

## PROJECT HISTORY

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Staff presented an issues paper with key issues on lease accounting.

### *Sale and leaseback transactions*

The IPSASB made a tentative decision not to include explicit guidance in an exposure draft on the assessment of a sale within the context of a sale and leaseback transaction based on a performance obligation approach, prior to any decision on, and development of, an IPSAS drawn from IFRS 15, *Revenue from Contracts with Customers*. The IPSASB instructed staff to draft text to be included in the core standard on guidance about sales that are in the context of a sale and leaseback transaction and a draft Basis for Conclusions on why the IPSASB took this decision.

### *Lessor—Applicability of grant of a right to the operator model in IPSAS 32 to lessor accounting (right-of-use model)*

The IPSASB took the view that a symmetrical approach to lease accounting is more appropriate for public sector financial reporting because public sector entities are often lessee and lessor in the same contract. Therefore, the IPSASB decided not to adopt the lessor accounting requirements in IFRS 16, *Leases*.

An IPSASB member proposed a receivable and residual asset approach to lessor accounting. In his view, this approach would reflect the rights that the lessor would retain in the underlying asset.

Another IPSASB member noted that a control based approach to lessor accounting is consistent with the IPSASB's Conceptual Framework. This IPSASB member remembered that during the development of the Conceptual Framework, the IPSASB discussed the issue whether to recognize physical assets as a bundle of rights. The IPSASB came concluded that controls of an asset should be assessed in its totality. Consequently, the sale of rights to assets by a public sector entity creates a measurement issue rather than leading to derecognition.

Given the different views on lessor accounting models, the IPSASB directed staff to analyze further lessor accounting models against the criteria of consistency with the Conceptual Framework, internal consistency with IPSASB's current literature and consistency with lessee accounting, taking into account the overall public sector context.

### *Lessee—Recognition Exemptions—Threshold of leases for which the underlying asset is of low value*

The IPSASB reconsidered the draft Basis for Conclusions (BC) in the issues paper. The IPSASB made further amendments to paragraph 3 of the BC (by removing the wording "rather than permit") and to paragraph 5 (by removing the wording "faithful representation" and explaining the assessment of materiality in this context).

### *Next Steps*

Staff will bring draft sections of the ED on sale and leaseback transactions, leases that transfer ownership, and several lessor accounting models, to the December meeting.