

IPSAS 13—LEASES

Acknowledgment

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International Public Sector Accounting Standard 13, “Leases” (IPSAS 13) is set out in paragraphs 1-87. All the paragraphs have equal authority. IPSAS 13 should be read in the context of the Basis for Conclusion, and the “Preface to International Public Sector Accounting Standards.” IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors” provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Introduction

- IN1. International Public Sector Accounting Standard (IPSAS) 13, “Leases”, replaces IPSAS 13, “Leases” (issued December 2001), and should be applied for annual reporting periods beginning on or after January 1, 2008. Earlier application is encouraged.

Reasons for Revising IPSAS 13

- IN2. The International Public Sector Accounting Standards Board developed this revised IPSAS 13 as a response to the International Accounting Standards Board’s project on Improvement to International Accounting Standards and its own policy to converge public sector accounting standards with private sector standards to the extent appropriate.
- IN3. In developing this revised IPSAS 13, the IPSASB adopted the policy of amending the IPSAS for those changes made to the former IAS 17, “Leases” made as a consequence of the IASB’s improvements project, except where the original IPSAS had varied from the provisions of IAS 17 for a public sector specific reason; such variances are retained in this IPSAS 13 and are noted in the Comparison with IAS 17. Any changes to IAS 17 made subsequent to the IASB’s improvements project have not been incorporated into IPSAS 13.

Changes from Previous Requirements

- IN4. The main changes from the previous version of IPSAS 13 are described below.

Definitions

- IN5. The Standard defines “initial direct costs” in paragraph 8 as “incremental costs that are directly attributable to negotiating and arranging a lease, except for such costs incurred by manufacturer or trader lessors”. Previously, IPSAS 13 did not contain this definition.
- IN6. The Standard defines “commencement of the lease term” in paragraph 8 as “the date from which the lessee is entitled to exercise its right to use the leased asset”. It is distinguished from the inception of the lease, which is defined as “the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease”. The Standard clarifies that recognition takes place at the commencement of the lease term based on values measured at the inception of the lease. If the lease is adjusted for changes in the lessor’s costs between the inception of the lease and the commencement of the lease term, the effect of any such changes is deemed to have taken place at the inception (see paragraph 9).
- IN7. Previously, IPSAS 13 did not define “commencement of the lease” and implicitly assumed that commencement and inception were simultaneous.

Classification of Leases of Land and Building

- IN8. The Standard requires in paragraph 20 that an entity consider the land and buildings elements separately when classifying a lease of land and buildings. Normally, the land element is classified as an operating lease unless the title passes to the lessee at the end of the lease term. The buildings element is classified as an operating or finance lease by applying the classification criteria in the Standard. The minimum lease payments are allocated between the land and buildings elements in proportion to the relative fair values of the leasehold interests in the land and buildings elements of the lease.
- IN9. Previously, IPSAS 13 was not explicit about how to classify a lease of land and buildings and how to allocate the lease payment between them.

Initial Direct Costs incurred by Lessors

- IN10. The Standard requires lessors to include the initial direct costs incurred in negotiating a finance lease in the initial measurement of finance lease receivables. For operating leases, such initial direct costs are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the lease revenue. This treatment does not apply to manufacturer or trader lessors. Manufacturer or trader lessors recognize this type of costs as an expense when the gain or loss is recognized. (see paragraphs 50, 55 and 65)
- IN11. Previously, IPSAS 13 contained a choice on how to account for such costs – they might be either charged as an expense as incurred or allocated over the lease term and the choice of treatment applied to both operating and finance leases.

Objective

1. The objective of this Standard is to prescribe, for lessees and lessors, the appropriate accounting policies and disclosures to apply in relation to finance and operating leases.

Scope

2. **An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for all leases other than:**
 - (a) **Leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources; and**
 - (b) **Licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.**

However, this Standard shall not be applied as the basis of measurement for:

- (a) **Property held by Lessees that is accounted for as investment property (see International Public Sector Accounting Standard IPSAS 16, “Investment Property”);**
 - (b) **Investment property provided by lessors under operating leases (see IPSAS 16);**
 - (c) **Biological assets held by lessees under finance leases (see the relevant international or national accounting standard dealing with agriculture); or**
 - (d) **Biological assets provided by lessors under operating leases (see the relevant international or national accounting standard dealing with agriculture).**
3. **This Standard applies to all public sector entities other than Government Business Enterprises.**
 4. This Standard applies to agreements that transfer the right to use assets even though substantial services by the lessor may be called for in connection with the operation or maintenance of such assets. This Standard does not apply to agreements that are contracts for services that do not transfer the right to use assets from one contracting party to the other. Public sector entities may enter into complex arrangements for the delivery of services, which may or may not include leases of assets. These arrangements are discussed in paragraphs 25 to 27.

5. This Standard does not apply to lease agreements to explore for or use natural resources such as oil, gas, timber, metals and other mineral rights, and licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights. This is because these types of agreements have the potential to raise complex accounting issues which need to be addressed separately.
6. This Standard does not apply to investment property. Investment properties are measured by lessors and lessees in accordance with the provisions of IPSAS 16.
7. The “Preface to International Public Sector Accounting Standards” issued by the International Public Sector Accounting Standards Board (IPSASB) explains that Government Business Enterprises (GBEs) apply International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). GBEs are defined in IPSAS 1, “Presentation of Financial Statements.”

Definitions

8. **The following terms are used in this Standard with the meanings specified:**

The commencement of the lease term is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e. the recognition of the assets, liabilities, revenue or expenses resulting from the lease, as appropriate).

Contingent rent is that portion of the lease payments that is not fixed in amount but is based on the future amount of a factor that changes other than the passage of time (e.g., percentage of future sales, amount of future use, future price indices, future market rates of interest).

Economic life is either:

- (a) The period over which an asset is expected to yield economic benefits or service potential to one or more users; or
- (b) The number of production or similar units expected to be obtained from the asset by one or more users.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

A **finance lease** is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Gross investment in the lease is the aggregate of:

- (a) The minimum lease payments receivable by the lessor under a finance lease; and
- (b) Any unguaranteed residual value accruing to the lessor.

Guaranteed residual value is:

- (c) For a lessee, that part of the residual value that is guaranteed by the lessee or by a party related to the lessee (the amount of the guarantee being the maximum amount that could, in any event, become payable); and
- (d) For a lessor, that part of the residual value that is guaranteed by the lessee or by a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

The **inception of the lease** is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. As at this date:

- (a) A lease is classified as either an operating or a finance lease; and
- (b) In the case of a finance lease, the amounts to be recognized at the commencement of the lease term are determined.

Initial direct costs are incremental costs that are directly attributable to negotiating and arranging a lease, except for such costs incurred by manufacturer or trader lessors.

