

Agenda Item 11: Leases

João Fonseca, Principal

IPSASB Meeting

September 18–21, 2018

Toronto, Canada

Objective of Session & Material Presented

- Agenda Item 11.2.1—Review of Responses: Lessee Accounting (SMC 1)
- Agenda Item 11.2.2—Review of Responses: Lessor Accounting (SMCs 2 and 3)
- Agenda Item 11.2.3—Review of Responses: Concessionary Leases (SMC 4)
- Agenda Item 11.2.4—Strategy to Move the Leases Project Forward
- Agenda Item 11.3—Analysis of Respondents by Region, Function, and Language
- Agenda Item 11.4—List of Respondents
- Responses to ED 64, *Leases* on the IPSASB website

Social Media Overview of ED 64

13 Tweets



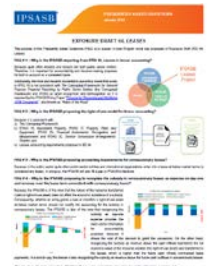
Extensive Social Media Coverage



At a Glance



ED 64



FAQ



1.6k views



1.4k views
IPSASB 2nd
IFAC 17th



PT
197 views



189 views



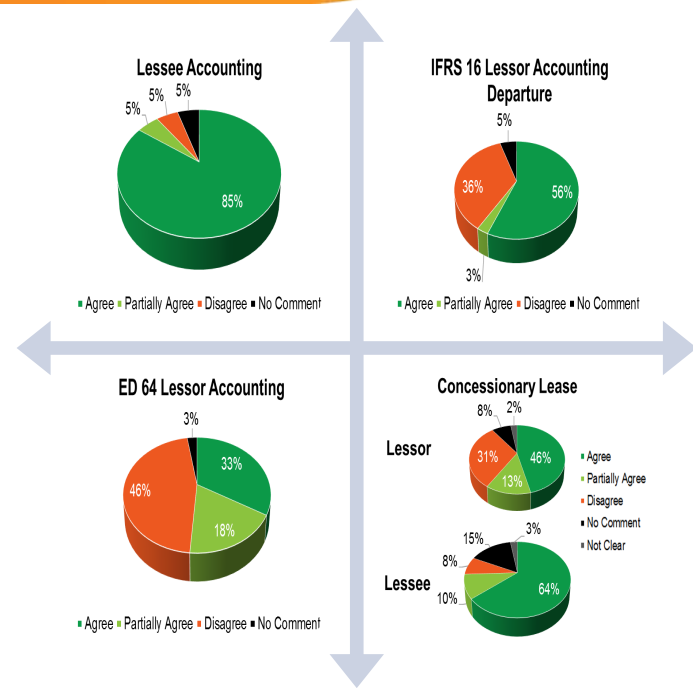
209 views

The tweets include the following content:

- IPSASB: New lease accounting model for the #PublicSector proposed - check it out here [ow.ly/5A78308E55](#)
- IPSASB Chair Sir Carolee's: Leases are very important financing arrangements in the public sector and in international organizations. [ow.ly/5A78308E55](#) #lease #leases
- IPSASB: ED 64 proposes a single right-of-use model for lease accounting that will reduce the rules and research needed to identify leases under IPSASB Leases. [ow.ly/5A78308E55](#)
- IPSASB: It's here! Provide your feedback on Exposure Draft 64, Leases. [ow.ly/5A78308E55](#)
- IPSASB: Our updated Access Exposure Draft proposes a single right-of-use model for lease accounting for international financial reporting in IPSASB Leases. [ow.ly/5A78308E55](#)
- IPSASB: Have you read through ED 64, Leases? [ow.ly/5A78308E55](#)
- IPSASB: Have you read through ED 64, Leases? [ow.ly/5A78308E55](#)
- IPSASB: It's time to let your voice be heard! We are now accepting comments on our proposed model for lease accounting for international financial reporting in IPSASB Leases. Comment period closes on June 30 2018. [ow.ly/5A78308E55](#)
- IPSASB: Any remaining doubts on Exposure Draft 64, Leases? The IAC explores IPSASB's major proposals for lease accounting in the #PublicSector. Comment period closes on June 30 2018. [ow.ly/5A78308E55](#)
- IPSASB: Watch the video: [youtube.com/watch?v=8R1C4...](#)
- IPSASB: Read and comment: [ifac.org/publications/r...](#)
- IPSASB: Last 30 days to comment on our proposed right-of-use model for lease accounting for the #PublicSector: #IPSASBLeases
- IPSASB: Watch the webinar: [youtube.com/watch?v=04T...](#)
- IPSASB: Read and comment: [ifac.org/publications/r...](#)

