

**Meeting:** International Public Sector Accounting Standards Board

**Meeting Location:** New York, USA

**Meeting Date:** June 21–24, 2022

# Agenda Item 6

For:

Approval

Discussion

Information

## OTHER LEASE-TYPE ARRANGEMENTS

<b>Project summary</b>	Develop additional guidance identifying and addressing lease-related accounting issues associated with lease-type arrangements.	
<b>Task Force members</b>	<ul style="list-style-type: none"> <li>• Lynn Pamment, IPSASB Member (Task Force Chair)</li> <li>• Claudia Beier, IPSASB Member</li> <li>• Abdullah Al-Mehthil, IPSASB Member</li> <li>• Andrew van der Burgh, Technical Advisor</li> </ul>	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Project management</b>	<a href="#">Leases: Project Roadmap</a>	<a href="#">6.1.1</a>
	<a href="#">Instructions up to Previous Meeting</a>	<a href="#">6.1.2</a>
	<a href="#">Decisions up to Previous Meeting</a>	<a href="#">6.1.3</a>
<b>Decisions required at this meeting</b>	<a href="#">Concessionary Lease: Linkages with IPSASB's Current and Developing Literature</a>	<a href="#">6.2.1</a>
	<a href="#">Concessionary Lease: Identification, Classification, and Scope</a>	<a href="#">6.2.2</a>
	<a href="#">Concessionary Lease: Measurement and Recognition of the Concession for Lessees</a>	<a href="#">6.2.3</a>
	<a href="#">Concessionary Lease: Measurement and Recognition of the Concession for Lessors</a>	<a href="#">6.2.4</a>
	<a href="#">Concessionary Lease: Presentation and Disclosures</a>	<a href="#">6.2.5</a>
<b>Other supporting items</b>	<a href="#">[draft] Exposure Draft [XX], Concessionary Leases and Other Arrangements Similar to Leases (Amendments to IPSAS 23 and IPSAS 43)</a>	<a href="#">6.3.1</a>

**OTHER LEASE-TYPE ARRANGEMENTS:  
PROJECT ROADMAP**

<b>Meeting</b>	<b>Completed Actions or Discussions / Planned Actions or Discussions:</b>
December 2020	1. Approve Request for Information (RFI), <i>Concessionary Leases and Other Arrangements Similar to Leases</i>
March 2021	1. Document out for comment
June 2021	1. Document out for comment
December 2021	1. RFI: Preliminary review of responses and project direction
March 2022	1. Project management 2. Education session: Linkages with IPSASB's current and developing literature 3. List of specific cases raised by respondents to the Request for Information 4. Framework to analyse other lease-type arrangements themes
June 2022	1. Concessionary lease: Linkages with IPSASB's current and developing literature 2. Concessionary lease: Identification, classification, and scope 3. Concessionary lease: Measurement and recognition of the concession for Lessees 4. Concessionary lease: Measurement and recognition of the concession for Lessors 5. Concessionary lease: Presentation and disclosures 6. First Review of [draft] Exposure Draft (ED) [XX], <i>Concessionary Leases and Other Arrangements Similar to Leases</i> (Amendments to IPSAS 23 and IPSAS 43) <sup>1</sup>
September 2022	1. Social housing rental arrangements 2. Shared properties with or without a lease arrangement in place 3. Arrangements allowing right-of-use 4. Other arrangements similar to leases 5. Second Review of [draft] ED [XX], <i>Concessionary Leases and Other Arrangements Similar to Leases</i> (Amendments to IPSAS 23 and IPSAS 43)
December 2022	1. Linkages with IPSASB's current and developing literature 2. Transitional Provisions 3. Approval of [draft] ED [XX], <i>Concessionary Leases and Other Arrangements Similar to Leases</i> (Amendments to IPSAS 23 and IPSAS 43)
March 2023	1. Document out for comment
June 2023	1. ED [XX], <i>Concessionary Leases and Other Arrangements Similar to Leases</i> (Amendments to IPSAS 23 and IPSAS 43): High-level review of responses 1. ED [XX], <i>Concessionary Leases and Other Arrangements Similar to Leases</i> (Amendments to IPSAS 23 and IPSAS 43): Review of responses [Issues to be identified from the review of responses] 2. Project management update

<sup>1</sup> Staff and the Task Force note that the title of the ED is a provisional working title. The ED title is based on the Request for Information and may be revised as the project develops.

## Agenda Item 6.1.1

September 2023	<ol style="list-style-type: none"><li>2. ED [XX], <i>Concessionary Leases and Other Arrangements Similar to Leases</i> (Amendments to IPSAS 23 and IPSAS 43): Review of responses [Issues to be identified from the review of responses]</li><li>3. First Review of [draft] Final Guidance, [TBD]</li></ol>
December 2023	<ol style="list-style-type: none"><li>1. ED [XX], <i>Concessionary Leases and Other Arrangements Similar to Leases</i> (Amendments to IPSAS 23 and IPSAS 43): Review of responses [Issues to be identified from the review of responses]</li><li>2. Second Review of [draft] Final Guidance, [TBD]</li></ol>
March 2024	<ol style="list-style-type: none"><li>1. Linkages with IPSASB's current and developing literature</li><li>2. Approval of Final Guidance, [TBD]</li></ol>

**INSTRUCTIONS UP TO PREVIOUS MEETING**

Meeting	Instruction	Actioned
March 2022	1. Bring a summary of the analysis of the themes and the respective recommendations, rather than the detailed analysis itself.	1. In progress.
	2. Adjust the framework of analysis as needed when analyzing each theme.	2. See Agenda Items <a href="#">6.2.1</a> , <a href="#">6.2.2</a> , <a href="#">6.2.3</a> , <a href="#">6.2.4</a> , <a href="#">6.2.5</a> .
December 2021	1. Summarize the learning points on the RFI for the March 2022 meeting.	1. See Agenda Item 7.2.2 of the March 2022 meeting.
	2. Liaise with respondents to get more information before detailed analysis on the RFI is performed.	2. In progress.
	3. Bring a revised timeline of Phase Two of the Leases project for the March 2022 meeting.	3. In Agenda Item 7.1.1 of the March 2022 Meeting.
	4. Communicate in the At-a-Glance the relationship between the RFI and IPSAS 43.	4. See page 1 of <a href="#">At-a-Glance</a> .
	5. Clarify references to IFRS 15 within IPSAS 43 in the communication materials.	5. See <a href="#">BC99–BC100 of IPSAS 43</a> .
	6. Consider the usage of the term “service potential” in IPSAS 43 during the development of the new IPSAS on Measurement.	6. Reported to lead staff of Measurement project.
	7. Consider the need for any potential consequential amendments to IPSAS 16, <i>Investment Property</i> , during Phase Two of the Leases project.	7. In progress

**DECISIONS UP TO PREVIOUS MEETING**

Meeting	Decision	BC Reference
March 2022	1. The next planned publication for this project should be an Exposure Draft (ED).	1. See <a href="#">Agenda Item 6.3.1</a> .
	2. The Task Force was delegated the responsibility to develop the non-authoritative guidance section of the ED and to make recommendations to the IPSASB related to this work.	2. In progress.
	3. The project roadmap in Agenda Item 7.1.1 was approved.	3. See <a href="#">Agenda Item 6.1.1</a> .
	4. The issues raised in Appendix A categorized as themes should be addressed.	4. See Agenda Items <a href="#">6.2.1</a> , <a href="#">6.2.2</a> , <a href="#">6.2.3</a> , <a href="#">6.2.4</a> , <a href="#">6.2.5</a> .
	5. The flowchart identified in Appendix A should be applied as a starting point to analyze the themes identified.	5. See Agenda Items <a href="#">6.2.1</a> , <a href="#">6.2.2</a> , <a href="#">6.2.3</a> , <a href="#">6.2.4</a> , <a href="#">6.2.5</a> .
	6. The arrangements should be analyzed from the perspectives of both: (i) Parties to the arrangements; and (ii) The consolidated financial statements and separate financial statements.	6. See Agenda Items <a href="#">6.2.1</a> , <a href="#">6.2.2</a> , <a href="#">6.2.3</a> , <a href="#">6.2.4</a> , <a href="#">6.2.5</a> .