The **interest rate implicit in the lease** is the discount rate that, at the inception of the lease, causes the aggregate present value of:

- (a) The minimum lease payments; and
- (b) The unguaranteed residual value

to be equal to the sum of (i) the fair value of the leased asset and (ii) any initial direct costs of the lessor.

A **lease** is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

The **lease term** is the non-cancelable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

The **lessee's incremental borrowing rate of interest** is the rate of interest the lessee would have to pay on a similar lease or, if that is not determinable, the rate that, at the inception of the lease, the lessee would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase the asset.

Minimum lease payments are the payments over the lease term that the lessee is, or can be, required to make, excluding contingent rent, costs for services and, where appropriate, taxes to be paid by and reimbursed to the lessor, together with:

- (a) For a lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or
- (b) For a lessor, any residual value guaranteed to the lessor by:
 - (i) The lessee;
 - (ii) A party related to the lessee; or
 - (iii) An independent third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

However, if the lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised, the minimum lease payments comprise the minimum payments payable over the lease term to the expected date of exercise of this purchase option and the payment required to exercise it.

Net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease.

A **non-cancelable lease** is a lease that is cancelable only:

- (a) Upon the occurrence of some remote contingency;
- (b) With the permission of the lessor;
- (c) If the lessee enters into a new lease for the same or an equivalent asset with the same lessor; or

- (d) Upon payment by the lessee of such an additional amount that, at inception of the lease, continuation of the lease is reasonably certain.

An operating lease is a lease other than a finance lease.

Unearned finance revenue is the difference between:

- (a) The gross investment in the lease; and
 (b) The net investment in the lease.

Unguaranteed residual value is that portion of the residual value of the leased asset, the realization of which by the lessor is not assured or is guaranteed solely by a party related to the lessor.

Useful life is the estimated remaining period, from the commencement of the lease term, without limitation by the lease term, over which the economic benefits or service potential embodied in the asset are expected to be consumed by the entity.

Terms defined in other International Public Sector Accounting Standards are used in this Standard with the same meaning as in those other Standards, and are reproduced in the Glossary of Defined Terms published separately.

Changes in Lease Payments between the Inception of the Lease and the Commencement of the Lease Term

9. A lease agreement or commitment may include a provision to adjust the lease payments for changes in the construction or acquisition cost of the leased property or for changes in some other measure of cost or value, such as general price levels, or in the lessor's costs of financing the lease, during the period between the inception of the lease and the commencement of the lease term. If so, the effect of any such changes shall be deemed to have taken place at the inception of the lease for the purposes of this Standard.

Hire Purchase Contracts

10. The definition of a lease includes contracts for the hire of an asset which contain a provision giving the hirer an option to acquire title to the asset upon the fulfillment of agreed conditions. These contracts are sometimes known as hire purchase contracts.

Incremental Borrowing Rate of Interest

11. Where an entity has borrowings which are guaranteed by the government, the determination of the lessee's incremental borrowing rate of interest reflects the existence of any government guarantee and any related fees.

This will normally lead to the use of a lower incremental borrowing rate of interest.

Classification of Leases

12. The classification of leases adopted in this Standard is based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. Risks include the possibilities of losses from idle capacity, technological obsolescence or changes in value because of changing economic conditions. Rewards may be represented by the expectation of service potential or profitable operation over the asset's economic life and of gain from appreciation in value or realization of a residual value.
13. **A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.**
14. Because the transaction between a lessor and a lessee is based on a lease agreement between them, it is appropriate to use consistent definitions. The application of these definitions to the differing circumstances of the lessor and lessee may result in the same lease being classified differently by them. For example, this may be the case if the lessor benefits from a residual value guarantee provided by a party unrelated to the lessee.
15. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Although the following are examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease, a lease does not need to meet all these criteria in order to be classified as a finance lease:
 - (a) The lease transfers ownership of the asset to the lessee by the end of the lease term;
 - (b) The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
 - (c) The lease term is for the major part of the economic life of the asset even if title is not transferred;
 - (d) At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;

- (e) The leased assets are of such a specialized nature that only the lessee can use them without major modifications; and
 - (f) The leased assets cannot easily be replaced by another asset.
16. Other indicators that individually or in combination could also lead to a lease being classified as a finance lease are:
- (a) If the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
 - (b) Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example in the form of a rent rebate equaling most of the sales proceeds at the end of the lease); and
 - (c) The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.
17. The examples and indicators in paragraphs 15 and 16 are not always conclusive. If it is clear from other features that the lease does not transfer substantially all risks and rewards incidental to ownership, the lease is classified as an operating lease. For example, this may be the case if ownership of the asset transfers at the end of the lease for a variable payment equal to its then fair value, or if there are contingent rents, as a result of which the lessee does not have substantially all such risks and rewards.
18. Lease classification is made at the inception of the lease. If at any time the lessee and the lessor agree to change the provisions of the lease, other than by renewing the lease, in a manner that would have resulted in a different classification of the lease under the criteria in paragraphs 12 to 17 if the changed terms had been in effect at the inception of the lease, the revised agreement is regarded as a new agreement over its term. However, changes in estimates (for example, changes in estimates of the economic life or the residual value of the leased property) or changes in circumstances (for example, default by the lessee), do not give rise to a new classification of a lease for accounting purposes.
19. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. However, a characteristic of land is that it normally has an indefinite economic life and, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership, in which case the lease of land will be an operating lease. A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents pre-paid lease payments that are

amortized over the lease term in accordance with the pattern of benefits provided.

20. The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. If title to both elements is expected to pass to the lessee by the end of the lease term, both elements are classified as a finance lease, whether analyzed as one lease or as two leases, unless it is clear from other features that the lease does not transfer substantially all risks and rewards incidental to ownership of one or both elements. When the land has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term, in accordance with paragraph 19. The buildings element is classified as a finance or operating lease in accordance with paragraphs 12-18.
21. Whenever necessary in order to classify and account for a lease of land and buildings, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception of the lease. If the lease payments cannot be allocated reliably between these two elements, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.
22. For a lease of land and buildings in which the amount that would initially be recognized for the land element, in accordance with paragraph 28, is immaterial, the land and buildings may be treated as a single unit for the purpose of lease classification and classified as a finance or operating lease in accordance with paragraphs 12-18. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.
23. Separate measurement of the land and buildings elements is not required when the lessee's interest in both land and buildings is classified as an investment property in accordance with IPSAS 16 and the fair value model is adopted. Detailed calculations are required for this assessment only if the classification of one or both elements is otherwise uncertain.
24. In accordance with IPSAS 16, it is possible for a lessee to classify a property interest held under an operating lease as an investment property. If it does, the property interest is accounted for as if it were a finance lease and, in addition, the fair value model is used for the asset recognized. The lessee shall continue to account for the lease as a finance lease, even if a subsequent event changes the nature of the lessee's property interest so that

it is no longer classified as investment property. This will be the case if, for example, the lessee:

- (a) occupies the property, which is then transferred to owner-occupied property at a deemed cost equal to its fair value at the date of change in use; or
- (b) grants a sublease that transfers substantially all of the risks and rewards incidental to ownership of the interest to an unrelated third party. Such a sublease is accounted for by the lessee as a finance lease to the third party, although it may be accounted for as an operating lease by the third party.