ED 64: A high level preliminary review of responses

- Overall support for lessee accounting
- Lessor accounting and concessionary leases:
 - Lack of a unified view
 - Opposing views on the same issues
 - Different proposals
 - Inconsistent views

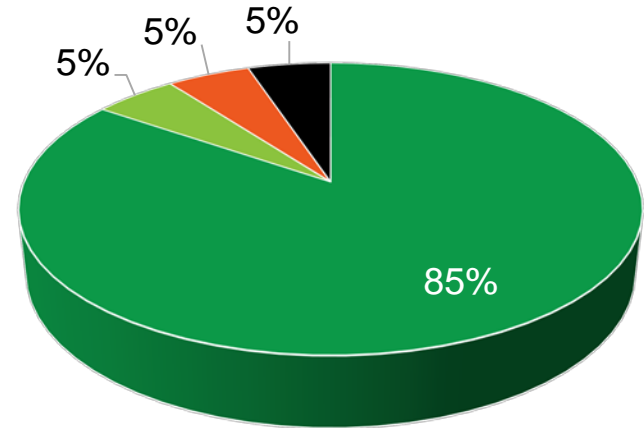


Review of Responses: Lessee Accounting (SMC 1) (Agenda Item 11.2.1)

- Overall support for lessee accounting

Main Issues

- Exemption for leases between public sector entities
- Right-of use model: complex, costly and not appropriate for public sector financial reporting



■ Agree ■ Partially Agree ■ Disagree ■ No Comment

Review of Responses: Lessee Accounting (SMC 1) (Agenda Item 11.2.1)

Staff's recommendation

- Issues raised are not public sector specific that warrant departure from IFRS 16
- Tentatively decide to adopt the proposals in the ED 64 in the IPSAS on Leases

Does the IPSASB agree with staff's:

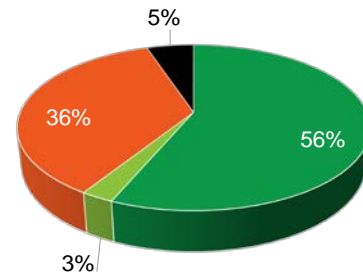
- Preliminary analysis of responses to SMC 1?
- Recommendation to tentatively decide to adopt ED 64 lessee requirements in the IPSAS on Leases?

Review of Responses: Lessor Accounting (SMCs 2 and 3) (Agenda Item 11.2.2)

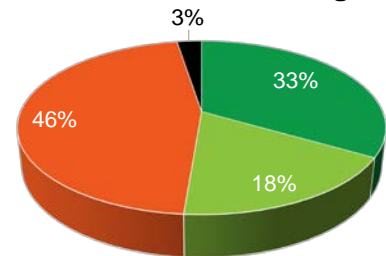
Respondents:

- Do not have a unified view
- Have opposing views on the same issues
- Advocated different approaches for lessor accounting