## Concessionary Lease: Linkages with IPSASB's Current and Developing Literature

### Question

1. Does the IPSASB agree with the staff and Task Force's recommendations on the linkages with IPSASB's current and developing literature?

### Recommendation

2. Staff and the Task Force recommend the IPSASB:
  - (a) For lessee, to include in IPSAS 23, *Revenue from Non-Exchange Transaction (Taxes and Transfers)* the amendments on the right-of-use asset and concession component of concessionary leases for lessees identified in [Agenda Item 6.3.1](#);
  - (b) For lessor, to include in IPSAS 43 the amendments related to the guidance to account for concessionary leases identified in [Agenda Item 6.3.1](#).

### Background

3. The current and IPSASB's developing literature have linkages with the Other Lease-type Arrangements project.
4. This agenda item deals with the:
  - (a) Recommendations related to [draft] Exposure Draft [XX], *Concessionary Leases and Other Arrangements Similar to Leases*. Issues impacting other projects have been noted and shared with the respective staff managing those projects.
  - (b) Geography of IPSAS guidance that supports [draft] Exposure Draft [XX], *Concessionary Leases and Other Arrangements Similar to Leases* (see [Agenda Item 6.3.1](#)). The accounting model for concessionary leases for lessees and lessors is addressed in [Agenda Item 6.2.3](#) and [Agenda Item 6.2.4](#), respectively.

### Analysis

#### *Linkages with IPSASB's current literature*

#### Lessee

5. For lessee, staff and the Task Force recommend the IPSASB to include in IPSAS 23 specific guidance on how to account for the concession component in a concessionary lease because:
  - (a) It is still effective; and
  - (b) It deals with the principles to account for non-exchange revenue arising in concessionary loans, which are also similar to concessionary leases (see detailed comparison analysis in [Appendix C of Agenda Item 7.2.2](#) of the March 2022 meeting).
6. The principles in IPSAS 23 can also be applied to leases for zero or nominal consideration (right-of-use assets in-kind) because:
  - (a) They do not meet the IPSAS 43 definition of a lease, as there is no consideration; and
  - (b) They are in substance a grant of the entire value (or almost all of the value) to use the right-of-use asset.

7. To implement this recommendation, staff and the Task Force recommend the IPSASB to include in IPSAS 23 the guidance on concessionary leases presented in [Agenda Item 6.3.1](#) (see proposed amendments to paragraphs 93, 96, and 97 and proposed new paragraphs 105C and 105D of IPSAS 23 and see also proposed paragraphs AG63(a) and AG64 of IPSAS 43 cross-referring to IPSAS 23).
8. Staff and the Task Force note that, where consideration is being exchanged but at below-market terms, that exchange component will be accounted for in accordance with IPSAS 43 (see proposed paragraph 105C of IPSAS 23 in [Agenda Item 6.3.1](#)).

### Lessor

9. For lessors, the situation is different compared to lessees because there is no IPSAS on Transfer Expenses.
10. As currently there is no IPSAS on Transfer Expenses, it is not possible to propose amendments to any IPSAS on how to account for the concessionary component in concessionary leases, as the principles to account for the concession will be developed in the Transfer Expenses project similar to any other good or service being provided to another entity without directly receiving any good, service, or other asset in return.
11. Staff and the Task Force note that IPSAS 41 provides the guidance to account for the concession component in a concessionary loan in the absence of an IPSAS on Transfer Expenses.
12. Therefore, staff and the Task Force recommend the IPSASB to follow the same approach and include the guidance to account for concessionary leases, as current IPSASB's literature provides sufficient principles that can be applicable in the accounting for concessionary leases for lessors (see [Agenda Item 6.2.4](#) for further details).
13. To implement this recommendation, staff and the Task Force recommend the IPSASB include the guidance on concessionary leases presented in [Agenda Item 6.3.1](#) (see proposed paragraphs 71A, 81A, AG63B, and AG65 of IPSAS 43).

### *Linkages with IPSASB's developing literature*

#### Lessee

14. The objective of the IPSASB's Revenue project is to develop one or more standards that provide recognition and measurement requirements for revenue transactions, and it will replace IPSAS 9, IPSAS 11, and IPSAS 23.
15. Regarding the accounting for the concession component in a concessionary lease, the proposed guidance in this project is expected to carry forward to the new IPSAS on Revenue. Staff and the Task Force note that this is consistent with the approach on the guidance on concessionary loans, which will also be carried forward from IPSAS 23 to the new IPSAS on Revenue. Respondents to Exposure Draft 71, *Revenue without Performance Obligations* did not note substantial issues with the proposed principles.

#### Lessor

16. The objective of the IPSASB's Transfer Expenses project is to develop a standard that provides recognition and measurement requirements to providers of transfer expense transactions, except for social benefits.

17. In this context, the Transfer Expenses project will assess any consequential amendments to IPSASB's literature, including IPSAS 43.

**Decision Required**

18. Does the IPSASB agree with the staff and Task Force's recommendations?

## **Concessionary Lease<sup>2</sup>: Identification, Classification, and Scope**

### **Question**

1. Does the IPSASB agree with the staff and Task Force's recommendations on identification, classification, and scope of concessionary leases?

### **Recommendation**

2. Staff and the Task Force recommend the IPSASB:
  - (a) To include in IPSAS 43, *Leases* the amendments on identification, classification and scope of concessionary leases identified in [Agenda Item 6.3.1](#);
  - (b) Not to extend the general accounting guidance for concessionary leases for lessees' recognition exemptions; and
  - (c) Not to include in IPSAS 43 additional specific guidance on lease incentives, lease modifications, and variable lease payments for concessionary leases.

### **Background**

3. In January 2021, the IPSASB issued [Request for Information \(RFI\), \*Concessionary Leases and Other Arrangements Similar to Leases\*](#) with the objective of developing additional guidance identifying and addressing lease-related accounting issues associated with lease-type arrangements.
4. In January 2022, the IPSASB issued [IPSAS 43, \*Leases\*](#), which is aligned with IFRS 16, *Leases*.
5. This Agenda Item deals with guidance on how to identify, classify, and scope of concessionary leases.

### **Analysis**

#### *General Model for Lessees and Lessors*

6. IPSAS 43 provides the following definition of a lease:

“A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”
7. However, IPSAS 43 does not provide guidance on how to identify and classify concessionary leases. Following the results of the Framework of analysis in [Appendix A](#) (see [Agenda Item 7.2.4](#) of March 2022 meeting for more details) on the identification, classification and scope of concessionary leases in IPSAS current and developing literature, staff and the Task Force recommend the IPSASB to add the following guidance:
  - (a) In core text—principles for identification, classification and scope of leases at market terms and at below-market terms for both lessees and lessors (see proposed paragraphs 18A–18D of IPSAS 43 in [draft] Exposure Draft (ED) [XX], *Concessionary Leases and Other Arrangements Similar to Leases* (Amendments to IPSAS 23 and IPSAS 43) in [Agenda Item 6.3.1](#)); and

---

<sup>2</sup> All agenda items in this Issues Papers aggregated the topics of concessionary lease and lease for zero or nominal consideration under the topic of concessionary lease because leases for zero or nominal consideration are a specific type of concessionary lease, where the concession is a significant component or the sole component of the transaction. As explained in this Agenda Item, leases for zero or nominal consideration are in substance a gift or donation in kind of the whole transaction, and therefore should not be labelled as leases.