Leases and Other Contracts

25. A contract may consist solely of an agreement to lease an asset. However, a lease may also be one element in a broader set of agreements with private sector entities to construct, own, operate and/or transfer assets. Public sector entities often enter into such agreements, particularly in relation to long-lived physical assets and infrastructure assets. For example, a public sector entity may construct a tollway. It may then lease the tollway to a private sector entity as part of an arrangement whereby the private sector entity agrees to:

- (a) Lease the tollway for an extended period of time (with or without an option to purchase the facility);
- (b) Operate the tollway; and
- (c) Fulfill extensive maintenance requirements, including regular upgrading of both the road surface and the traffic control technology.

Other agreements may involve a public sector entity leasing infrastructure from the private sector.

26. Where an arrangement contains an identifiable operating lease or finance lease as defined in this Standard, the provisions of this Standard are applied in accounting for the lease component of the arrangement.

27. Public sector entities may also enter a variety of agreements for the provision of goods and/or services, which necessarily involve the use of dedicated assets. In some of these agreements, it may not be clear whether or not a lease, as defined by this Standard, has arisen. In these cases, professional judgment is exercised, and if a lease has arisen this standard is applied; and if a lease has not arisen entities account for those agreements by applying the provisions of other relevant International Public Sector

Accounting Standards, or in the absence thereof, other relevant international and/or national accounting standards.

Leases in the Financial Statements of Lessees

Finance Leases

28. **At the commencement of the lease term lessees shall recognize assets acquired under finance leases as assets and the associated lease obligations as liabilities in their statements of financial position. The assets and liabilities shall be recognized at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used.**
29. Transactions and other events are accounted for and presented in accordance with their substance and financial reality and not merely with legal form. Although the legal form of a lease agreement is that the lessee may acquire no legal title to the leased asset, in the case of finance leases the substance and financial reality are that the lessee acquires the economic benefits or service potential of the use of the leased asset for the major part of its economic life in return for entering into an obligation to pay for that right an amount approximating, at the inception of the lease, the fair value of the asset and the related finance charge.
30. If such lease transactions are not reflected in the lessee's financial statements, the assets and liabilities of an entity are understated, thereby distorting financial ratios. Therefore, it is appropriate for a finance lease to be recognized in the lessee's financial statements both as an asset and as an obligation to pay future lease payments. At the commencement of the lease term, the asset and the liability for the future lease payments are recognized in the financial statements at the same amounts except for any initial direct costs of the lessee that are added to the amount recognized as an asset.
31. It is not appropriate for the liabilities for leased assets to be presented in the financial statements as a deduction from the leased assets.
32. If for the presentation of liabilities on the face of the statement of financial position a distinction is made between current and non-current liabilities, the same distinction is made for lease liabilities.
33. Initial direct costs are often incurred in connection with specific leasing activities, such as negotiating and securing leasing arrangements. The costs

identified as directly attributable to activities performed by the lessee for a finance lease are added to the amount recognized as an asset.

34. **Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents shall be charged as expenses in the periods in which they are incurred.**
35. In practice, in allocating the finance charge to periods during the lease term, a lessee may use some form of approximation to simplify the calculation.
36. **A finance lease gives rise to a depreciation expense for depreciable assets as well as a finance expense for each accounting period. The depreciation policy for depreciable leased assets shall be consistent with that for depreciable assets that are owned, and the depreciation recognized shall be calculated in accordance with International Public Sector Accounting Standard (IPSAS) 17, “Property, Plant and Equipment” and any international and/or national accounting standard on intangible assets which has been adopted by the entity. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term or its useful life.**
37. The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise the asset is depreciated over the shorter of the lease term or its useful life.
38. The sum of the depreciation expense for the asset and the finance expense for the period is rarely the same as the lease payments payable for the period, and it is therefore inappropriate simply to recognize the lease payments payable as an expense. Accordingly, the asset and the related liability are unlikely to be equal in amount after the commencement of the lease term.
39. To determine whether a leased asset has become impaired an entity applies relevant impairment tests in international and/or national accounting standards.

40. **Lessees shall disclose the following for finance leases:**
- (a) **For each class of asset, the net carrying amount at the reporting date;**
 - (b) **A reconciliation between the total of future minimum lease payments at the reporting date, and their present value.**
 - (c) **In addition, an entity shall disclose the total of future minimum lease payments at the reporting date, and their present value, for each of the following periods:**
 - (i) **Not later than one year;**
 - (ii) **Later than one year and not later than five years; and**
 - (iii) **Later than five years;**
 - (d) **Contingent rents recognized as an expense in the period;**
 - (e) **The total of future minimum sublease payments expected to be received under non-cancelable subleases at the reporting date; and**
 - (f) **A general description of the lessee's material leasing arrangements including, but not limited to, the following:**
 - (i) **The basis on which contingent rent payable is determined;**
 - (ii) **The existence and terms of renewal or purchase options and escalation clauses; and**
 - (iii) **Restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, dividends, additional debt and further leasing.**
41. In addition, the requirements for disclosure in accordance with IPSAS 16, IPSAS 17, IPSAS 21 and any international and/or national accounting standard on intangible assets and on impairment of cash-generating assets which have been adopted by the entity are applied to the amounts of leased assets under finance leases that are accounted for by the lessee as acquisitions of assets.

Operating Leases

42. **Lease payments under an operating lease shall be recognized as an expense on a straight line basis over the lease term unless another systematic basis is representative of the time pattern of the user's benefit.**

43. For operating leases, lease payments (excluding costs for services such as insurance and maintenance) are recognized as an expense on a straight-line basis unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis.
44. **Lessees shall disclose the disclosures for operating leases:**
- (a) **The total of future minimum lease payments under non-cancelable operating leases for each of the following periods:**
 - (i) **Not later than one year;**
 - (ii) **Later than one year and not later than five years; and**
 - (iii) **Later than five years;**
 - (b) **The total of future minimum sublease payments expected to be received under non-cancelable subleases at the reporting date;**
 - (c) **Lease and sublease payments recognized as an expense in the period, with separate amounts for minimum lease payments, contingent rents, and sublease payments; and**
 - (d) **A general description of the lessee's significant leasing arrangements including, but not limited to, the following:**
 - (i) **The basis on which contingent rent payments are determined;**
 - (ii) **The existence and terms of renewal or purchase options and escalation clauses; and**
 - (iii) **Restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, dividends, additional debt, and further leasing.**

