Agenda Item 12: Leases

João Fonseca, Principal

IPSASB Meeting
Kuala Lumpur, Malaysia
December 4–7, 2018
New Strategy to Move the Leases Project Forward

Double-counting in ED 64 lessor accounting?

Recognize the subsidy in a concessionary lease?
Objective of Session & Material Presented

Agenda Item 12.2.2

• Lessee Accounting (SMC 1)

Agenda Item 12.2.3

• Assessment on the Feasibility of Publishing Only Revised Lessee Accounting Requirements Based on ED 64

Agenda Item 12.2.1

• Roadmap to Move the Leases Project Forward
## Lessee Accounting (Agenda Item 12.2.2)

<table>
<thead>
<tr>
<th>#</th>
<th>Items</th>
<th>Implementation issues</th>
<th>User’s needs of financial community</th>
<th>Relationship with GFS</th>
<th>Relationship with public-private partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Exemption for public sector entities</td>
<td>No public sector specific issues identified</td>
<td>No public sector specific user’s needs identified</td>
<td>GFS does not apply the right-of-use model.</td>
<td>Inconsistent with IPSAS 32 and IFRIC 12</td>
</tr>
<tr>
<td>2</td>
<td>Complexity, costly</td>
<td></td>
<td></td>
<td>GFS does not provide exemptions for public sector entities under the risks and rewards model.</td>
<td>ED 64 lessee accounting is consistent with IFRIC 12</td>
</tr>
<tr>
<td>3</td>
<td>Inappropriate for public sector financial reporting</td>
<td>Right-of-use model easier to implement</td>
<td></td>
<td></td>
<td>Guidance in ED 64 is consistent with IPSAS 32 and IFRIC 12</td>
</tr>
<tr>
<td>4</td>
<td>Additional guidance on transfer of asset</td>
<td>No public sector specific issues identified</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Lessee Accounting
(Agenda Item 12.2.2)

Staff’s recommendation

• Issues raised are not public sector specific that warrant departure from IFRS 16
• To adopt the proposals in the ED 64 in the IPSAS on Leases

Does the IPSASB agree with staff’s recommendation:

• To adopt ED 64 lessee accounting proposals in the IPSAS on Leases?
Assessment on the Feasibility of Publishing Only New Lessee Accounting Requirements Based on ED 64 (Agenda Item 12.2.3)

Objective:
Move the Leases project faster

Four types of problems

- Changes to IFRS 16 lessee accounting
- Exposure amendments to IPSAS 13 lessee accounting
- Inconsistency problems with IPSAS on Leases
- Due process
Assessment on the Feasibility of Publishing Only New Lessee Accounting Requirements Based on ED 64 (Agenda Item 12.2.3)

Four types of problems

- **Changes to IFRS 16 lessor accounting**
  - Subleases, disclosure, lease modifications and variable lease payments

- **Due process**
  - Amendments to lessor accounting require exposure

- **Exposure amendments to IPSAS 13 Lessor accounting**
  - One year for full exposure process

- **Inconsistency problems with IPSAS on Leases**
  - Scope, definitions, identifying a lease, lease term, sale and leaseback transactions, and concessionary leases
Assessment on the Feasibility of Publishing Only New Lessee Accounting Requirements Based on ED 64 (Agenda Item 12.2.3)

Staff’s recommendation

- Not to publish only revised lessee accounting requirements based on ED 64.

Does the IPSASB agree with staff’s recommendation:

- Not to publish only revised lessee accounting requirements based on ED 64?
Leases

Roadmap to Move the Leases Project Forward
(Agenda Item 12.2.1)

Analysis Factors

- Implementation issues
- User’s needs of financial community
- Relationship with Government
- Finance Statistics
- Relationship with public-private partnerships
- Respondents’ Views on ED 64

Major issues related to the principles in ED 64
(Appendix A)

Minor issues
(Appendix B)

- Minor technical issues
- Editorials
## Roadmap to Move the Leases Project Forward (Agenda Item 12.2.1)

### Proposed Roadmap

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Issues</th>
</tr>
</thead>
</table>
| 2018 | December| ✓ Roadmap to Move the Leases Project Forward  
      |         | ✓ Lessee Accounting  
      |         | ✓ Assessment on the Feasibility of Publication of Only Revised Lessee Accounting Requirements |
| 2019 | March   | ✓ IFRS 16 Lessor Accounting Departure  
      |         | ✓ Approval of Basis for Conclusions on Lessee Accounting |
|      | June    | Lessor Accounting                                                       |
|      | September | Concessionary Leases: Lessor and Lessee                              |
|      | December| ✓ Remaining Issues on ED 64 (to be determined)  
      |         | ✓ Decision on to proceed or not with ED 64 proposals for lessor accounting and concessionary leases in the IPSAS on Leases |
| 2020 | March   | To be determined                                                       |
Does the IPSASB agree with the staff’s recommended:
(a) Roadmap to move the Leases project forward?
(b) List of issues identified by respondents, including any suggestion on:
   i. Other issues to be included in Appendix A or Appendix B; or
   ii. Move issues from Appendix A to Appendix B or vice-versa?