



Exposure Draft (ED)84: Concessionary Leases and Right-of-Use Assets
In-kind (Amendments to IPSAS 43 and IPSAS 23).

Response from the Public Accountants and Auditors Board (PAAB), Zimbabwe

17 May 2023

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Any questions arising from this submission should be directed to:

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17 May 2023

**PAAB ZIMBABWE COMMENT LETTER TO THE IPSASB EXPOSURE DRAFT ON CONCESSIONARY
LEASES AND RIGHT-OF-USE ASSETS IN-KIND (AMENDMENTS TO IPSAS 43 AND IPSAS 23).**

Dear Chairman,

We are writing on behalf of the Public Accountants and Auditors Board Zimbabwe to comment on the IPSASB's Exposure Draft on concessionary leases and right-of-use assets in-kind (amendments to IPSAS 43 and IPSAS 23). PAAB is pleased to present its comments on this Exposure Draft. In coming up with these comments the PAAB consulted various stakeholders from auditors, preparers, academia, and professional accountancy organisations.

General Comment on the Consultation paper

The PAAB followed a due process in coming up with this comment letter. Under the due process the PAAB technical staff conducted research, consulted key stakeholders, and drafted this comment letter. The PAAB is in support of the IPSASB proposed amendments especially in the space of initial measurement of the right-of-use asset under concessionary leases and right-of-use assets in-kind. The PAAB supports the IPSASB proposal to measure the right-of-use asset 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.

Response to Specific Matters for Comment: Detailed comments on the Specific Matters for Comment are provided in the attached Annex.


Admire Ndurunduru

Secretary, PAAB



Tanaka Zhangazha

Standards, PAAB

ANNEX 1

Concessionary Leases and Right-of-Use Assets In-kind (Amendments to IPSAS 43 and IPSAS 23).

Specific Matter for Comment 1:

The IPSAB decided to propose new accounting guidance for concessionary leases for lessee (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 and additional reasons not already discussed in the Basis for Conclusions.

The PAAB agrees with the proposed new accounting guidance for concessionary leases for lessees and right-of-use assets in-kind, but we however suggest that the new accounting guidance provides a clear distinction between concessionary leases and lease incentives, so that users of Financial Statements can be able to differentiate the two beyond any reasonable doubt.

Specific Matter for Comment 2:

For lessors, the IPSAS decided to propose accounting guidance 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 PAAB agrees with the IPSASB decision to account for leases at below-market terms in the same way as for leases at market terms because in the books of the lessors the accounting treatment of the underlying asset is similar for both leases at market terms and concessionary leases.

Specific Matter for Comment 3:

For lessors, the IPSAS 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 the 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 PAAB agrees with IPASB proposals of measuring 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 asset because payments for leases should be based on market rates prevailing.

Specific Matter for Comment 4:

When payments for the lease at market rates based on the current use of the underlying assets 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 the 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 PAAB agrees with the IPSASB decision to measure the right-of-use asset at the present value of contractual payments for the lease when payments for the lease at market rates based on the current use of the underlying assets are not readily available, but however this will eliminate the concession embedded in the lease therefore the measurement value of the underlying asset is crucial inorder avoid to eliminating concession portion.