Leases in the Financial Statements of Lessors

Finance Leases

45. This Standard describes the treatment of finance revenue earned under finance leases. The term "manufacturer or trader lessor" is used in this Standard to refer to all public sector entities that manufacture or trade assets and also act as lessors of those assets, regardless of the scale of their leasing, trading and manufacturing activities. With respect to an entity that is a manufacturer or trader lessor, the Standard also describes the treatment of gains or losses arising from the transfer of assets.
46. Public sector entities may enter into finance leases as a lessor under a variety of circumstances. Some public sector entities may trade assets on a

regular basis. For example, governments may create special purpose entities that are responsible for the central procurement of assets and supplies for all other entities. Centralization of the purchasing function may provide greater opportunity to obtain trade discounts or other favorable conditions. In some jurisdictions, a central purchasing entity may purchase items on behalf of other entities, with all transactions being conducted in the name of the other entities. In other jurisdictions, a central purchasing entity may purchase items in its own name and its functions may include:

- (a) Procuring assets and supplies;
 - (b) Transferring assets by way of sale or finance lease; and/or
 - (c) Managing a portfolio of assets, such as a motor vehicle fleet, for use by other entities and making those assets available for short or long-term lease, or purchase.
47. Other public sector entities may enter into lease transactions on a more limited scale and at less frequent intervals. In particular, in some jurisdictions public sector entities which have traditionally owned and operated infrastructure assets such as roads, dams, and water treatment plants are no longer automatically assuming complete ownership and operational responsibility for these assets. Public sector entities may transfer existing infrastructure assets to private sector entities by way of sale or by way of finance lease. In addition, public sector entities may construct new long-lived physical and infrastructure assets in partnership with private sector entities with the intention that the private sector entity will assume responsibility for the assets by way of outright purchase or by way of finance lease once they are completed. In some cases, the arrangement provides for a period of control by the private sector before reversion of title and control of the asset to the public sector — for example, a local government may build a hospital and lease the facility to a private sector company for a period of twenty years, after which time the facility reverts to public control.
48. **Lessors shall recognize lease payments receivable under a finance lease as assets in their statements of financial position. They shall present such assets as a receivable at an amount equal to the net investment in the lease.**
49. Under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred by the lessor, and thus the lease payment receivable is treated by the lessor as repayment of principal and finance revenue to reimburse and reward the lessor for its investment and services.

Initial Recognition

50. Initial direct costs are often incurred by lessors and include amounts such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease. They exclude general overheads such as those incurred by a sales and marketing team. For finance leases other than those involving manufacturer or trader lessors, initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of revenue recognized over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable; there is no need to add them separately. Costs incurred by manufacturer or trader lessors in connection with negotiating and arranging a lease are excluded from the definition of initial direct costs. As a result, they are excluded from the net investment in the lease and are recognized as an expense when the gain or loss on sale is recognized, which for a finance lease is normally at the commencement of the lease term.
51. **The recognition of finance revenue shall be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.**
52. A lessor aims to allocate finance revenue over the lease term on a systematic and rational basis. This revenue allocation is based on a pattern reflecting a constant periodic return on the lessor's net investment in the finance lease. Lease payments relating to the accounting period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.
53. Estimated unguaranteed residual values used in computing the lessor's gross investment in a lease are reviewed regularly. If there has been a reduction in the estimated unguaranteed residual value, the revenue allocation over the lease term is revised and any reduction in respect of amounts already accrued is recognized immediately.
54. **Manufacturer or trader lessors shall recognize gains or losses on sale of assets in the period, in accordance with the policy followed by the entity for outright sales.**
55. **If artificially low rates of interest are quoted, any gains or losses on sale of assets shall be restricted to that which would apply if a market rate of interest were charged. Costs incurred by manufacturer or trader lessors in connection with negotiating and arranging a lease shall be recognized as an expense when the gain or loss is recognized.**

56. Public sector entities which manufacture or trade assets may offer to potential purchasers the choice of either buying or leasing an asset. A finance lease of an asset by a manufacturer or trader lessor gives rise to two types of revenue:
- (a) The gain or loss equivalent to the gain or loss resulting from an outright sale of the asset being leased, at normal selling prices, reflecting any applicable volume or trade discounts; and
 - (b) The finance revenue over the lease term.
57. The sales revenue recognized at the commencement of the lease term by a manufacturer or trader lessor is the fair value of the asset, or, if lower, the present value of the minimum lease payments accruing to the lessor, computed at a commercial rate of interest. The cost of sale of an asset recognized at the commencement of the lease term is the cost, or carrying amount if different, of the leased property less the present value of the unguaranteed residual value. The difference between the sales revenue and the cost of sale is the gain or loss on sale which is recognized in accordance with the entity's policy for outright sales.
58. Manufacturer or trader lessors may sometimes offer customers lower rates of interest than their normal lending rates. The use of such a rate would result in an excessive portion of the total revenue from the transaction being recognized at the time of sale. If artificially low rates of interest are quoted, revenue recognized as gain or loss on sale is restricted to that which would apply if the entity's normal lending rate for that type of transaction were charged.
59. Initial direct costs are recognized as an expense at the commencement of the lease term because they are mainly related to earning the manufacturer's or trader's gain or loss on sale.
60. **Lessors shall disclose the following for finance leases:**
- (a) **A reconciliation between the total gross investment in the lease at the reporting date, and the present value of minimum lease payments receivable at the reporting date. In addition, an entity shall disclose the gross investment in the lease and the present value of minimum lease payments receivable at the reporting date, for each of the following periods:**
 - (i) **Not later than one year;**
 - (ii) **Later than one year and not later than five years; and**
 - (iii) **Later than five years;**

- (b) **Unearned finance revenue;**
- (c) **The unguaranteed residual values accruing to the benefit of the lessor;**
- (d) **The accumulated allowance for uncollectible minimum lease payments receivable;**
- (e) **Contingent rents recognized in the statement of financial performance; and**
- (f) **A general description of the lessor's material leasing arrangements.**

61. As an indicator of growth in leasing activities it is often useful to also disclose the gross investment less unearned revenue in new business added during the accounting period, after deducting the relevant amounts for canceled leases.