- (b) In application guidance—application of the principles for identification, classification and scope of leases at market terms or at below-market terms for both lessees and lessors (see proposed paragraphs AG32A, AG32B, AG60-AG62 of IPSAS 43 in [Agenda Item 6.3.1](#)).
8. Proposed paragraphs 18A–18D, AG32A, AG32B, and AG60-AG62 of IPSAS 43 guides lessees and lessors through the analytic process to identify, classify, and scope of leases at market terms or at below-market terms.
9. For lessees, the analysis focuses on the right of use asset acquired through the lease and to assess whether there is a concession an entity consider: Whether the lease is at market terms. If not at market terms, the entity identified the exchange component, if any, and the non-exchange component of the lease. When there is no or nominal consideration the lease in substance in its entirety a grant of the right to use the asset (right-of-use asset in kind).
10. For lessees, leases at market terms and the exchange component of concessionary leases are accounted for in accordance with IPSAS 43. The non-exchange component of concessionary leases is accounted for in accordance with IPSAS 23<sup>3</sup> (see [Agenda Item 6.2.1](#) for further details).
11. For lessors, the analysis focuses on the type of lease either as a finance lease or an operating lease: Whether the lease is at market terms. If not at market terms, the entity identified the exchange component, if any, and the non-exchange component of the lease. When there is no or nominal consideration the lease in substance in its entirety a grant:
- (a) In-kind of the underlying asset in a finance lease—the underlying asset is derecognized in accordance with the applicable IPSAS; and
- (b) Of the future lease payments that were foregone in an operating lease—the foregone revenue is not recognized as revenue in accordance with IPSAS 9.21 (see [Agenda Item 6.2.4](#) for further details).
12. For lessors, IPSAS 43 provides the accounting for the exchange component of concessionary leases because there is no IPSAS on Transfer Expenses. If there is no exchange, then the principles in IPSAS 43 can't be applied as they are solely based on consideration being exchanged. In this situation, preparers will need to apply the relevant IPSAS on:
- (a) Derecognition of assets in a finance lease; and
- (b) Impairment of assets in an operating lease.
13. For both lessors and lessees, leases without consideration should not be labelled as a lease because they are in substance a grant. [Agenda Item 6.2.3](#) and [Agenda Item 6.2.4](#) explain in more detail this type of transaction from the recipient and transferor perspectives, respectively.
14. Staff and the Task Force are of the view that:
- (a) The above guidance appropriately reflects the substance of the transactions;
- (b) It is consistent with the IPSAS 43 definition of a lease when consideration is received;
- (c) It is consistent with IPSAS 23 description of gifts and donations (transfers);
- (d) It provides clarity in IPSAS 43 to identify and classify the transaction; and

---

<sup>3</sup> Any guidance developed for IPSAS 23 will be flagged for the Revenue project to ensure that is included in that future guidance.

- (e) It is consistent with the approach to concessionary loans in IPSAS 41 (see [Agenda Item 6.2.3](#)).

*Lessee: Short-Term Leases and Leases for Which the Underlying Asset is of Low Value*

15. IPSAS 43 provides recognition exemptions for lessees on short-term leases and leases for which the underlying asset is of low value.
16. Staff and the Task Force discussed whether to extend this recognition exemption for concessionary leases and concluded that this should not be extended because:
- (a) Leases for which the underlying asset is of low value are not material enough to warrant specific concessionary lease accounting; and
  - (b) For cost-benefit reasons for short-term leases.

*Variable Lease Payments Other than Those Referred in IPSAS 43*

17. Staff and the Task Force discussed whether to include additional specific guidance on variable lease payments other than those referred in IPSAS 43 when identifying and classifying leases at market or at below-market terms. Lease payments that are dependent of lessee's sales might influence the identification of a concessionary lease.
18. Staff and the Task Force do not to recommend this additional guidance be included in IPSAS 43 because it is not prevalent in public sector.

*Lease Incentive Versus Concession*

19. Staff and the Task Force discussed the distinction between lease incentives versus concessions when identifying and classifying leases at market or at below-market terms.
20. Staff and the Task Force do not recommend additional specific guidance on the distinction between lease incentives and concessions because IPSAS 43.BC47 already explains this distinction.

*Lease Modifications*

21. Staff and the Task Force discussed the role of lease modifications when identifying and classifying leases at market or at below-market terms.
22. Staff and the Task Force do not recommend additional specific guidance on lease modifications because an entity needs to apply professional judgement when assessing the conditions in IPSAS 43.45 in the case of concessionary leases, as follows:
- (a) If it gives rise to a separate lease as per IPSAS 43.45, IPSAS 43.79, and IPSAS 43.89, then the entity needs to do the assessment again as if it was a brand-new lease; and
  - (b) If it does not give rise to a new lease as per IPSAS 43.45, then the entity needs to apply IPSAS 43.46–47 or IPSAS 43.80.

*Other Issues*

23. Staff and the Task Force recommendations in this Agenda Item took into consideration the comment letters to Exposure Draft 64, *Leases* (see [Agenda Item 11.2.3](#) of the September 2018 meeting for more details on respondents' views on concessionary lease accounting proposals for lessees).

**Decision Required**

24. Does the IPSASB agree with the staff and Task Force's recommendations?

**Appendix A – Flowchart to Analyze Other Lease-Type Arrangements Issues:  
Concessionary Leases—Identification, Classification, and Scope**

**Decision 1: Is the issue prevalent in the public sector?**

Yes. The RFI consultation demonstrated that concessionary leases are prevalent in the public sector.

**Decision 2: Is there sufficient IPSAS guidance that already addresses this issue in the public sector?**

No. IPSAS literature does not provide specific guidance on identification, classification, and scope on concessionary leases.

**Decision 3: Is this issue related to general purpose financial statements?**

Yes. Identifying, classifying, and scoping of concessionary leases is required in order to better understand:

- (a) The economic nature of the transaction;
- (b) Which IPSAS is more appropriate to deal with these types of transactions or the distinct components of the transactions; and
- (c) What recognition, measurement, presentation and disclosures are required, if any.

**Decision 4: Is additional non-authoritative guidance necessary to enhance consistency of application?**

Yes. Non-authoritative guidance is necessary to elaborate/illustrate the application of the identification, classification and scope of concessionary leases to enhance the consistency of application of the principles.

**Decision 5: Is the issue relevant to other projects?**

Yes. The Other Lease-Type Arrangements project will provide relevant amendments to IPSAS 43 to identify, classify and scope concessionary leases. However, the Revenue and Transfer expenses projects will also clarify their scope related to concessionary leases.

**Decision 6: Is the issue different at consolidated level?\***

Staff and the Task Force did not find a public sector specific reason for different recognition and measurement requirements at consolidated level.

\* Decision 6 was added a way to address an IPSASB's instruction from the March 2022 meeting.

## **Concessionary Lease: Measurement and Recognition of the Concession for Lessees**

### **Question**

1. Does the IPSASB agree with the staff and Task Force's recommendations on measurement and the recognition of the concession for lessees?

### **Recommendation**

2. Staff and Task Force recommend the IPSASB that lessees:
  - (a) Measure right-of-use assets in concessionary leases at fair value on initial recognition; and
  - (b) Initially recognize the concession component as revenue, except if a present obligation exists (where it is recognized as a liability).

### **Background**

3. In January 2021, the IPSASB issued [Request for Information \(RFI\), \*Concessionary Leases and Other Arrangements Similar to Leases\*](#) with the objective of developing additional guidance identifying and addressing lease-related accounting issues associated with lease-type arrangements.
4. In January 2022, the IPSASB issued [IPSAS 43, \*Leases\*](#), which is aligned with IFRS 16, *Leases*.
5. This Agenda Item deals with the accounting model for concessionary leases for lessees and is consistent with staff and Task Force recommendations in [Agenda Item 6.2.1](#) and [Agenda Item 6.2.2](#).

### **Analysis**

6. [Appendix A](#) presents the results of the Framework of Analysis (see [Agenda Item 7.2.4](#) of March 2022 meeting for more details) to measurement of concessionary leases and the recognition of the concession in IPSAS current and developing literature.
7. The responses to the RFI showed that the main issue regarding the accounting for concessionary leases was the recognition of the implicit concession and this is dependent on the measurement basis on initial recognition.
8. IPSAS 43 measures the right-of-use asset at cost. This is consistent with the measurement of many other non-financial assets, such as assets within the scope of IPSAS 12, *Inventories*, IPSAS 16, *Investment Property*, IPSAS 17, *Property, Plant, and Equipment*, and IPSAS 31, *Intangible Assets* that are a result of exchange transactions. However, for non-exchange transactions a cost measurement basis does not reflect the economics of the transaction because it does not capture the implicit concession.
9. To address this issue, the above IPSAS and IPSAS 23<sup>4</sup>, *Revenue from Non-Exchange Transactions (Taxes and Transfers)* require that assets acquired through non-exchange transactions are measured at their fair value as at the date of acquisition.
10. Therefore, staff and the Task Force recommend the IPSASB to initially measure the right-of-use asset in a concessionary lease at fair value because:

---

<sup>4</sup> Staff and the Task Force note that financial assets within the scope of IPSAS 41, *Financial Instruments* are always measured at fair value on initial recognition, which paves the way to recognize the concession in concessionary loans.

