



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

May 15, 2023

Mr. Ian Carruthers
Chairman,
International Public Sector Accounting Standards Board,
The International Federation of Accountants,
277 Wellington Street West,
Toronto, Ontario M5V 3H2 CANADA

Dear Ian Carruthers,

Sub: Comment on Exposure Draft 84, *Concessionary Leases and Right-of-Use Assets In-kind (Amendments to IPSAS 43 and IPSAS 23)*

We are pleased to provide comments on the Exposure Draft 84, *Concessionary Leases and Right-of-Use Assets In-kind (Amendments to IPSAS 43 and IPSAS 23)* issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC). Our comments on the Exposure Draft 84 are enclosed with this letter.

Please feel free to contact us, in case any further clarification in this regard is required.

Thanking you,

Yours sincerely,

(CA. Kemisha Soni)
Chairperson
Committee on Public & Government Financial Management (CP&GFM)
The Institute of Chartered Accountants of India
Ph: 0120-3045985 (CP&GFM Secretariat)
E-mail Id: cpf.aslb@icai.in; cpf_ga@icai.in

Encl.: As above



Exposure Draft (ED) 84, Proposed International Public Sector Accounting Standard, Concessionary Leases and Right-of-Use Assets In-kind (Amendments to IPSAS 42 and IPSAS 23)

Specific Matter for Comment 1

The IPSASB decided to propose new accounting guidance for concessionary leases for lessees (see paragraphs IPSAS 43.BC124-BC137) and right-of-use assets in-kind (see paragraphs IPSAS 23.BC28-BC30). Do you agree with the proposed amendments to IPSAS 43 and IPSAS 23? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

ICAI's views:

We agree with the IPSASB approach to prescribe similar accounting guidance for concessionary leases for lessee (i.e., right to use asset acquired through a concessionary lease at concessionary/ below market rates) and right-of-use asset-in-kind (i.e., right to use asset for zero consideration) as the nature of both transactions is non-exchange.

Specific Matter for Comment 2

For lessors, the IPSASB decided to propose accounting for leases at below-market terms in the same way as for leases at market terms (see paragraphs IPSAS 43.BC138-BC149). Do you agree with the proposed amendments to IPSAS 43? If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

ICAI's views:

We agree with the IPSASB's proposed lessor accounting for leases at below-market terms in the same way as for leases at market terms because in both scenarios the control of underlying asset remains with the lessor so it should be recognised in the books of lessor. Apart from recognising underlying assets, the lessor will account for contractual lease payments (exchange component) as revenue; and concession given to lessee, i.e., foregone revenue (non-exchange component) will not be accounted for as revenue but only to be disclosed.

Specific Matter for Comment 3

The IPSASB decided to propose initially measuring right-of-use assets in concessionary leases (see paragraphs IPSAS 43.BC124-BC131) and right-of-use assets in-kind (see paragraphs IPSAS 23.BC28-BC30) at the present value of payments for the lease at market rates based on the current use of the underlying assets at the commencement date of the lease. Do you agree with IPSASB's decision? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.



ICAI's views:

We agree with the IPSASB's proposed guidance to initially measure the right-of-use assets in concessionary leases and right-of-use assets in-kind at the present value of payments for the lease at market rates based on the current use of the underlying assets at the commencement date of the lease.

Because the cost measurement basis as prescribed by IPSAS 43 (paragraph 24 of IPSAS 43 prescribes that "*at the commencement date, a lessee shall measure the right-of-use at cost*") was not relevant to account for leases as a result of non-exchange transaction (concessionary leases).

Specific Matter for Comment 4

When the payments for the lease at market rates based on the current use of the underlying asset are not readily available, the IPSASB decided to propose initially measuring right-of-use assets in concessionary leases (see paragraphs IPSAS 43.BC132-BC133) at the present value of contractual payments for the lease. Do you agree with IPSASB's decision? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

ICAI's views:

We agree with the IPSASB's proposal to initially measure the 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. It will help in addressing the scenario where it is difficult to determine the present value of payments for the lease at market rates due to specialised nature of assets or other factors.