Operating Leases

62. **Lessors shall present assets subject to operating leases in their statements of financial position according to the nature of the asset.**
63. **Lease revenue from operating leases shall be recognized as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefits derived from the leased asset is diminished.**
64. Costs, including depreciation, incurred in earning the lease revenue are recognized as an expense. Lease revenue (excluding receipts for services provided such as insurance and maintenance) is recognized as revenue on a straight line basis over the lease term even if the receipts are not on such a basis, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.
65. **Initial direct costs incurred by lessors in negotiating and arranging an operating lease shall be added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease revenue.**
66. **The depreciation policy for depreciable leased assets shall be consistent with the lessor's normal depreciation policy for similar assets, and depreciation shall be calculated in accordance with IPSAS 17, and any international and/or national accounting standard on intangible assets that has been adopted by the entity.**

67. To determine whether a leased asset has become impaired, an entity applies relevant impairment tests in international and/or national accounting standards.
68. A manufacturer or trader lessor does not recognize any gain on sale on entering into an operating lease because it is not the equivalent of a sale.
69. **Lessors shall disclose the following for operating leases:**
- (a) **The future minimum lease payments under non-cancelable operating leases in the aggregate and for each of the following periods:**
 - (i) **Not later than one year;**
 - (ii) **Later than one year and not later than five years; and**
 - (iii) **Later than five years;**
 - (b) **Total contingent rents recognized in the statement of financial performance in the period; and**
 - (c) **A general description of the lessor's leasing arrangements.**

Sale and Leaseback Transactions

70. A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved.
71. **If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount shall not be immediately recognized as revenue by a seller-lessee. Instead, it shall be deferred and amortized over the lease term.**
72. If the leaseback is a finance lease, the transaction is a means whereby the lessor provides finance to the lessee, with the asset as security. For this reason it is not appropriate to regard an excess of sales proceeds over the carrying amount as revenue. Such excess is deferred and amortized over the lease term.
73. **If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any gain or loss shall be recognized immediately. If the sale price is below fair value, any gain or loss shall be recognized immediately except that, if the loss is compensated by future lease payments at below market price, it shall**

be deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortized over the period for which the asset is expected to be used.

74. If the leaseback is an operating lease, and the lease payments and the sale price are at fair value, there has in effect been a normal sale transaction and any gain or loss is recognized immediately.
75. **For operating leases, if the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value shall be recognized immediately.**
76. For finance leases, no such adjustment is necessary unless there has been an impairment in value and that impairment is required to be recognized by any international and/or national accounting standard on impairment which has been adopted by the entity.
77. Disclosure requirements for lessees and lessors apply equally to sale and leaseback transactions. The required description of the material leasing arrangements leads to disclosure of unique or unusual provisions of the agreement or terms of the sale and leaseback transactions.
78. Sale and leaseback transactions may be required to be separately disclosed in accordance with IPSAS 1, "Presentation of Financial Statements."

Transitional Provisions

79. **All provisions of this Standard shall be applied from the date of first adoption of accrual accounting in accordance with International Public Sector Accounting Standards, except in relation to leased assets which have not been recognized as a result of transitional provisions under another International Public Sector Accounting Standard. The provisions of this Standard would not be required to apply to such assets until the transitional provision in the other International Public Sector Accounting Standard expires. In no case shall the existence of transitional provisions in other Standards preclude the full application of accrual accounting in accordance with International Public Sector Accounting Standards.**
80. Notwithstanding the existence of transitional provisions under another International Public Sector Accounting Standard, entities that are in the process of adopting the accrual basis of accounting are encouraged to

comply in full with the provisions of that other Standard as soon as possible.

81. **Subject to paragraph 83, retrospective application of this Standard by entities that have already adopted the accrual basis of accounting and that intend to comply with International Public Sector Accounting Standards as they are issued is encouraged but not required. If the Standard is not applied retrospectively, the balance of any pre-existing finance lease is deemed to have been properly determined by the lessor and shall be accounted for thereafter in accordance with the provisions of this Standard.**
82. Entities that have already adopted the accrual basis of accounting and that intend to comply with International Public Sector Accounting Standards as they are issued, may have pre-existing finance leases that have been recognized as assets and liabilities in the statement of financial position. Retrospective application of this Standard to existing finance leases is encouraged. Retrospective application could lead to the restatement of such assets and liabilities. Such assets and liabilities are required to be restated only if the Standard is applied retrospectively.
83. **An entity that has previously applied IPSAS 13 (2001) shall apply the amendments made by this Standard retrospectively for all leases that it has recognized in accordance with that Standard or, if IPSAS 13 (2001) was not applied retrospectively, for all leases entered into since it first applied that Standard and recognized in accordance with that Standard.**
84. Transitional provisions in IPSAS 13 (2001) provide entities with a period of up to five years to recognize all leases from the date of its first application. Entities that have previously applied IPSAS 13 (2001) may continue to take advantage of this five-year transitional period from the date of first application of IPSAS 13 (2001).

Effective Date

85. **An entity shall apply this International Public Sector Accounting Standard becomes effective for annual financial statements covering periods beginning on or after January 1, 2008. Earlier application is encouraged. If an entity applies this Standard for a period beginning before January 1, 2008, it shall disclose that fact.**
86. When an entity adopts the accrual basis of accounting, as defined by International Public Sector Accounting Standards, for financial reporting purposes, subsequent to this effective date, this Standard applies to the

entity's annual financial statements covering periods beginning on or after the date of adoption.

Withdrawal of IPSAS 13 (2001)

87. This Standard supersedes IPSAS 13, "Leases" issued in 2001.

Implementation Guidance 1—Classification of a Lease

This guidance accompanies, but is not part of, IPSAS 13.

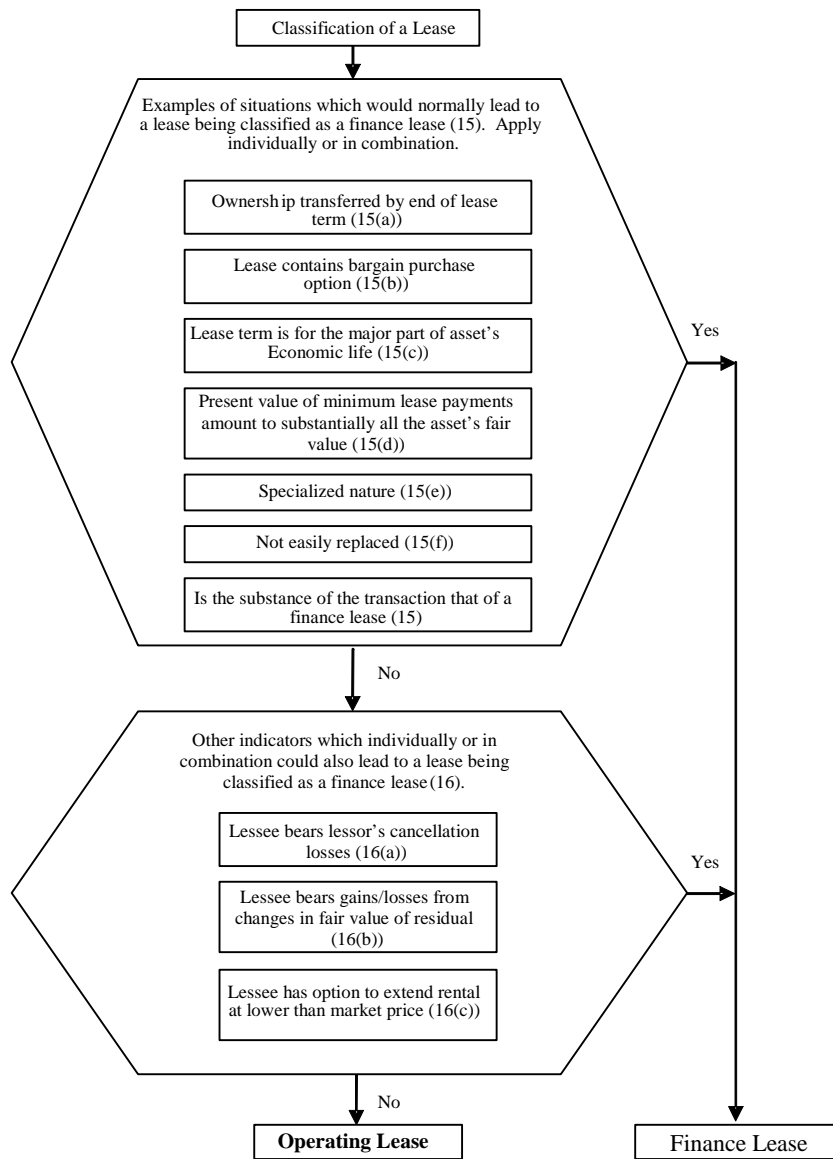
The appendix is illustrative only and does not form part of the standards, it should however be interpreted in the context of the standards. The purpose of the appendix is to illustrate the application of the standards to assist in clarifying their meaning.