- (a) It is consistent with IPSASB's literature on the accounting for non-exchange transactions, including concessionary loans;
  - (b) It provides information on operating and financial capacity of the right-of-use asset as referred in the Conceptual Framework for accountability and decision-making purposes; and
  - (c) Recognizing the implicit concession in a lease at below-market terms would enhance Public Financial Management (PFM) to the extent that the improvements would outweigh the costs associated with such a change because it shows the full value of the right-of-use asset received.
11. Staff and the Task Force note that for subsequent measurement IPSAS 43 already permits a lessee to apply the:
- (a) Fair value model in IPSAS 16 to right-of-use assets that meet the definition of investment property; and
  - (b) Revaluation model in IPSAS 17 to right-of-use assets that relate to a class of property, plant and equipment.

*Recognition of the concession component*

12. If the IPSASB agrees to measure the right-of-use asset in a concessionary lease at fair value on initial recognition, further guidance is needed on how to recognize the concession component in a concessionary lease (see [Appendix A](#) on the results of the Framework of Analysis).
13. [Appendix C](#) of Agenda Item 7.2.2 of the March 2022 meeting provides a brief comparison between concessionary loans and concessionary leases.
14. The main conclusion from that [Appendix C](#) of Agenda Item 7.2.2 of the March 2022 meeting is that both a concessionary loan and a concessionary lease have the same:
- (a) Transaction description: Being contracted at below-market terms;
  - (b) Type of concession: Being a concession to the price of the resource being transferred;
  - (c) Timing of below-market conditions: Being at inception; and
  - (d) Objective: To provide/receive resources with a price at below-market terms.
15. In the case of:
- (a) Concessionary loans, the price of the resource being transferred (cash) is time/money in the form of interest (for example, contractual rate lower than marker rate or grace period where no interest is charged); and
  - (b) Concessionary leases, the price of the resource being transferred is in the form of right-of-use asset (in-kind).
16. Staff and the Task Force are of the view that whether transferring a resource in cash or in-kind it should not modify the accounting for the concession component in both transactions, as concessionary leases are in substance a financing transaction—i.e., financing of the right to use an asset.
17. Therefore, staff and the Task Force recommend the IPSASB that for the lessee, the recognition pattern of the concession component of a concessionary lease should be the same as of a

concessionary loan under by applying the principles in IPSAS 23 (see [Appendix B](#) for an illustrative visualization of the recognition profile for concessionary loans and concessionary leases from the perspectives of the borrower and lessee, respectively).

18. This means that the recipient recognizes the non-exchange component as revenue, except if a present obligation exists, e.g., where specific conditions imposed on the transferred asset (the right-of-use asset) by the recipient result in a present obligation. Where a present obligation exists, it is recognized as a liability. As the entity satisfies the present obligation, the liability is reduced and an equal amount of revenue is recognized.
19. [Agenda Item 6.3.1](#) provides the detailed amendments to IPSAS 23 and IPSAS 43 to account for concessionary leases.

### *Other Issues*

20. Staff and the Task Force recommendations in this Agenda Item took into consideration the comment letters to ED 64, *Leases* (see [Agenda Item 11.2.3](#) of the September 2018 meeting for more details on respondents' views on concessionary lease accounting proposals for lessees).
21. If the IPSASB agrees with the recommendations in this Agenda Item, staff and the Task Force will bring for September 2022 meeting an assessment of its impact on sale and leaseback transactions at below-market terms.

### **Decision Required**

22. Does the IPSASB agree with staff and Task Force's recommendations?

**Appendix A – Flowchart to Analyze Other Lease-Type Arrangements Issues:  
Concessionary Leases—Measurement and Recognition of the Concession for  
Lessees**

**Decision 1: Is the issue prevalent in the public sector?**

Yes. The RFI consultation demonstrated that concessionary leases are prevalent in the public sector.

**Decision 2: Is there sufficient IPSAS guidance that already addresses this issue in the public sector?**

No. IPSAS literature does not provide specific guidance on recognition and measurement of concessionary leases.

**Decision 3: Is this issue related to general purpose financial statements?**

Yes. Recognizing and measuring concessionary leases is required:

- (a) For accountability and decision-making purposes; and
- (b) To properly assess the operating and financial capacities of assets.

**Decision 4: Is additional non-authoritative guidance necessary to enhance consistency of application?**

Yes. Non-authoritative guidance is necessary to elaborate/illustrates the application of the definition (or description), classification and scope of concessionary leases to enhance the consistency of application of the principles.

**Decision 5: Is the issue relevant to other projects?**

Yes. Staff has flagged the relevant recognition and measurements requirements for the Revenue and Measurement projects to ensure that is included in the guidance being developed in those projects.

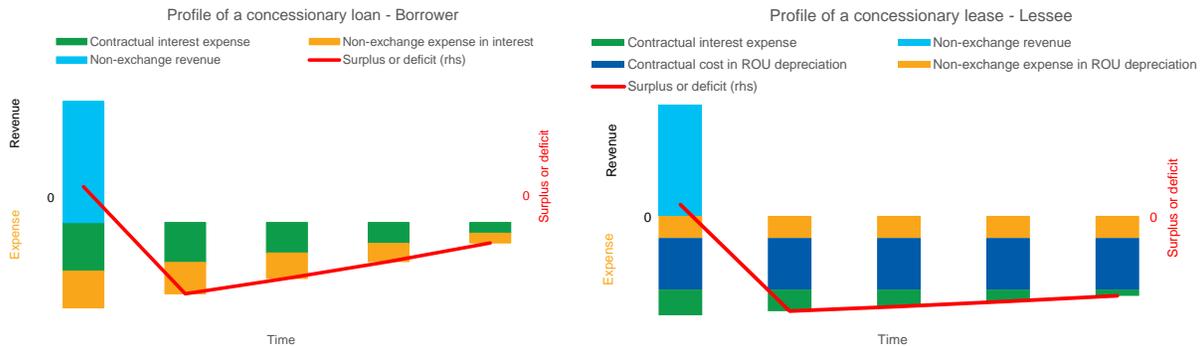
**Decision 6: Is the issue different at consolidated level?\***

Staff and the Task Force did not find a public sector specific reason for different recognition and measurement requirements at consolidated level.

\* Decision 6 was added a way to address an IPSASB's instruction from the March 2022 meeting.

**Appendix B – Recognition Profile for Concessionary Loans and Concessionary Leases**

1. The two graphs below provide a visualization of an illustrative example of the accounting for concessionary loans from both the perspective of the borrower and lessee as the recipients of the resources (cash, in a concessionary loan; right-of-use asset, in a concessionary lease) and should be read together with the comparison table in [Appendix C of Agenda Item 7.2.2](#) of the March 2022 meeting.
2. From the borrower and lessee perspectives, the assumption is that there are no present obligations in the loan contract and lease contract for the borrower and lessee to perform, respectively, in accordance with IPSAS 23.



Legend: ROU = Right-of-use asset; RHS = Right hand scale

3. Staff highlights that the amount of subsidy recognized in year one as revenue in the lender’s accounts and lessee’s accounts will be recognized over the loan term and lease term, respectively, as expense.

Note: The graphs are an updated version from March 2022 meeting because they already include terminology consistent with [draft] Exposure Draft XX, *Concessionary Leases and Other Arrangements Similar to Leases* and IPSAS 23.

## **Concessionary Lease: Measurement and Recognition of the Concession for Lessors**

### **Question**

1. Does the IPSASB agree with the staff and Task Force's recommendations on measurement and the recognition of the concession for lessors?