IFRS 16 Lessor Accounting Departure



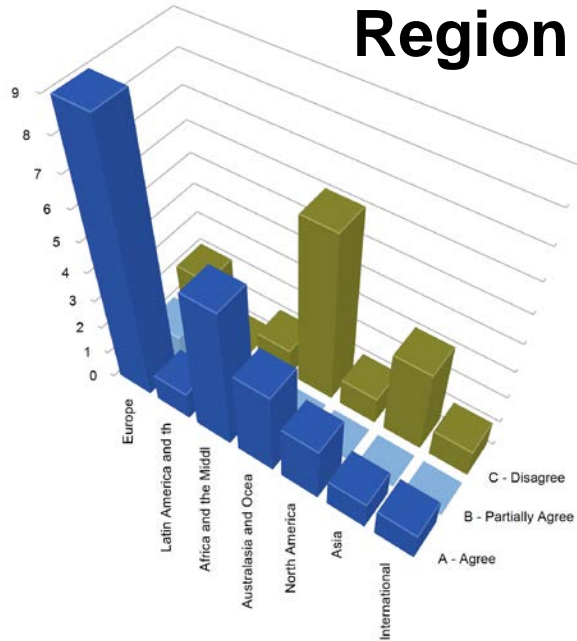
ED 64 Lessor Accounting



■ Agree ■ Partially Agree ■ Disagree ■ No Comment

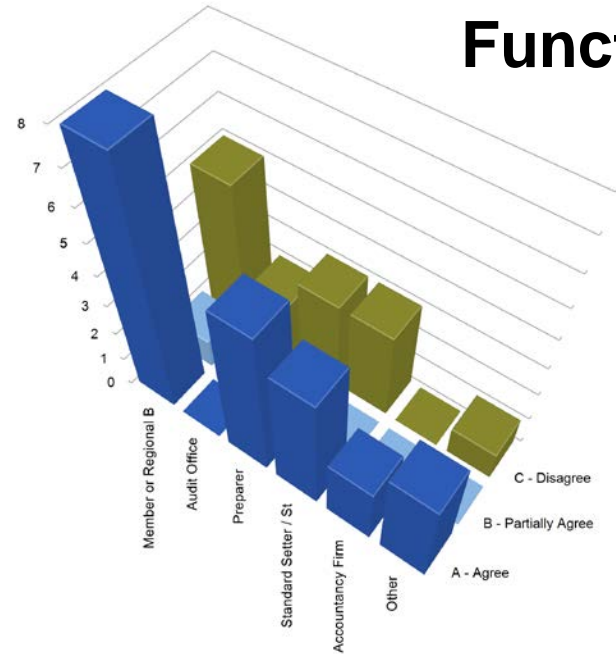
Review of Responses: Lessor Accounting (SMCs 2 and 3) (Agenda Item 11.2.2)

