Agenda Item 7: Leases

Mike Blake, Task Force Chair
João Fonseca, Principal

IPSASB Meeting
Toronto, Canada
June 18–21, 2019
Agenda Item 7—Leases

Project management: Stocktake

- Road Map – progress to date and future meeting plans
- Board Decisions – previous decisions taken and key future issues
- Board Instructions – satisfied with actions taken?
- Other Issues?
Introduction

• Structure and purpose of this session
• Task Force report back to IPSASB

Departure or not from IFRS 16 Lessor Accounting

• History of the IASB’s Leases project and key reasons to retain the IFRS 16 Lessor Accounting in the future IPSAS on Leases (Kimberley Crook)
• GASB’s Leases project history, and the key reasons to adopt a right-of-use model in the future IPSAS on Leases (David Bean)

Lessor Accounting

• Key features of ED 64, Leases (João Fonseca)
• Key issues on ED 64, Leases (Kimberley Crook)
• Key features of Statement No. 87, Leases of the Governmental Accounting Standards Board (David Bean)

Next steps
Leases

Structure and purpose of this session

• Mike/João to outline actions taken since March meeting
• Receive presentations from João, David and Kimberley on relevant aspects of lessor related accounting
• Provide opportunities for IPSASB members to question, seek clarification following each session
• Not expecting David and Kimberley to have to debate respective views
• Mike and João summarize following all presentations proposing next steps
• IPSASB to direct Task Force
Leases

Task Force report back to IPSASB

March
- Establishment of the Leases Task Force
- Development of:
  - Project Plan; and
  - Matrix of Analysis
- Planning of face-to-face TF meeting in July

April

May-June
- Finalization of:
  - Project Plan; and
  - Matrix of Analysis
- Call with GASB and NZASB
- Detailed review of responses to ED 64
- Preparation of Issues Papers for the TF meeting
- TF member views on departure or not from IFRS 16
- Lessor accounting
Lessor Accounting
Key features of ED 64, Leases

• Single right-of-use model for lease accounting

• Concessionary leases

Leases at below market terms
Lessor Accounting
Key features of ED 64, *Leases*

- **Service versus Service Concession versus Lease**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Service</th>
<th>Service Concession</th>
<th>Lease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control of an asset</td>
<td>Supplier: Yes</td>
<td>Grantor: Yes</td>
<td>Lessor: Yes</td>
</tr>
<tr>
<td></td>
<td>Customer: No</td>
<td>Operator: No</td>
<td>Lessee: No</td>
</tr>
<tr>
<td>Control the use of an asset</td>
<td>Supplier: Yes</td>
<td>Grantor: Yes</td>
<td>Lessor: No</td>
</tr>
<tr>
<td></td>
<td>Customer: No</td>
<td>Operator: No</td>
<td>Lessee: Yes</td>
</tr>
<tr>
<td>Access to operate an asset</td>
<td>Supplier: Yes</td>
<td>Grantor: No</td>
<td>Lessor: No</td>
</tr>
<tr>
<td></td>
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</tr>
</tbody>
</table>

**Individual rights**

- **Whole asset**
  - Control of an asset
  - Control the use of an asset
  - Access to operate an asset
Lessor Accounting
Key features of ED 64, *Leases*

Accounting for the underlying asset

- **Lessor** recognizes and measures according to the applicable IPSAS – as per IPSAS 32, but different to IFRS 16

Separate accounting for the lease (right-of-use)

- **Lessor** receivable – as IPSAS 32, but different to IFRS 16
- **Lessor** liability (unearned revenue) – as per IPSAS 32, but different to IFRS 16
Lessor Accounting

- Mike –
- So, what Joao has presented is a very high level summary of key features in ED 64
- Any questions or clarification needed?
Leases

Next Steps

• Does the IPSASB:
  – Agrees with the Task Force recommended Project Plan to move the Leases project forward?
  – Agrees with the Lessor accounting matrix outlining issues to be dealt with?
  – Has any additional issues for consideration by the Leases Task Force at the face-to-face meeting in July 18-19, 2019?