### **Recommendation**

2. Staff and Task Force recommend the IPSASB that lessors in a:
  - (a) Concessionary finance lease:
    - (i) To measure the transferred asset at its carrying amount;
    - (ii) To recognize the cost of the transferred asset on disposal in accordance with the relevant IPSAS;
  - (b) Concessionary operating lease:
    - (i) To measure the lease payments at cost in accordance with IPSAS 43; and
    - (ii) To assess whether the underlying asset is impaired in accordance with IPSAS 21, *Impairment from Non-Cash Generating Assets* or IPSAS 26, *Impairment from Cash Generating Assets*, as appropriate.

### **Background**

3. In January 2021, the IPSASB issued [Request for Information \(RFI\), Concessionary Leases and Other Arrangements Similar to Leases](#) with the objective of developing additional guidance identifying and addressing lease-related accounting issues associated with lease-type arrangements.
4. In January 2022, the IPSASB issued [IPSAS 43, Leases](#), which is aligned with IFRS 16, *Leases*.
5. This agenda item deals with the accounting model for concessionary leases for lessors and is consistent with staff and Task Force recommendations in [Agenda Item 6.2.1](#) and [Agenda Item 6.2.2](#).

### **Analysis**

6. [Appendix A](#) presents the results of the Framework of Analysis (see [Agenda Item 7.2.4](#) of March 2022 meeting for more details) to measurement of concessionary leases and the recognition of the concession in IPSAS current and developing literature.
7. For lessors, the situation is more complex than for lessees from a technical perspective because:
  - (a) IPSAS 43 has the risks and rewards dual model for lessor accounting; and
  - (b) There is no IPSAS on Transfer Expenses.

#### *Risks and rewards dual model*

8. Under the risks and rewards dual model, lessors classify leases as either an operating lease or a finance lease. IPSAS 43 therefore views operating leases conceptually as a service, and the net investment in finance leases are viewed conceptually as a financial instrument (see IPSAS 28.AG16).

9. As a consequence, the risks and rewards dual model for lessors is economically different from a loan from the lender perspective because in a:
  - (a) Finance lease there is an exchange of dissimilar assets in the form of derecognition of an underlying asset (non-cash asset) and the recognition of a net investment in the lease (right to receive cash). While in a loan there is an exchange of similar assets in the form of derecognized cash and recognition of a loan (right to receive cash); and
  - (b) Operating lease the lessor does not derecognize an asset (the underlying asset continues to be recognized in lessor's accounts), while in a loan the lender derecognizes an asset (the cash is derecognized in lender's accounts).
10. In a finance lease, the substance or main issue of the lease is the underlying asset being transferred with the attached financing (net investment in the lease). The accounting for the transfer of the underlying asset is made in accordance with either IPSAS 16, *Investment Property*, IPSAS 17, *Property, Plant and Equipment* or IPSAS 31, *Intangible Assets*, as appropriate. The accounting for the attached financing (net investment in the lease) is made in accordance with IPSAS 43, which includes the accounting for the lease payments and the residual value.
11. In an operating lease, the substance or main issue of the lease is the stream of cash-flows received by the lessor in the form of lease payments, as the lessor continues to recognize the underlying asset.
12. As consequence of the different economics of leases under the risks and rewards dual model, in a:
  - (a) Concessionary finance lease, the concession is related to the price of the underlying asset transferred to the lessee; and
  - (b) Concessionary operating lease, the concession component is related to the price of future lease payments received from the lessee yet to be recognized.

*Comparison between a concessionary loan and a concessionary lease*

13. From a lessor perspective, both types of concessionary leases are also economically different compared to concessionary loans because in the latter the concession is related to a newly recognized financial asset (loan), and not related to:
  - (a) A derecognized non-cash asset as it is in a finance lease; or
  - (b) Foregone revenue related to a non-cash asset as it is in an operating lease.
14. This means that lessors can have three types of transactions:
  - (a) Grants—where the substance of the transaction is a gift or donation in-kind of the entire value (or almost all value) of the lease (operating lease or finance lease depending on lessor's classification);
  - (b) Concessionary finance leases—which can be viewed conceptually as transferring of a non-cash asset (the underlying asset) at below-market terms attached with financing for a portion of the value of the asset transferred; and
  - (c) Concessionary operating leases—which can be viewed conceptually as services partially in-kind as the lessor continues to recognize the underlying asset.

*No IPSAS on Transfer Expenses*

15. As currently there is no IPSAS on Transfer Expenses, staff and the Task Force were of the view that the guidance for accounting for concessionary leases should be drawn from the current IPSAS principles on:
- (a) Derecognition of non-cash assets in a finance lease; and
  - (b) Recognition of revenue in an operating lease.

*Measurement*

16. In a grant, the transaction is a gift or a donation by the entity of the:
- (a) Underlying asset transferred in a concessionary finance lease (grant in-kind); or
  - (b) Lease payments that were foregone in a concessionary operating lease.
17. For concessionary finance leases, staff and the Task Force recommend that the lessor measure the transfer of the underlying asset at its carrying amount<sup>5</sup> because it is:
- (a) The cost incurred by the lessor being the economic benefits or service potential given up measured by the carrying amount of the underlying asset;
  - (b) Consistent with the derecognition principles in IPSAS 16, *Investment Property*, IPSAS 17, *Property, Plant and Equipment* and IPSAS 31, *Intangible Assets* for disposals; and
  - (c) Consistent with previous IPSASB's decision<sup>6</sup> in the Transfer Expenses project that non-cash resources transferred by a transfer provider should be measured at their carrying amount.
18. For concessionary operating leases, staff and the Task Force recommend the lessor to measure the lease payments received by the lessor at cost because:
- (a) No economic benefits or service potential associated with the transaction will flow to the lessor higher than the cash received in the form of lease payments;
  - (b) It is consistent with revenue recognition principles in paragraph 21 of IPSAS 9, *Revenue from Exchange Transactions*<sup>7</sup>; and
  - (c) The terms and conditions of the concessionary operating lease might help the lessor assess whether there is an indication that the underlying asset may be impaired in accordance with IPSAS 21, *Impairment from Non-Cash Generating Assets* or IPSAS 26, *Impairment from Cash Generating Assets*, as appropriate.

---

<sup>5</sup> Staff and the Task Force note that the carrying amount can be historical cost or fair value depending on the measurement basis chosen in accordance with the applicable IPSAS.

<sup>6</sup> See IPSASB's decision 8.2(a) of the December 2021 minutes ([https://www.ifac.org/system/files/meetings/files/Approved-Minutes-December-2021-Final\\_0.pdf](https://www.ifac.org/system/files/meetings/files/Approved-Minutes-December-2021-Final_0.pdf))

<sup>7</sup> IPSAS 9.21 states that: "Revenue is recognized only when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. However, when an uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognized as an expense, rather than as an adjustment of the amount of revenue originally recognized."

*Recognition of the concession*

19. If the IPSASB agrees to measure the underlying asset transferred in a concessionary finance lease at cost, no further guidance is needed on when to recognize the loss related with the derecognition of the underlying asset because:
  - (a) The derecognition of the underlying asset is accounted for in accordance with IPSAS 16, IPSAS 17, and IPSAS 31, as appropriate;
  - (b) The lessor accounting model can also be applicable in the absence of consideration or when consideration is at below-market terms; and
  - (c) Provides the most useful information for accountability purposes as it reflects the economic benefits or service potential given up measured by the carrying amount of the underlying asset;
20. Staff and the Task Force note that the cost of the concession will be the difference between the:
  - (a) Carrying amount of the underlying asset transferred accounted for in accordance with the relevant IPSAS; and
  - (b) Net investment in the lease accounted for in accordance with IPSAS 43.
21. Staff notes that IPSAS 43 requirements on derecognition and impairment of finance leases (IPSAS 43.77) will also be applicable to the net investment in the lease in concessionary finance leases.
22. If the IPSASB also agrees to measure the lease payments in a concessionary operating lease at cost, no further guidance is needed on recognition of the lease payments because lessors already:
  - (a) Recognize the lease payments in accordance with IPSAS 43 (which is consistent with IPSAS 13); and
  - (b) Apply IPSAS 21 or IPSAS 26, as appropriate, to operating leases that are accounted for in accordance with IPSAS 43 (which is consistent with IPSAS 13).
23. Staff and the Task Force note that the cost of the concession will be the difference between the:
  - (a) Depreciation of the underlying asset, other expenses related to the underlying asset, and the impairment charge related to the underlying asset, if any; and
  - (b) Revenue obtained in the lease payments received from the lessee.
24. [Agenda Item 6.2.5](#) provides the staff and Task Force recommended disclosures specifically designed to support transparency and accountability by decision-makers in the public sector that enter into a concessionary lease.