Region



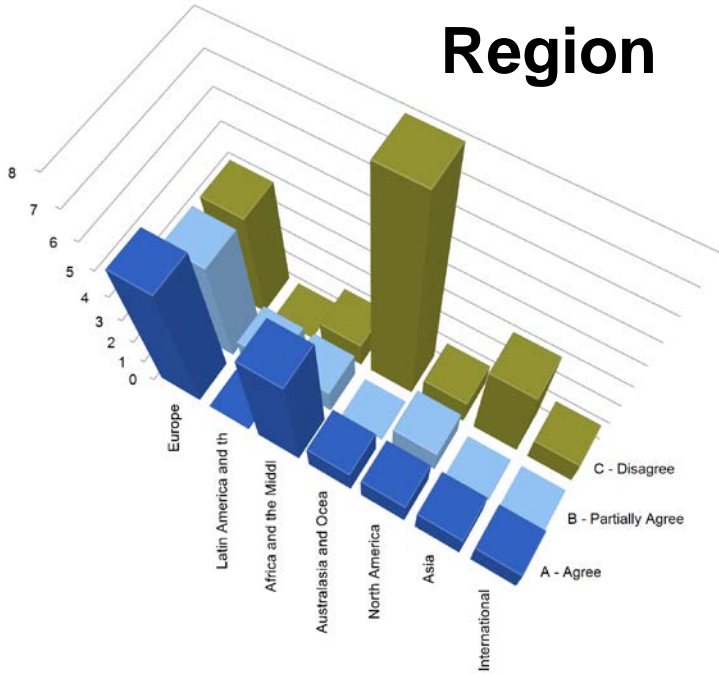
SMC 2

Function



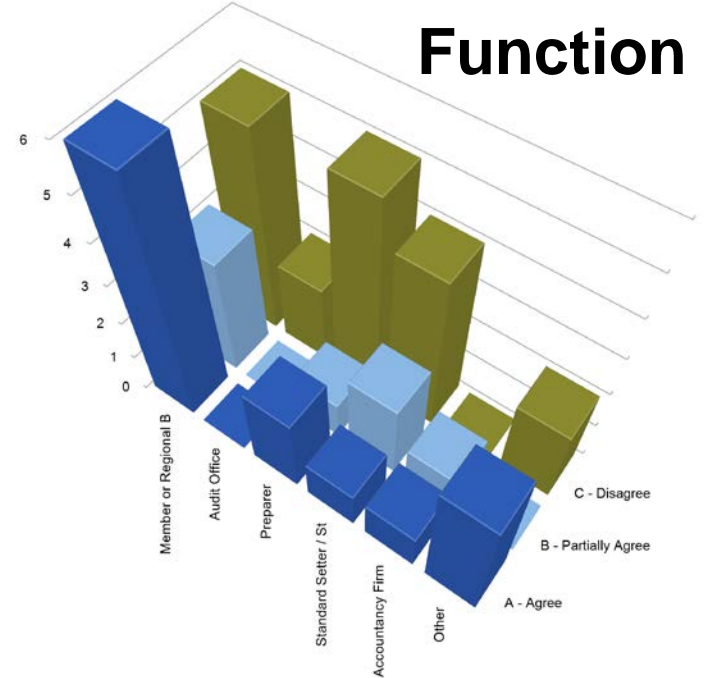
Review of Responses: Lessor Accounting (SMCs 2 and 3) (Agenda Item 11.2.2)

Region



SMC 3

Function

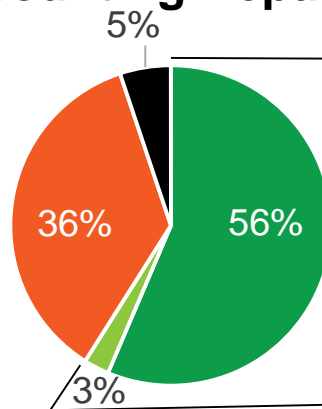


Review of Responses: Lessor Accounting (SMCs 2 and 3) (Agenda Item 11.2.2)

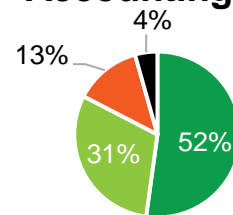
Opposing views:

- Rationale to depart from IFRS 16
- Consistency with the Conceptual Framework and IPSAS
- Economics and accounting of the transaction
- Double-counting (when underlying asset is recognized at cost and the lease receivable is also recognized).

IFRS 16 Lessor Accounting Departure



ED 64 Lessor Accounting



■ Agree ■ Partially Agree ■ Disagree ■ No Comment

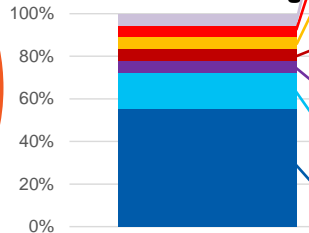
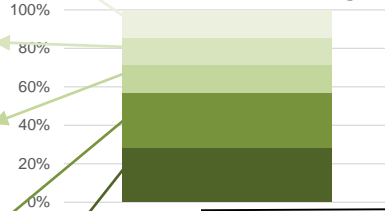
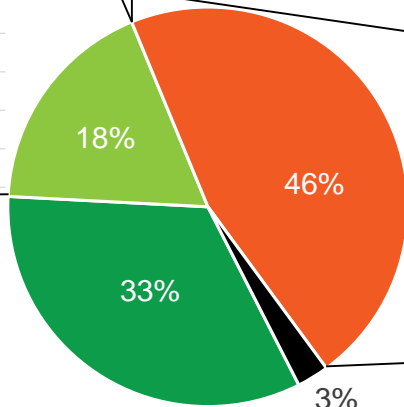
Review of Responses: Lessor Accounting (SMCs 2 and 3) (Agenda Item 11.2.2)

“Lessor Accounting for All Seasons!”

