IPSAS 43 and IPSAS 23). ED 84 proposed new public sector specific accounting requirements for two of the six types of arrangements identified in the RFI. Regarding the RFI remaining arrangements the IPSASB had taken the view that the applicable IPSAS at the time of publication of ED 84 already provided the principles on how to account for those arrangements.
- BC43. During the review of responses to ED 84, the IPSASB noted that some respondents raised some issues that were related to arrangements that do not meet the definition of a lease or right-of-use asset in-kind. The IPSASB also noted that this may be related to the fact that ED 84 did not propose accounting for the remaining types of arrangements included in the RFI that do not meet the definition of a lease or right-of-use asset in-kind. Therefore, respondents did not have a comprehensive view on the accounting for these types of arrangement that convey rights over assets.
- BC44. To address this, the IPSASB decided to publish ED 88 with proposed new accounting guidance for the concession in concessionary leases for lessees in IPSAS 47 and non-authoritative guidance for other arrangements conveying rights over assets in IPSAS 48, *Transfer Expenses*. The proposals encompass all arrangements included in the Request for Information and taking into consideration the IPSASB's literature published after ED 84, thus complementing, and updating the proposals in ED 84.

⁴ The Request for Information included six types of arrangements, as follows: (i) Concessionary Leases, (ii) Leases for Zero or Nominal Consideration, (iii) Access Rights (or Rights of Access to Property and/or Land), (iv) Arrangements Allowing Right-of-Use, (v) Social Housing Arrangements, and (vi) Shared Properties with or without a Lease-Arrangement in Place.

Illustrative Examples

These illustrative examples accompany, but are not part of, IPSAS 48.

...

Scope

IE2. Examples 1–2A illustrate the requirements in paragraphs 3–5 of IPSAS 48 on the determination of whether a transaction is within the scope of IPSAS 48.

...

Example 2A – Right-of-Use Assets In-kind

Case A – Usage of A Sports Field for Zero Consideration

IE12A. A Government Agency (Agency) enters into an arrangement with a public sector not-for-profit entity Z (Entity Z) for 5 years conveying the right to use for free a sports field to be used specifically by youth. The Agency does not regulate the types of sports services and their pricing that Entity Z provides.

IE12B. A similar sports field built at the same time and with the same characteristics at a different location is being leased by the same government agency to a private sector entity for CU300,000 annually for 5 years. This information is publicly available on the Agency's website.

IE12C. The binding arrangement includes a compliance obligation, specifically the sports field should be used by youth. To the extent the compliance obligation is not met, the binding arrangement is cancelled, and the right to use the sports field returns to the Government agency. The compliance obligation is met on a straight-line basis.

IE12D. The conveying of the right to use for free of a sports field is within the scope of IPSAS 48 because the Agency provides the right to use to Entity Z without directly receiving any good, service, or other asset in return (see paragraph 6).

Case B – Social Housing without Consideration

IE12E. The national government publishes new legislation which requires municipal governments to take action to reduce the number of homeless in their community. To implement the legislation requirements, Municipality Z (the Entity) engages with a municipal non-profit organization (Organization) to operate social housing services for the homeless in the local community. Under the 10-year arrangement, the Organization is able to use 100 vacant social housing units (to temporarily house the homeless until they find a more permanent place to live) and attached office space to be used in these operations, for zero consideration.

IE12F. The provision of housing to the Organization for zero consideration is within the scope of IPSAS 48 because the Entity provides services to the Organization without directly receiving any good, service, or other asset in return (see paragraph 6).

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