**Decision Required**

25. Does the IPSASB agree with staff and Task Force's recommendations?

**Appendix A – Flowchart to Analyze Other Lease-Type Arrangements Issues:  
Concessionary Leases—Measurement and Recognition of the Concession for  
Lessors**

**Decision 1: Is the issue prevalent in the public sector?**

Yes. The RFI consultation demonstrated that concessionary leases are prevalent in the public sector.

**Decision 2: Is there sufficient IPSAS guidance that already addresses this issue in the public sector?**

No. IPSAS literature does not provide specific guidance on recognition and measurement of concessionary leases.

**Decision 3: Is this issue related to general purpose financial statements?**

Yes. Recognizing and measuring concessionary leases is required:

- (a) For accountability and decision-making purposes; and
- (b) To properly assess the operating and financial capacities of assets.

**Decision 4: Is additional non-authoritative guidance necessary to enhance consistency of application?**

Yes. Non-authoritative guidance is necessary to elaborate/illustrates the application of the definition (or description), classification and scope of concessionary leases to enhance the consistency of application of the principles.

**Decision 5: Is the issue relevant to other projects?**

Yes. Staff has flagged the relevant recognition and measurements requirements for the Transfer Expenses and Measurement projects to ensure that is considered in the guidance being developed in those projects.

**Decision 6: Is the issue different at consolidated level?\***

Staff and the Task Force did not find a public sector specific reason for different recognition and measurement requirements at consolidated level.

\* Decision 6 was added a way to address an IPSASB's instruction from the March 2022 meeting.

## Concessionary Lease: Presentation and Disclosures

### Question

1. Does the IPSASB agree with staff and Task Force's recommendations on presentation and disclosures of concessionary leases?

### Recommendation

2. Staff and Task Force recommend the IPSASB to include additional disclosures on concessionary leases:
  - (a) In IPSAS 23 and IPSAS 43 for lessees (see [Agenda Item 6.3.1](#) for detailed recommended amendments); and
  - (b) In IPSAS 43 for lessors (see [Agenda Item 6.3.1](#) for detailed recommended amendments).

### Background

3. In January 2021, the IPSASB issued [Request for Information \(RFI\), Concessionary Leases and Other Arrangements Similar to Leases](#) with the objective of developing additional guidance identifying and addressing lease-related accounting issues associated with lease-type arrangements.
4. In January 2022, the IPSASB issued [IPSAS 43, Leases](#), which is aligned with IFRS 16, *Leases*.
5. This agenda item deals with the presentation and disclosures for concessionary leases for lessees and lessors and is consistent with staff and Task Force recommendations in the previous agenda items.

### Analysis

6. [Appendix A](#) presents the results of the Framework of Analysis (see [Agenda Item 7.2.4](#) of March 2022 meeting for more details) to the presentation and disclosures of concessionary leases in IPSAS literature.

#### *Lessee*

7. Staff and the Task Force do not recommend specific presentation requirements related to the concessionary component of concessionary leases.
8. However, staff and the Task Force recommend two types of disclosures, as follows:
  - (a) In IPSAS 23, regarding the liabilities recognized related to the non-exchange component of concessionary leases (see proposed amendments to paragraph 107 of IPSAS 23 in [Agenda Item 6.3.1](#)); and
  - (b) In IPSAS 43, more detailed information on the transactions for both historical cost and fair value measurements (see proposed new paragraph 64A of IPSAS 43 in [Agenda Item 6.3.1](#)).

#### *Lessor*

9. Staff and the Task Force do not recommend specific presentation requirements.
10. As a result of the above accounting treatment for concessionary leases for lessors, there is no separate accounting for the concession component, as this is the result of an arithmetic difference

between the cost of transferring the underlying asset in a finance lease or holding the underlying asset in an operating lease and the cash received, if any.

11. Regarding disclosures, in [Agenda Item 6.2.4](#) staff and Task Force noted that the cost of the concession is the result of an arithmetic difference between the cost of transferring the underlying asset in a finance lease or holding the underlying asset in an operating lease and the cash received, if any.
12. The recommended disclosures proposed in new paragraphs 96A and 96B of IPSAS 43 (see [Agenda Item 6.3.1](#)) are specifically designed to support transparency and accountability by decision-makers in the public sector that enter into a concessionary lease.
13. Staff and the Task Force discussed the possibility of requiring lessors to disclose the fair value of the underlying asset transferred in a concessionary finance lease and the fair value of the lease payments received in an operating lease. In this context staff and the Task Force noted that IPSAS 44, *Non-current Assets Held for Sale and Discontinued Operations* requires the disclosure of the fair value of non-current asset (or disposal group) classified as held for sale when that non-current asset (or disposal group) is measured at a materially lower carrying amount than fair value.
14. Staff and the Task Force concluded not to proceed with this option because:
  - (a) The situation in IPSAS 44 is for holding the asset to sell, as opposed to actually selling the underlying asset in a finance lease;
  - (b) It would entail additional efforts by lessors by requiring disclosing amounts that are not reflected in the accounting model, while in IPSAS 44 the fair value is reflected in the accounting model (For an entity to classify an asset as held for sale in IPSAS 44 it must meet several criteria, including be committed to a plan to sell the asset and have an active program to locate a buyer, to measure the asset at lower of its carrying amount and fair value less costs to sell. Therefore, the additional disclosure in IPSAS 44 at fair value (when higher than carrying amount) should not be onerous as it is unlikely that an entity would qualify to classify the asset to be held for sale if it didn't know its fair value); and
  - (c) It did not identify additional benefits by requiring disclosures that go beyond the accounting model and that are not related to the financial statements.

### *Other Issues*

15. Staff and the Task Force recommendations in this Agenda Item took into consideration the comment letters to Exposure Draft 64, *Leases* (see [Agenda Item 11.2.3](#) of the September 2018 meeting for more details on respondents' views on concessionary lease accounting proposals for lessees).

### **Decision Required**

16. Does the IPSASB agree with the staff and Task Force's recommendations?

**Appendix A – Flowchart to Analyze Other Lease-Type Arrangements Issues:  
Concessionary Leases—Presentation and Disclosures**

**Decision 1: Is the issue prevalent in the public sector?**

Yes. The RFI consultation demonstrated that concessionary leases are prevalent in the public sector.

**Decision 2: Is there sufficient IPSAS guidance that already addresses this issue in the public sector?**

For presentation, staff and the Task Force did not identify any additional presentation requirements.

For disclosures, IPSAS literature does not provide specific guidance disclosures of concessionary leases.

**Decision 3: Is this issue related to general purpose financial statements?**

Yes. Disclosures of concessionary leases in the notes is required:

- (a) For accountability and decision-making purposes; and
- (b) To properly assess the operating and financial capacities of assets.

**Decision 4: Is additional non-authoritative guidance necessary to enhance consistency of application?**

No. Staff and the Task Force did not identify the need for additional non-authoritative guidance

**Decision 5: Is the issue relevant to other projects?**

Yes. Staff has flagged the relevant presentation and disclosures requirements for the Revenue, and Transfer Expenses projects to ensure that is included in the guidance being developed in those projects.

**Decision 6: Is the issue different at consolidated level?\***

Staff and the Task Force did not find a public sector specific reason for different disclosures and presentation requirements at consolidated level.

\* Decision 6 was added a way to address an IPSASB's instruction from the March 2022 meeting.

**[draft] Exposure Draft [XX], *Concessionary Leases and Other Arrangements  
Similar to Leases (Amendments to IPSAS 23 and IPSAS 43)***

Exposure Draft [XX]  
[MM YYYY]  
*Comments due: [MM DD, YYYY]*

IPSAS®

*Proposed International Public Sector Accounting Standard®*

---

Concessionary Leases and Other  
Arrangements Similar to Leases  
(Amendments to IPSAS 23 and  
IPSAS 43)

IPSASB

International Public  
Sector Accounting  
Standards Board®

This document was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances.