ED 64 Lessor Accounting

Proposals to Improve ED 64 Lessor Accounting

Proposals for Lessor Accounting



1. Derecognition of the underlying asset for leases at not consideration
2. Amend IPSAS 26
3. Credit entry is a liability
4. Rec. exemption for low value assets
5. Exemption for public sector entities

1. Hybrid between ED 64 and Approach 2
2. Retain the R&R model for both lessors and lessees
3. Lessor model for all types of assets (IFRS 16 or other)
4. IFRS 16 lessor accounting as an additional step on top of ED 64 lessor accounting
5. Extend IFRS 16 finance lease to operating lease
6. Approach 2
7. IFRS 16 Lessor Accounting

■ Agree ■ Partially Agree ■ Disagree ■ No Comment

Review of Responses: Lessor Accounting (SMCs 2 and 3) (Agenda Item 11.2.2)

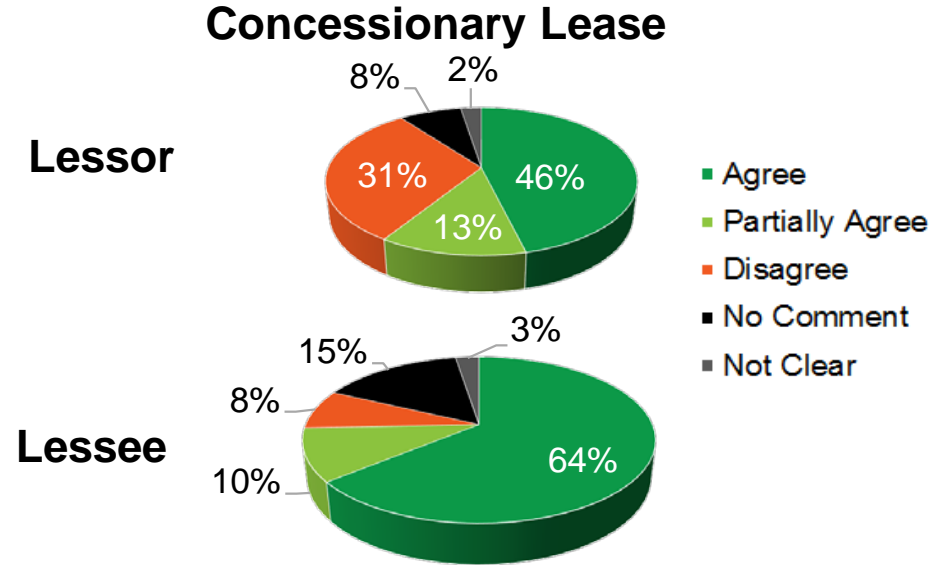
Does the IPSASB agree with staff's:

- Preliminary analysis of responses to SMCs 2 and 3?
- Want to provide any further direction to staff on any specific issue on lessor accounting when reviewing the responses?

Review of Responses: Concessionary Leases (SMC 4) (Agenda Item 11.2.3)

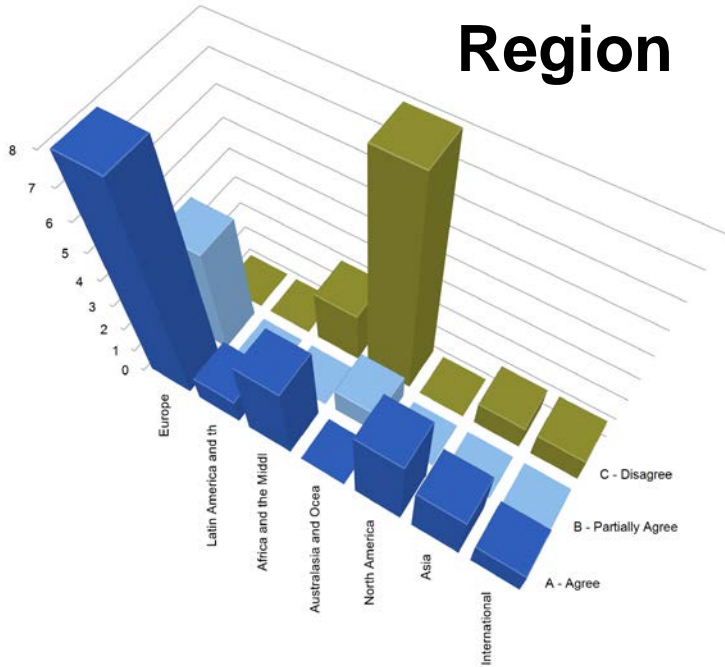
Respondents:

- Do not have a unified view
- Have opposing views on the same issues
- Who disagree with the proposals for lessor accounting in ED 64, have mixed views on the proposed approach for accounting for concessionary leases for lessors and/or lessees