The objective of the chart on the next page is to assist in classifying a lease as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. An operating lease is a lease other than a finance lease.

The examples contained in this chart do not necessarily reflect all possible situations in which a lease may be classified as a finance lease, nor should a lease necessarily be classified as a finance lease by virtue of the route followed in this chart. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract (paragraph 15).

In the flowchart, the numbers in parentheses refer to paragraph numbers in the Standard.

LEASES

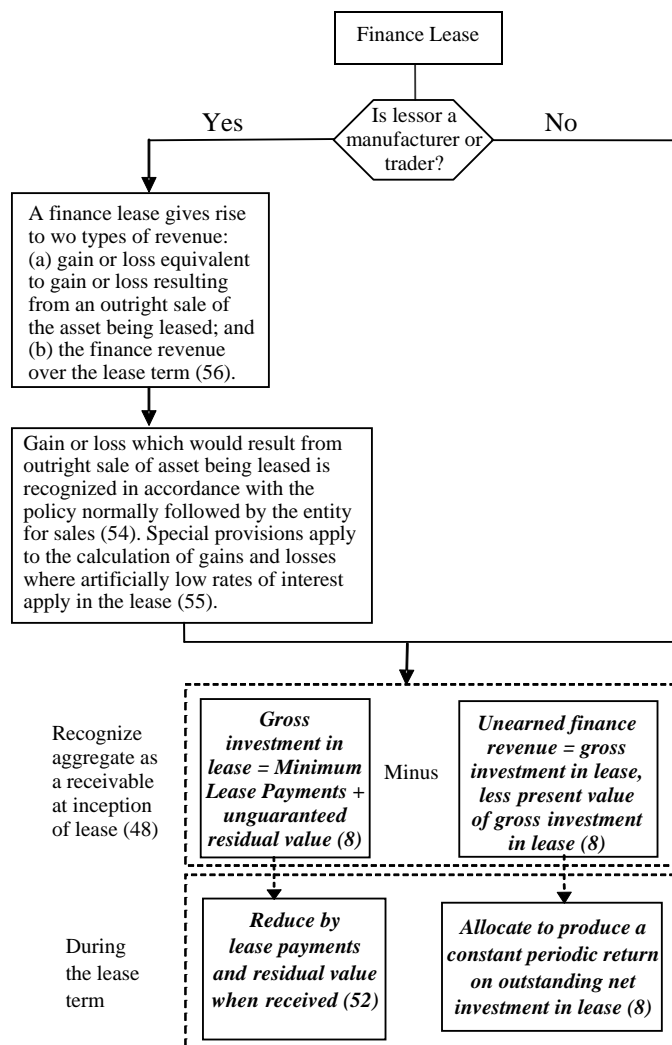


Implementation Guidance 2—Accounting for a Finance Lease by a Lessor

This guidance accompanies, but is not part of, IPSAS 13.

The appendix is illustrative only and does not form part of the standards, it should however be interpreted in the context of the standards. The purpose of the appendix is to illustrate the application of the standards to assist in clarifying their meaning.

In the flowchart, the numbers in parentheses refer to paragraph numbers in the Standard.

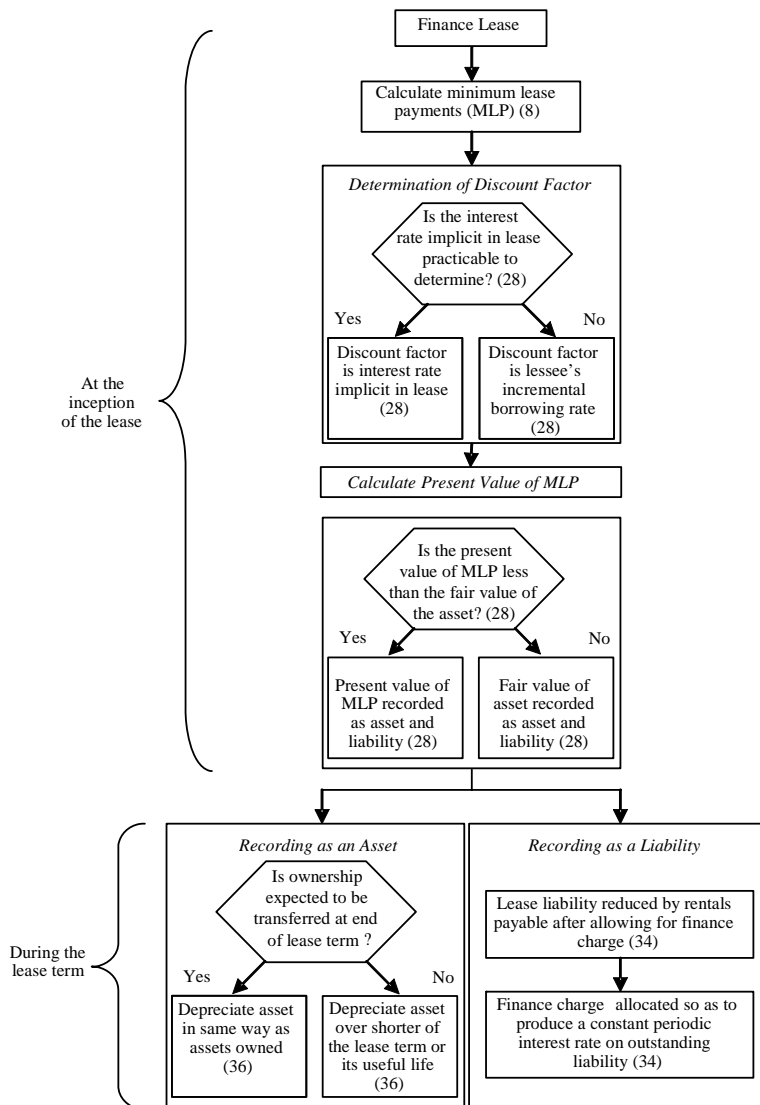


Implementation Guidance 3—Accounting for a Finance Lease by a Lessee

This guidance accompanies, but is not part of, IPSAS 13.

