



**INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OF UGANDA**

Our Ref: STA/001

18 May 2023

The International Public Sector Accounting Standards Board
277 Wellington St. West
Toronto, ON
M5V 3H2
Submission via website

Dear Sir,

**THE PROPOSED IPSASB ED 84, ON CONCESSIONARY LEASES AND RIGHT-OF-USE
ASSETS IN-KIND**

The Institute of Certified Public Accountants of Uganda (ICPAU) appreciates the opportunity to respond to the **Proposed IPSASB ED 84, on Concessionary Leases and Right-Of-Use Assets In-Kind.**

We herein attach our comments to the Exposure Draft (Appendix I) for your consideration. We hope you will find our comments helpful.

For any inquiries relating to this comment letter, kindly contact us at standards@icpau.co.ug.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Charles Lutimba', with a circular flourish at the end.

CPA Charles Lutimba
MANAGER STANDARDS AND TECHNICAL SUPPORT

Appendix: Comments on the Proposed IPSASB ED 84, Concessionary Leases and Right-Of-Use Assets In-Kind

LN/...

**APPENDIX I:
ICPAU’S COMMENTS ON THE PROPOSED IPSASB ED 84, ON CONCESSIONARY LEASES
AND RIGHT-OF-USE ASSETS IN-KIND**

Specific Matter for Comment 1:

The IPSASB proposes new accounting guidance for concessionary leases for lessees and right-of-use assets in-kind. 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.

Comment

ICPAU commends the IPSASB for addressing the accounting for concessionary leases and right-of-use assets in-kind which are prevalent in the public sector. We largely agree with the proposed accounting treatment. ICPAU believes that these proposals represent an important step forward in public sector accounting, providing greater clarity, consistency, and comparability of financial information.

We further suggest that the application guidance includes a section for the qualitative evaluation of the lease's concessionary nature, especially for specialized assets. The existence of obligations (in contracts) to act in the public interest, and to emphasize the service potential of the underlying asset rather than the financial gains that can be realized from its utilization would typically assist the assessment. This qualitative approach would make it easier to analyze leases of specialized assets for whom the idea of "market terms" is difficult to put into practice.

ICPAU also believes that further consideration be given to the definition of the new notion of “right-of-use assets in-kind” that has been introduced alongside gifts and donations, for purposes of further clarity.

Specific Matter for Comment 2:

For lessors, the IPSASB is proposing accounting for leases at below-market terms in the same way as for leases at market terms. Do you agree with the proposed amendments to IPSAS 43? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

Comment

ICPAU agrees with the proposed accounting for lessors and has no additional comments.

Specific Matter for Comment 3:

The IPSASB proposes initially measuring 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 asset as at the commencement date of the lease. Do you agree with the IPSASB's decision? If not, please explain your reasons. If you agree, please provide additional reasons not already discussed in the Basis for Conclusions.

Comment

ICPAU has concerns about the measuring principle's practical application where right-of-use assets in-kind are involved because the arrangement is at nil consideration (in these particular instances there is no contractual payment). We would therefore welcome additional guidance in circumstances involving a right-of-use asset in-kind, including those for which no readily available market rate exists, notably specialized assets.

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 proposes initially measuring right-of-use assets in concessionary leases at the present value of contractual payments for the lease. Do you agree with the IPSASB's decision? If not, please explain your reasons. If you agree, please provide additional reasons not already discussed in the Basis for Conclusions.

Comment

ICPAU fully agrees with the Board's proposal that when the payments for the lease at market rates based on the current use of the underlying asset are not readily available, right-of-use assets in concessionary leases should be measured initially at the present value of contractual payments for the lease.