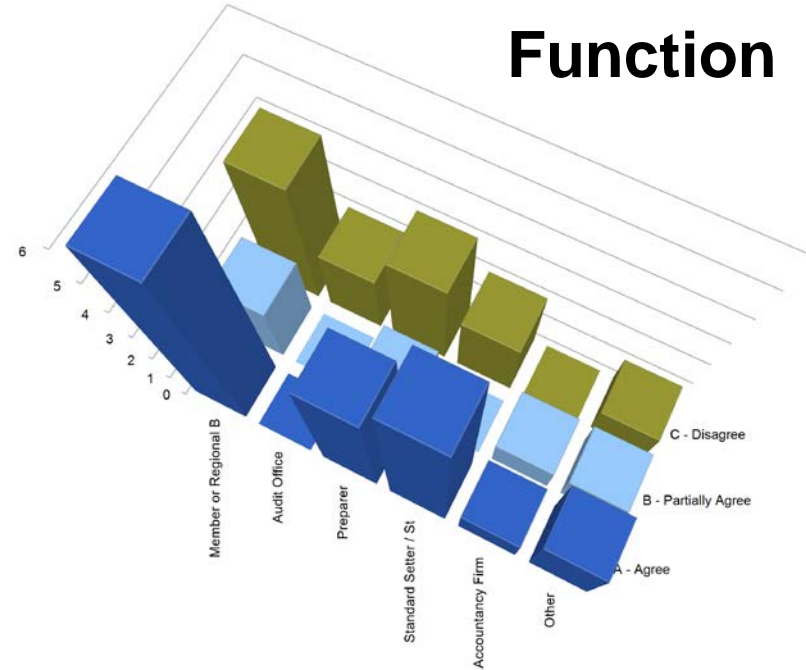


Review of Responses: Concessionary Leases (SMC 4) (Agenda Item 11.2.3)