The appendix is illustrative only and does not form part of the standards, it should however be interpreted in the context of the standards. The purpose of the appendix is to illustrate the application of the standards to assist in clarifying their meaning.

In the flowchart, the numbers in parentheses refer to paragraph numbers in the Standard.



Implementation Guidance 4—Sale and Leaseback Transactions that Result in Operating Leases

This guidance accompanies, but is not part of, IPSAS 13.

The appendix is illustrative only and does not form part of the standards. The purpose of the appendix is to illustrate the application of the standards to assist in clarifying their meaning.

A sale and leaseback transaction that results in an operating lease may give rise to a gain or a loss, the determination and treatment of which depends upon the leased asset's carrying amount, fair value and selling price. The table on the following page shows the requirements of the Standard in various circumstances.

Sale price established at fair value (paragraph 65)	Carrying amount equal to fair value	Carrying amount less than fair value	Carrying amount above fair value
Gain	no gain	recognize gain immediately	no gain
Loss	no loss	no loss	recognize loss immediately

Sale price below fair value (paragraph 65)	Carrying amount equal to fair value	Carrying amount less than fair value	Carrying amount above fair value
Gain	no gain	recognize gain immediately	no gain (note 1)
Loss not compensated by future lease payments at below market price	recognize loss immediately	recognize loss immediately	(note 1)
Loss compensated by future lease payments at below market price	defer and amortize loss	defer and amortize loss	(note 1)

Sale price above fair value (paragraph 65)	Carrying amount equal to fair value	Carrying amount less than fair value	Carrying amount above fair value
Gain	defer and amortize gain	defer and amortize gain (note 2)	defer and amortize gain (note 3)
Loss	no loss	no loss	(note 1)

- Note 1 These parts of the table represent circumstances that would have been dealt with under paragraph 75 of the Standard. Paragraph 75 requires the carrying amount of an asset to be written down to fair value where it is subject to a sale and leaseback.
- Note 2 If the sale price is above fair value, the excess over fair value should be deferred and amortized over the period for which the asset is expected to be used (paragraph 73).
- Note 3 The gain would be the difference between fair value and sale price as the carrying amount would have been written down to fair value in accordance with paragraph 75.

Implementation Guidance 5—Calculating the Interest Rate Implicit in a Finance Lease

This guidance accompanies, but is not part of, IPSAS 13.

The appendix is illustrative only and does not form part of the standards. The purpose of the appendix is to illustrate the application of the standards to assist in clarifying their meaning.

The Standard (paragraph 28) requires the lessees of assets acquired under finance leases to calculate the interest rate implicit in a lease, where practical. Paragraph 34 requires the lessees to apportion lease payments between the finance charge and the reduction of the outstanding liability using the interest rate implicit in the lease. Many lease agreements explicitly identify the interest rate implicit in the lease, but some do not. If a lease agreement does not identify the interest rate implicit in the lease the lessee needs to calculate the rate, using the present value formula. Financial calculators and spreadsheets will automatically calculate the interest rate implicit in a lease. Where these are not available, entities can use the present value formula to manually calculate the rate. This appendix illustrates the following two common methods for calculating the interest rate: trial and error, and interpolation. Both methods use the present value formula to derive the interest rate.

Derivations of present value formulas are widely available in accounting and finance textbooks. The present value (PV) of minimum lease payments (MLP) is calculated by means of the following formula:

$$PV(MLP) = \frac{S}{(1+r)^n} + \frac{A}{r} \left[1 - \frac{1}{(1+r)^n} \right]$$

Where:

“S” is the guaranteed residual value

“A” is the regular periodical payment

“r” is the periodic interest rate implicit in the lease expressed as a decimal

“n” is the number of periods in the term of the lease

Example

Department X enters into an agreement to acquire a motor vehicle on a finance lease. The fair value of the motor vehicle at the inception of the lease is 25,000 currency units, the annual lease payments are 5,429 currency units payable in arrears, the lease term is four years, and the guaranteed residual value is 10,000 currency units. The lease agreement does not provide any services additional to the supply of the motor vehicle. Department X is responsible for all the running costs of the vehicle

including insurance, fuel and maintenance. The lease agreement does not specify the interest rate implicit in the lease. The Department's incremental borrowing rate is 7% per annum. Several financial institutions are advertising loans secured by motor vehicles at rates varying between 7.5% and 10%.

Trial and Error Method

The calculation is an iterative process — that is, the lessee must make a “best guess” of the interest rate and calculate the present value of the minimum lease payments and compare the result to the fair value of the leased asset at the inception of the lease. If the result is less than the fair value, the interest rate selected was too high, if the result is greater than the fair value, the interest rate selected was too low. The interest rate implicit in a lease is the rate used when the present value of the minimum lease payments is equal to the fair value of the leased asset at the inception of the lease.

The Department X would begin calculations using a best estimate — for example its incremental borrowing rate of 7% per annum, which is too low. It would then use the maximum feasible rate — for example the 10% per annum rate offered for loans secured by a motor vehicle, which would prove too high. After several calculations it would arrive at the correct rate of 8.5% per annum.

To calculate the interest rate the Department uses the PV(MLP) formula above, where:

$S = 10,000$ $n = 4$ $r =$ Annual interest rate expressed as a decimal

$A = 5,429$ Target PV(MLP) = 25,000

At Department X's incremental borrowing rate of 7% (0.07) per annum (figures are rounded):

$$\begin{aligned} \text{PV(MLP)} &= \frac{10,000}{(1+0.07)^4} + \frac{5,429}{0.07} \left[1 - \frac{1}{(1+0.07)^4} \right] \\ &= 7,629 + 18,390 \\ &= 26,019 \end{aligned}$$

The PV(MLP) using the incremental borrowing rate is greater than the fair value of the leased asset, therefore a higher rate is implicit in the lease. The Department must make calculations at other rates to determine the actual rate (figures are rounded):

PV(MLP) at 7.5%	= 25,673	Interest rate too low
PV(MLP) at 10%	= 24,040	Interest rate too high
PV(MLP) at 9%	= 24,674	Interest rate too high
PV(MLP) at 8%	= 25,333	Interest rate too low
PV(MLP) at 8.5%	= 25,000	Correct interest rate

The Department will now use the interest rate of 8.5% to apportion the lease payments between the finance charge and the reduction of the lease liability, as shown in the table below.