In meeting this objective the IPSASB sets IPSAS™ and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants® (IFAC®).

Copyright © MM YYYY by the International Federation of Accountants (IFAC). For copyright, trademark, and permissions information, please see [page XX](#).

## REQUEST FOR COMMENTS

This Exposure Draft (ED), *Leases*, was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by MM DD, YYYY.**

Respondents are asked to submit their comments electronically through the IPSASB website, using the [“Submit a Comment”](#) link. Please submit comments in both a PDF file and a Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. This publication may be downloaded from the IPSASB website: [www.ipsasb.org](http://www.ipsasb.org). The approved text is published in the English language.

### IPSASB’s Leases Project

In January 2022, the IPSASB published [IPSAS 43, \*Leases\*](#), which is aligned with IFRS 16, *Leases*. The publication of IPSAS 43 completed Phase One of the IPSASB’s leases project.

Phase Two of the Leases project (relabelled as Other Lease-Type Arrangements project) led to the publication in January 2021 of [Request for Information \(RFI\), \*Concessionary Leases and Other Arrangements Similar to Leases\*](#).

The objective of the Other Lease-type Arrangements project is to develop additional guidance identifying and addressing lease-related accounting issues associated with lease-type arrangements.

This ED is the subsequent phase of the Other Lease-Type Arrangements project.

### Objective of the ED

The objective of this ED is to provide additional guidance identifying and addressing lease-related accounting issues associated with lease-type arrangements.

### Guide for Respondents

The IPSASB would welcome comments on all of the matters discussed in this ED. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

The Specific Matters for Comment requested for the ED are provided below.

### Specific Matter for Comment 1:

### Specific Matter for Comment 1:

### Specific Matter for Comment 3:

**EXPOSURE DRAFT [XX], CONCESSIONARY LEASES AND OTHER  
ARRANGEMENTS SIMILAR TO LEASES (AMENDMENTS TO IPSAS 23  
AND IPSAS 43)**

**CONTENTS**

---

	Page
Amendments to IPSAS 23, <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i> ...	6
Amendments to IPSAS 43, <i>Leases</i> .....	9

---

DRAFT

## Objective

2. The objective of this Exposure Draft (ED) is to propose amendments to IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)* and IPSAS 43, *Leases* to provide guidance on accounting for concessionary leases and other arrangements similar to leases.
3. This ED forms part of the IPSASB's project on Other Lease-Type Arrangements.

## Request for Comments

4. The IPSASB would welcome comments on all the matters proposed in the ED. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

## IPSAS Addressed

IPSAS	Summary of Proposed Change
IPSAS 23, <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i>	Provide guidance on identification, classification, recognition, and measurement, and disclosures of the concession component in concessionary leases for lessees.
IPSAS 43, <i>Leases</i>	Provide guidance on identification and classification, recognition, and measurement, and disclosures of concessionary leases.
[tbd]	[tbd]

## **Amendments to IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)***

Paragraphs 43, 83, 93, 96, 97, and 107 are amended. Paragraphs 43A, 105C, 105D, 123A and 124H are added. The heading above paragraph 105C is added. New text is underlined.

### **Concessionary Leases**

#### **Measurement of Assets on Initial Recognition**

...

43. Consistent with IPSAS 12, *Inventories*, IPSAS 16, *Investment Property*, ~~and~~ IPSAS 17, and IPSAS 43, *Leases for right-of-use assets held by a lessee*, assets acquired through non-exchange transactions are measured at their fair value as at the date of acquisition.

43A. The fair value of right-of-use assets held by a lessee is measured in accordance with IPSAS 43.

...

### **Transfers**

...

#### **Measurement of Transferred Assets**

83. As required by paragraph 42, transferred assets are measured at their fair value as at the date of acquisition. Entities develop accounting policies for the recognition and measurement of assets that are consistent with IPSASs. As noted previously, inventories, property, plant, equipment, ~~or~~ investment property, or right-of-use assets held by a lessee acquired through non-exchange transactions are to be initially measured at their fair value as at the date of acquisition, in accordance with the requirements of IPSAS 12, IPSAS 16, ~~and~~ IPSAS 17, and IPSAS 43. Financial instruments, including cash and transfers receivable that satisfy the definition of a financial instrument, and other assets, will also be measured at fair value as at the date of acquisition in accordance with paragraph 42 and the appropriate accounting policy.

...

### **Gifts and Donations, including Goods In-kind**

93. Gifts and donations are voluntary transfers of assets, including cash or other monetary assets, goods in-kind, right-of-use assets in-kind, and services in-kind that one entity makes to another, normally free from stipulations. The transferor may be an entity or an individual. For gifts and donations of cash or other monetary assets, ~~and~~ goods in-kind, and right-of-use assets in-kind, the past event giving rise to the control of resources embodying future economic benefits or service potential is normally the receipt of the gift or donation. Recognition of gifts or donations of services in-kind are addressed in paragraphs 98–103 below.

...

96. Goods in-kind and right-of-use assets in-kind are recognized as assets when the goods and right-of-use assets, are received, or there is a binding arrangement to receive the goods or a lease contract to receive the right-of-use assets, respectively. If goods in-kind and right-of-use assets

in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

97. On initial recognition, gifts and donations including goods in-kind and right-of-use assets in-kind are measured at their fair value as at the date of acquisition, which may be ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair value will be readily ascertainable by reference to quoted prices in an active and liquid market. For example, current market prices can usually be obtained for land, non-specialized buildings, motor vehicles and many types of plant and equipment.

...

### **Concessionary Leases**

105C. Concessionary leases are leases granted to or received by an entity at below-market terms. The portion of the lease that is payable, if any, along with any interest payments, is an exchange transaction and is accounted for in accordance with IPSAS 43. An entity considers whether any difference between the consideration (lease payments) and the fair value of the right-of-use asset on initial recognition (see IPSAS 43) is non-exchange revenue that should be accounted for in accordance with this Standard.

105D. Where an entity determines that the difference between the consideration (lease payments) and the fair value of the right-of-use asset on initial recognition is non-exchange revenue, an entity recognizes the difference as revenue, except if a present obligation exists, e.g., where specific conditions imposed on the transferred asset (the right-of-use asset) by the recipient result in a present obligation. Where a present obligation exists, it is recognized as a liability. As the entity satisfies the present obligation, the liability is reduced and an equal amount of revenue is recognized.

### **Disclosures**

...

107. An entity shall disclose in the notes to the general purpose financial statements:
- (a) The accounting policies adopted for the recognition of revenue from non-exchange transactions;
  - (b) For major classes of revenue from non-exchange transactions, the basis on which the fair value of inflowing resources was measured;
  - (c) For major classes of taxation revenue that the entity cannot measure reliably during the period in which the taxable event occurs, information about the nature of the tax; and
  - (d) The nature and type of major classes of bequests, gifts, and donations, showing separately major classes of goods in-kind and right-of-use assets in-kind received.

### **Transitional Provisions**

(...)

123A. The transitional provisions in IPSAS 43 are also applicable to the measurement of the right-of-use assets in-kind held by a lessee in leases for zero or nominal consideration.

### Effective Date

...

124H. Paragraphs 43, 83, 93, 96, 97, and 107 were amended and paragraphs 43A, 105C, 105D, and 123A were added by [draft] IPSAS [X] (ED [XX]), *Concessionary Leases and Other Arrangements Similar to Leases* issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or at after MM DD, YYYY. Earlier application is permitted. If an entity applies the amendments for a period beginning before MM DD, YYYY it shall disclose that fact and apply IPSAS 43 at the same time.

### Implementation Guidance

*These examples accompany, but are not part of, IPSAS 43*

[to be added at the September 2022 meeting]

## Amendments to IPSAS 43, Leases

Paragraphs 18A–18B, 26A–26D, 29A, 64A, 71A, 81A, 96A, 96B, 103A, AG32A, AG32B, and AG60–AG64 are added. Heading above paragraph 18A is added. Paragraphs 5, 6, and 42 are amended. New text is underlined and deleted text is struck through.