Region

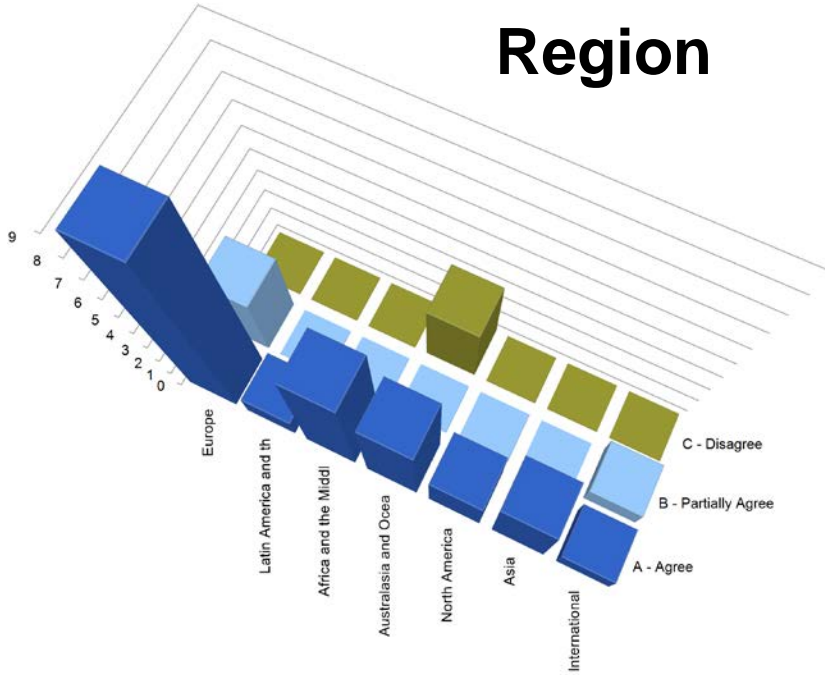


Function

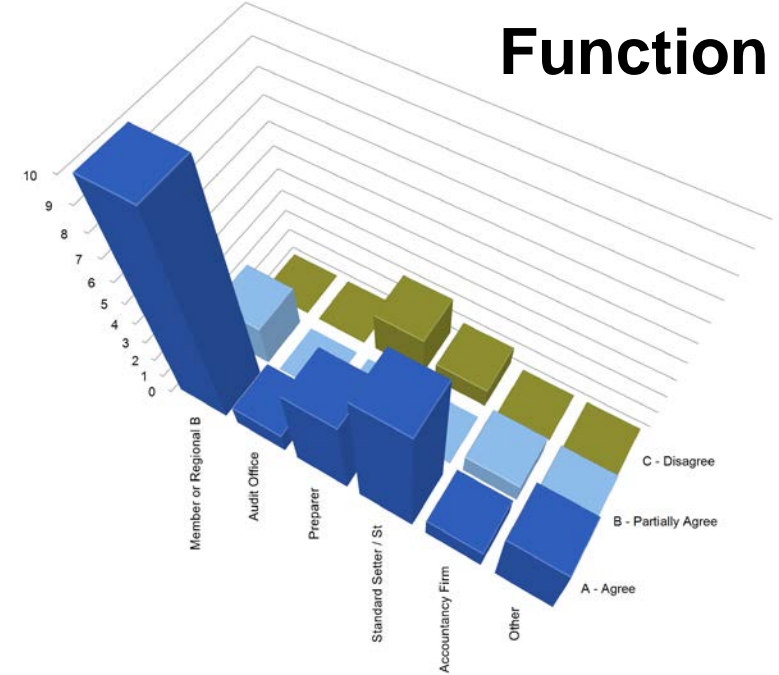


Lessor

Review of Responses: Concessionary Leases (SMC 4) (Agenda Item 11.2.3)



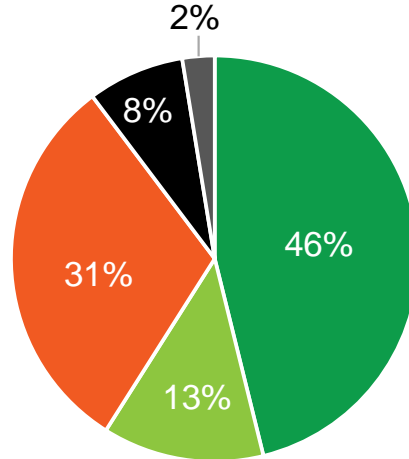
Lessee



Review of Responses: Concessionary Leases (SMC 4) (Agenda Item 11.2.3)

Opposing Views

Concessionary Lease: Lessor



• Disagree with fair value measurement

• A concessionary lease is not comparable to a concessionary loan

• The credit entry should be credited to the underlying asset

• Agree with fair value measurement

• Consistency between concessionary leases and concessionary loans

• Agree with day-one expense and revenue over lease term

■ Agree ■ Partially Agree ■ Disagree ■ No Comment ■ Not Clear

Review of Responses: Concessionary Leases (SMC 4) (Agenda Item 11.2.3)

“Concessionary leases for all seasons!”

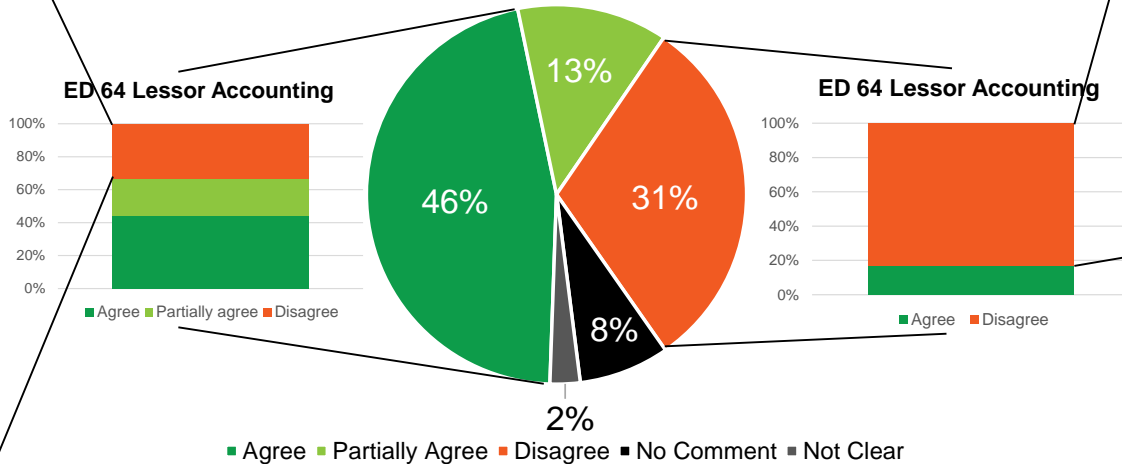
2. Retain the R&R model for both lessors and lessees

