Agenda Item 7: Leases

Mike Blake, Task Force Chair
João Fonseca, Principal

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

### Identification of Issues

<table>
<thead>
<tr>
<th>Issues</th>
<th>TF</th>
<th>IPSASB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the public sector different? If so, why?</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Are the IPSASB and IASB’s CF different in relation to lessor accounting?</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Ensure consistency with emerging literature (eg. revenue project?)</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Limited scope review of the CF (impacts on lessor accounting)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there an ongoing performance obligation for the lessor over the lease term? (consistency with CF of a liability)</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Should all or portion of the underlying asset be derecognized?</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Should lease revenue associated with a lease be recognized by the lessor?</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Is there double-counting by recognizing the lease receivable and continuing to recognize the underlying asset: (i) at cost? (ii) at fair value?</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Should we revisit all IASB’s decisions that lead to IFRS 16? (Rules of the Road does not require this)</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>
## Agenda Item 7—Leases

### Identification of Issues

<table>
<thead>
<tr>
<th>Issues</th>
<th>TF</th>
<th>IPSASB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Which model best satisfies public interest (simplicity, transparency, understandability, accountability and decision-making)</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Are consolidation issues properly considered? (mixed groups vs public sector entities that only apply IPSAS)</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Having two separate assets (underlying asset and lease receivable) improves financial reporting?</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Are model best addresses user's needs and who are they?</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Revisit IPSAS 32 analogy?</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Lessor does not recognize the rights and obligations from the lease contract. Only recognizes lease payments as revenue when received.</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>What disclosures are required will depend to the type of lessor accounting model</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Are leases in the public sector different from the private sector?</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>
## Agenda Item 7—Leases

### Identification of Issues

<table>
<thead>
<tr>
<th>Issues</th>
<th>TF</th>
<th>IPSASB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who controls the underlying asset – CF consistency analysis?</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Is the analogy with joint arrangements valid for leases accounting? (divisibility of assets)</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>
Next Steps

- The TF Chair and staff will organize these issues to be discussed at the TF meeting in July.
- The TF will assess the:
  - Issues identified at today’s meeting;
  - Criteria that the IPSASB decided at the March meeting to assess departure or not from lessor accounting (see matrix in Agenda Item 7.2.1); and
  - All issues raised by respondents to ED 64 (see matrix in Agenda Item 7.2.1)
Next Steps

- The TF will deliberate in July meeting all issues in the context of making a recommendation to the IPSASB on whether to depart from IFRS 16 Lessor Accounting.
  - Not departing requires re-exposure.
  - Two main conclusions from respondents to ED 64:
    - The majority (59%) supported or partially supported departure;
    - 46% of respondents disagreed with ED 64 lessor accounting, but there is no consensus on the way forward
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?
  – With the issues identified at today’s meeting?
  – Has any additional issues for consideration by the Leases Task Force at the face-to-face meeting in July 18-19, 2019?