

17 May 2023

Dear Mr. Ross Smith,
Program and Technical Director,
International Public Sector Accounting Standards Board

Exposure Draft 84 *Concessionary Leases and Right-of-Use Assets In-kind* feedback: response from the United Nations Secretariat, Department of Management Strategy, Policy and Compliance

I am pleased to present the United Nations Secretariat's comments on the Exposure Draft 84 (ED84) consultations. The exposure draft has been considered by the Office of Programme Policy, Finance and Budget on behalf of the United Nations Secretariat reporting entities:

- United Nations (Volume I and Volume II)
- United Nations Institute for Training and Research
- International Trade Centre
- United Nations University
- United Nations Environment Programme
- United Nations Human Settlements Programme (UN-Habitat)
- United Nations Office on Drugs and Crime
- International Residual Mechanism for Criminal Tribunals

The United Nations Secretariat supports the approach proposed by the IPSAS Board which maintains alignment with IPSAS 43 *Leases* and addresses public sector specific issues around concessionary leases and binding arrangements that give rise to right-of-use assets in-kind (ROU AIK).

We agree with each of the four *Specific Matters for Comment* presented on page 4 of ED84. Our responses are set out in Annex 1. One area for potential ambiguity is highlighted in relation to the measurement of ROU AIK where payments at market rates are not readily available. We suggest a clarification in Annex 1 and provide text that is based on the proposed amendments to IPSAS 43.

If you have any questions arising from our submission, please do not hesitate to contact us. We thank the IPSAS Board for your continued work on the Leases Project.

Best Regards

Maria Costa 
Director, Finance Division
Department, of Management Strategy, Policy and
Compliance

Annex 1. United Nations Secretariat response to ED84 Specific Matters for Comment

Specific Matter for Comment	Agree?	If not, reasons?	If yes, additional Basis for Conclusions
1. Accounting guidance for concessionary leases for leasees and right-of-use assets in-kind	Yes	-	-
2. Accounting guidance for concessionary leases for lessors	Yes	-	-
3. Initial measurement of right-of-use assets in concessionary leases and right-of-use assets in-kind	Yes	-	-
4. Initial measurement of right-of-use assets in concessionary leases at the present value of contractual payments for the lease, when the payments for the lease at market rates based on the current use of the underlying asset are not readily available.	Yes	-	Clarification, see Note 1 below.

Note 1: Clarification – Specific Matter for Comment 4

We note in the proposed amendments to IPSAS 23 (ED84, page 33) there is a potential ambiguity in para. 23.43A on the measurement of right-of-use assets in-kind. Para. 23.43A states that right-of-use assets in-kind are measured in accordance with the requirements of IPSAS 43. Paras. 43.26C and 43.BC132 confirm that the ‘not readily available exception’ to the initial measurement approach addresses increased difficulty of measuring right-of-use assets in the public sector.

However, unlike IPSAS 43, the proposed amendments to IPSAS 23 do not specify the approach where market rates are not readily available and therefore paras. 43.26C and 43.BC132 are assumed to fully apply to right-of-use assets in-kind. Assuming the IPSASB’s intention is to be consistent with the concessionary leases initial measurement approach:

It would be clearer and more consistent if the IPSAS 23 amendments clarified the approach by adding a sentence, based on the proposed IPSAS 43.26C text, to the amendments on page 33. Therefore, an extra sentence is suggested as follows:

“If payments for a right-of-use asset in-kind at market rates based on the current use of the underlying asset acquired through a transaction are not readily available for the right-of-use asset in-kind, the right-of-use asset in-kind on initial recognition shall be measured in accordance with the requirements of IPSAS 43 paragraphs 24-26.”

or, alternatively an expanded version stating:

“If payments for a right-of-use asset in-kind at market rates based on the current use of the underlying asset acquired through a transaction are not readily available for the right-of-use asset in-kind, the right-of-use asset in-kind on initial recognition shall be measured in accordance with the requirements of IPSAS 43 at zero, the present value of contractual payments in the binding agreement.”

The recommended location for this sentence is: at the end of para. 23.43A; or a new para. 23.43B (existing 23.43B renamed as 23.43C); or at the end of para. 23.BC30.