3. Lessor model for all types of assets (IFRS 16 or other)

4. IFRS 16 lessor accounting as an additional step on top of ED 64 lessor accounting

7. IFRS 16 Lessor Accounting

Concessionary Lease: Lessor



• Disagree with ED 64 lessor accounting

• A concessionary lease is not comparable to a concessionary loan

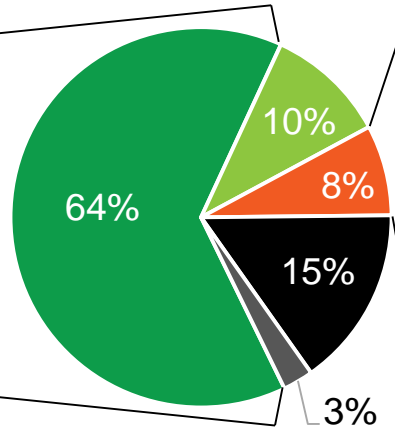
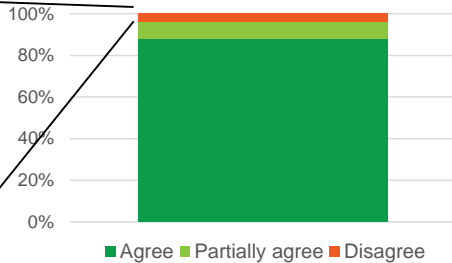
• Other reasons

Review of Responses: Concessionary Leases (SMC 4) (Agenda Item 11.2.3)

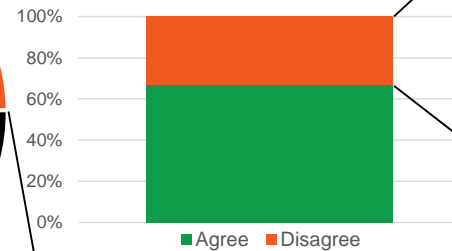
“Concessionary leases for all seasons!”

Concessionary Lease: Lessee

ED 64 Lessee Accounting



ED 64 Lessee Accounting



• RoU model inadequate for public sector financial reporting

2. Retain the R&R model for both lessors and lessees

■ Agree ■ Partially Agree ■ Disagree ■ No Comment ■ Not Clear

Review of Responses: Concessionary Leases (SMC 4) (Agenda Item 11.2.3)

Does the IPSASB:

- Agree with staff's preliminary analysis of the responses to SMC 4?
- Want to provide any further direction to staff on any specific issue on concessionary leases when reviewing the responses?

Strategy to Move the Leases Project Forward (Agenda Item 11.2.4)

Need for a new project development strategy

- Great diversity of views on ED 64 proposals
- Opposing views on ED 64 proposals
- Link between ED 64 lessor accounting and accounting for concessionary leases
- Diversity of views on other sections of ED 64

Strategy to Move the Leases Project Forward (Agenda Item 11.2.4)

Extension of Timeline

- Full analysis of the issues raised by respondents

Three-Step Approach

- IPSASB Decision-making process

Step 1

- September 2018: **Tentatively decide on lessee accounting**
- December 2018: **Final decision on lessee accounting**

Step 2

- December 2018—June 2019: **Lessor accounting and concessionary leases**

Step 3

- September 2019:
 - **Maintain ED 64 proposals on lessor accounting and concessionary leases; or**
 - **Modify significantly ED 64 for lessor accounting and concessionary leases.**

Strategy to Move the Leases Project Forward (Agenda Item 11.2.4)

Does the IPSASB agree with staff's recommendation to adopt a new strategy to progress the Leases project by:

- Extending the Leases project timeline?
- Adopting the three-step approach to project development on key moments of the Leases project?



www.ipsasb.org