Interpolation Method

Calculating the interest rate implicit in a lease requires lessees to initially calculate the present value for an interest rate that is too high, and one that is too low. The differences (in absolute terms) between the results obtained and the actual net present value are used to interpolate the correct interest rate. Using the data provided above, and the results for 7% and 10%, the actual rate can be interpolated as follows (figures are rounded):

PV at 7% = 26,019, difference = 1,019 (i.e., 26,019 – 25,000)

PV at 10% = 24,040, difference = 960 (i.e., 24,040 – 25,000)

$$\begin{aligned}
 r &= 7\% + (10\% - 7\%) \frac{1,019}{(1,019 + 960)} \\
 &= 7\% + (3\% \times 0.5) \\
 &= 7\% + 1.5\% \\
 &= 8.5\%
 \end{aligned}$$

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The Department X will now use the interest rate of 8.5% to record the lease in its books and apportion the lease payments between the finance charge and the reduction of the lease liability, as shown in the table below.

Apportionment of Lease Payment (figures are rounded)

	Year 0	Year 1	Year 2	Year 3	Year 4
Opening PV of Lease Liability	25,000	25,000	21,696	18,110	14,221
Interest Expense	-	2,125	1,844	1,539	1,209
Reduction of Liability	-	3,304	3,585	3,890	14,221*
Closing Lease Liability	25,000	21,696	18,110	14,221	-

* Includes payment of guaranteed residual value.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, the proposed International Public Sector Accounting Standards. This Basis for Conclusions only notes the IPSASB's reasons for departing from the provisions of the related International Accounting Standard

Background

- BC1. The International Public Sector Accounting Standards Board (IPSASB)'s International Financial Reporting Standards (IFRSs) Convergence Program is an important element in IPSASB's work program. The IPSASB's policy is to converge the accrual basis International Public Sector Accounting Standards (IPSASs) with IFRSs issued by the International Accounting Standards Board (IASB) where appropriate for public sector entities.
- BC2. Accrual basis IPSASs that are converged with IFRSs maintain the requirements, structure and text of the IFRSs, unless there is a public sector specific reason for a departure. Departure from the equivalent IFRS occurs when requirements or terminology in the IFRS are not appropriate for the public sector, or when inclusion of additional commentary or examples is necessary to illustrate certain requirements in the public sector context. Differences between IPSASs and their equivalent IFRSs are identified in the 'comparison with IFRS' included in each IPSAS.
- BC3. In May 2002, the IASB issued an exposure draft of proposed amendments to 13 International Accounting Standards (IASs)¹ as part of its General Improvements Project. The objectives of the IASB's General Improvements project were "to reduce or eliminate alternatives, redundancies and conflicts within the Standards, to deal with some convergence issues and to make other improvements." The final IASs were issued in December 2003.
- BC4. IPSAS 13, issued in December 2001 was based on IAS 17 (Revised 1997), "Leases" which was reissued in December 2003. In late 2003, the IPSASB's predecessor, the Public Sector Committee (PSC)², actioned an IPSAS Improvements Project to converge where appropriate IPSASs with the improved IASs issued in December 2003.

¹ The International Accounting Standards (IASs) were issued by the IASB's predecessor – the International Accounting Standards Committee. The Standards issued by the IASB are entitled International Financial Reporting Standards (IFRSs). The IASB has defined IFRSs to consist of IFRSs, IASs and Interpretations of the Standards. In some cases, the IASB has amended, rather than replaced, the IASs, in which case the old IAS number remains.

² The PSC became the IPSASB when the IFAC Board changed the PSC's mandate to become an independent standard-setting board in November 2004.

- BC5. The IPSASB reviewed the improved IAS 17 and generally concurred with the IASB's reasons for revising the IAS and with the amendments made. (The IASB's Bases for Conclusions are not reproduced here. Subscribers to the IASB's *Comprehensive Subscription Service* can view the Bases for Conclusions on the IASB's website at www.iasb.org).
- BC6. IAS 17 has been further amended as a consequence of IFRSs issued after December 2003. IPSAS 12 does not include the consequential amendments arising from IFRSs issued after December 2003. This is because the IPSASB has not yet reviewed and formed a view on the applicability of the requirements in those IFRSs to public sector entities.

Table of Concordance

This table shows how the contents of the superseded version of IPSAS 13 and the current version of IPSAS 13 correspond. Paragraphs are treated as corresponding if they broadly address the same matter even though the guidance may differ.

Superseded IPSAS 13 paragraphs	Current IPSAS 13 paragraph
Objective	1
1	2
2	3
3	4
4	5
5	6
6	7
7	8
8	10
9	11
10	12
11	13
12	14
13	15
14	16
15	18
16	19
17	25
18	26
19	27
20	28
21	29
22	30
23	31
24	32
25	33
26	34
27	35
28	36
29	37

Superseded IPSAS 13 paragraphs	Current IPSAS 13 paragraph
30	38
31	39
32	40
33	41
34	42
35	43
36	44
37	45
38	46
39	47
40	48
41	49
42	51
43	52
44	53
45	None
46	54
47	55
48	56
49	57
50	58
51	59
52	60
53	61
54	62
55	63
56	64
57	65
58	66
59	67

Superseded IPSAS 13 paragraphs	Current IPSAS 13 paragraph
60	68
61	69
62	70
63	71
64	72
65	73
66	74
67	75
68	76
69	77
70	78
71	79
72	80
73	81
74	82
75	85
76	86
None	9
None	17
None	20
None	21
None	22
None	23
None	24
None	50
None	83
None	84
None	87

Comparison with IAS 17

International Public Sector Accounting Standard (IPSAS) 13, "Leases" is drawn primarily from International Accounting Standard (IAS) 17, (revised 2003), "Leases." The main differences between IPSAS 13 and IAS 17 are as follows:

- At the time of issuing this Standard, the IPSASB has not considered the applicability of International Accounting Standard (IAS) 41, "Agriculture," to public sector entities, therefore IPSAS 13 does not reflect amendments made to IAS 17 consequent upon the issuing of IAS 41.
- Commentary additional to that in IAS 17 has been included in IPSAS 13 to clarify the applicability of the standards to accounting by public sector entities.
- IPSAS 13 uses different terminology, in certain instances, from IAS 17. The most significant examples are the use of the terms "statement of financial performance" and "statement of financial position" in IPSAS 13. The equivalent terms in IAS 17 are "income statement" and "balance sheet."
- IPSAS 13 does not use the term "income," which in IAS 17 has a broader meaning than the term "revenue."
- IAS 17 includes a definition of "fair value" in its set of definitions of technical terms, IPSAS 13 does not include this definition, as it is included in the "Glossary of Defined Terms" published separately (paragraph 7).
- IPSAS 13 has additional implementation guidance which illustrates the classification of a lease, the treatment of a finance lease by a lessee, the treatment of a finance lease by a lessor, and the calculation of the interest rate implicit in a finance lease.