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Lausanne, May 10, 2023

## Swiss Comment to

### ED 84 Concessionary Leases and Right-of-Use Assets In-kind

Dear Ross,

With reference to the request for comments on the proposed Consultation Paper, we are pleased to present the Swiss Comments to the ED 84 Concessionary Leases and Right-of-Use Assets In-kind. We thank you for giving us the opportunity to put forward our views and suggestions. You will find our comments for the ED in the attached document.

Should you have any questions, please do not hesitate to contact us.

Yours sincerely,

SRS-CSPCP



Prof Nils Soguel, President



Evelyn Munier, Secretary

Comments to the ED 84 Concessionary Leases and Right-of-Use Assets In-kind

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## 1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) was established in 2008 by the Swiss Federal Ministry of Finance together with the cantonal Ministers of Finance. One of its aims is to provide the IPSAS Board with a consolidated statement for all three Swiss levels of government (municipalities, cantons and Confederation). The SRS-CSPCP has discussed ED 84 Concessionary Leases and Right-of-Use Assets In-kind.

## 2. General Remarks

The SRS-CSPCP is pleased to observe that various matters, which it has addressed in its earlier responses to EDs on this subject, have been incorporated in this ED.

However, the cost of implementation seems to be very high and the financial statements of the public entities are becoming ever more extensive. This does not result in a better understanding. In addition much information has to be disclosed in the Notes. This complexity could tempt the public sector to develop avoidance strategies or even not to adopt the standard.

The SRS-CSPCP regrets that the accent is still heavily on the Statement of Financial Position instead of on the Statement of Financial Performance. One should never forget that the financial management and the fiscal policy of a public entity are exercised mainly by means of the Statement of Financial Performance.

The SRS-CSPCP also observes that the cases, in which no formal contract exists, have not yet been dealt with and are still to be regulated.

The concerns, which the SRS-CSPCP has, are therefore of a fundamental nature. However, with a few exceptions, no detailed changes are necessary in the individual paragraphs.

## 3. 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.*

The SRS-CSPCP agrees with the proposed amendments to IPSAS 43 and IPSAS 23. However, it would like the diagram in AG32A to be supplemented also by the recognition for the lessee as is the case in the diagram in AG32B for the lessor.

Furthermore, for the SRS-CSPCP it is important that the additions of ED 84 become effective at the same time as IPSAS 43. It makes no sense to amend the accounting for all leasing contracts and, somewhat later, to carry out the work again for concessionary leases.

## 4. 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 not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.*

The SRS-CSPCP is in agreement with the proposed amendments. However, it points out that in the diagram in AG32B the *recognition of the non-exchange component* is mentioned. However, according to this ED, the lessor does not have to recognize this part, but only to disclose it in the Notes, without specifying the amount. Thus, the current depiction may be confusing. The SRS-CSPCP therefore wishes that the diagram be altered or supplemented accordingly.

**5. 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 asset as 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.*

The SRS-CSPCP does not agree that the Right-of-Use Asset should be measured on the *commencement date* of the contract. It is of the opinion that the measurement should be made on the *inception date*.

**6. 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.*

The SRS-CSPCP agrees with the decision of the IPSAS Board.

Lausanne, May 5, 2023