

PROJECT HISTORY

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Staff presented an issues paper with a revised project brief on Leases and identified three key issues on lease accounting.

Revised Project Brief

The IPSASB suggested further amendments to the Project Brief on Leases. The IPSASB approved the Project Brief on Leases with seventeen votes in favor and with no absentees or votes against. The approved version of the Project Brief on Leases is on the IPSASB's website.

Issue 1: Lessee—Applicability of IFRS 16 recognition and measurement requirements to public sector financial reporting

The IPSASB formed a view that the recognition requirements of lessee accounting in IFRS 16 are appropriate for public sector financial reporting. The IPSASB did not identify a public sector reason to warrant different recognition exemptions and decided to adopt the IFRS 16 recognition exemptions in the draft ED. The IPSASB also decided that the recognition exemptions should be an option, rather than a requirement, in order to allow public sector entities the necessary flexibility to reflect the faithful representation of the impact of leases in their financial statements and reduce the scope for arbitrage related to lease terms.

Issue 2: “Peppercorn leases”

The IPSASB directed staff to present some fact patterns based on several types of “peppercorn leases” and address both lessee and the lessor accounting.

Issue 3: Lessor—Applicability of IFRS 16 recognition requirements to public sector financial reporting

The IPSASB considered that the appropriateness of the risks and rewards model for lessor accounting in IFRS 16 for public sector financial reporting is a key issue.

The IPSASB acknowledged that the IASB had faced several difficulties with lessor accounting during the development of IFRS 16. The IPSASB considered that it is necessary to know more about these difficulties and whether they also apply to public sector financial reporting.