### Definitions

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

**Fair value, ~~for the purpose of applying the lessor accounting requirements in this Standard~~, is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.**

...

### Recognition Exemptions (see paragraphs AG4–AG9)

6. A lessee may elect not to apply the requirements in paragraphs 18A–18B and 23–52 to:

- (a) Short-term leases; and
- (b) Leases for which the underlying asset is of low value (as described in paragraphs AG4–AG9).

...

### Identifying a Lease (see paragraphs AG10–AG34)

...

#### Assessing Whether the Lease is at Market Terms or at Below-Market Terms

18A. At inception of a contract, an entity will determine on initial recognition whether the lease is at market terms or at below-market terms.

#### Lessee

18B. In certain circumstances, such as when a lessee acquires the right to use an underlying asset at market terms, the lease is an exchange transaction. In other circumstances, such as when a lessee acquires the right to use an underlying asset that is at below-market terms, the lease is a concessionary lease. In these cases, the lease can have exchange and non-exchange components. In determining whether a lease has identifiable exchange or non-exchange components on initial recognition, professional judgment is exercised. Where it is not possible to distinguish separate exchange and non-exchange components (for example, leases for zero consideration) or the consideration is only of nominal amount, the lease is treated as a non-exchange transaction.

*Lessor*

Finance Lease

18C. In certain circumstances, such as when a lessor in a finance lease transfers the underlying asset at market terms, the lease is an exchange transaction. In other circumstances, such as when a lessor in a finance lease transfers the underlying asset at below-market terms, the lease is a concessionary lease. In these cases, the lease can have exchange and non-exchange components. In determining whether a lease has identifiable exchange or non-exchange components on initial recognition, professional judgment is exercised. Where it is not possible to distinguish separate exchange and non-exchange components (for example, finance leases for zero consideration) or the consideration is only of nominal amount, the lease is treated as a non-exchange transaction.

Operating Lease

18D. In certain circumstances, such as when a lessor in an operating lease receives lease payments at market terms, the lease is an exchange transaction. In other circumstances, such as when a lessor in an operating lease received the lease payments at below-market terms, the lease is a concessionary lease. In these cases, the lease can have exchange and non-exchange components. In determining whether a lease has identifiable exchange or non-exchange components on initial recognition, professional judgment is exercised. Where it is not possible to distinguish separate exchange and non-exchange components (for example, operating leases for zero consideration) or the consideration is only of nominal amount, the lease is treated as a non-exchange transaction.

...

**Lessee**

...

**Measurement**

*Initial Measurement*

Initial Measurement of the Right-of-Use Asset

...

26A. **Where a right-of-use asset is acquired through a concessionary lease, its cost shall be measured at its fair value as at the commencement date.**

26B. A right-of-use asset may be acquired through a non-exchange transaction. For example, property may be leased by a public sector entity at below fair value to implement a public policy. Under these circumstances, the cost of the right-of-use asset is its fair value as at the commencement date.

26C. The fair value of the right-of-use asset shall be measured at the present value of market lease payments. The market lease payments shall be discounted using the interest rates identified in paragraph 29A. The fair value of the right-of-use asset shall also include the items identified in paragraphs 25(c) and 25(d).

26D. Where the lessee initially recognizes the right-of-use asset at fair value, in accordance with paragraph 26A, the fair value is the cost of the right-of-use asset. The lessee shall decide, subsequent to initial recognition, to adopt either the cost model (paragraphs 31–34), the fair value model (paragraph 34), or the revaluation model (paragraph 35).

#### Initial Measurement of the Lease Liability

...

29A. **Where a lease liability is recognized through a concessionary lease, its cost shall be measured in accordance with paragraphs 27–29.**

...

42. In applying paragraph 41, a lessee shall determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. In the case of a concessionary lease, a lessee shall apply the discount rate identified in paragraph 27.

#### Disclosure

...

##### Concessionary Leases

64A. For concessionary leases received and measured at fair value in accordance with paragraph 26A–26D, a lessee shall disclose:

- (a) The fair value adjustment on initial recognition: [consistent with IPSAS 30.37A(a)(ii)]
- (b) The purpose and terms of the various types of concessionary leases, including the nature of the concession; and [consistent with IPSAS 30.37A(c)]
- (c) Valuation assumptions. [consistent with IPSAS 30.37A(d)]

#### Lessor

##### Classification of Leases (see paragraphs AG60–AG65)

...

##### Finance Leases

##### *Recognition and Measurement*

...

71A. At the commencement date, a lessor shall recognize assets under a concessionary finance lease applying the requirements in this Standard, with the necessary adaptations in the absence of lease payments and/or unguaranteed residual value.

...

## Operating Leases

### *Recognition and Measurement*

...

81A. A lessor shall recognize revenue under a concessionary operating lease applying the requirements in this Standard, with the necessary adaptations in the absence of lease payments. Where no lease payments are received, the lessor shall not recognize revenue.

...

### Disclosure

...

### *Concessionary Finance Leases*

96A. For concessionary finance leases granted, a lessor shall disclose:

- (a) Carrying amount of the underlying assets transferred during the period in accordance with the relevant IPSAS; [consistent with IPSAS 30.37(a)(i)]
- (b) The net investment in the lease at the commencement date in accordance with this Standard;
- (c) The difference between (a) and (b);
- (d) The purpose and terms of the various types of concessionary finance leases, including the nature of the concession; and [consistent with IPSAS 30.37(c)]

### *Concessionary Operating Leases*

96B. For concessionary operating leases granted, a lessor shall disclose:

- (e) Contractual value of the lease payments received during the period; [consistent with IPSAS 30.37(a)(i)]
- (f) The purpose and terms of the various types of concessionary operating leases, including the nature of the concession; and [consistent with IPSAS 30.37(c)]

...

## Effective Date and Transition

### Effective Date

...

103A. Paragraphs 18A–18B, 26A–26D, 29A, 64A, 71A, 81A, 96A, 96B, 103A, AG32A, AG32B, and AG60–AG64 are added and paragraphs 5, 6, and 42 are amended by [draft] IPSAS [X] (ED [XX]), *Concessionary Leases and Other Arrangements Similar to Leases* issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or at after MM DD, YYYY. Earlier application is permitted. If an entity applies the amendments for a period beginning before MM DD, YYYY it shall disclose that fact and apply IPSAS 43 at the same time.

...

## Transition

[to be added at the September 2022 meeting]

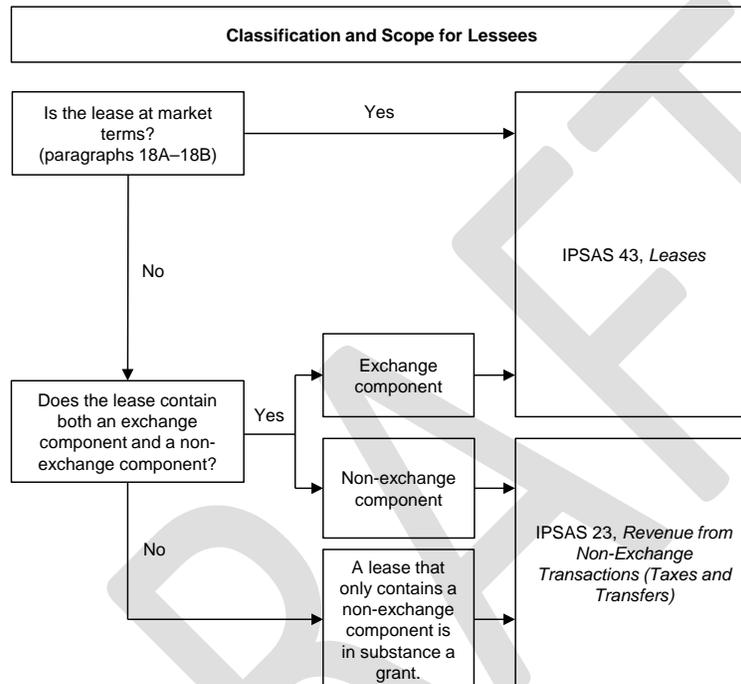
...

## Application Guidance

...

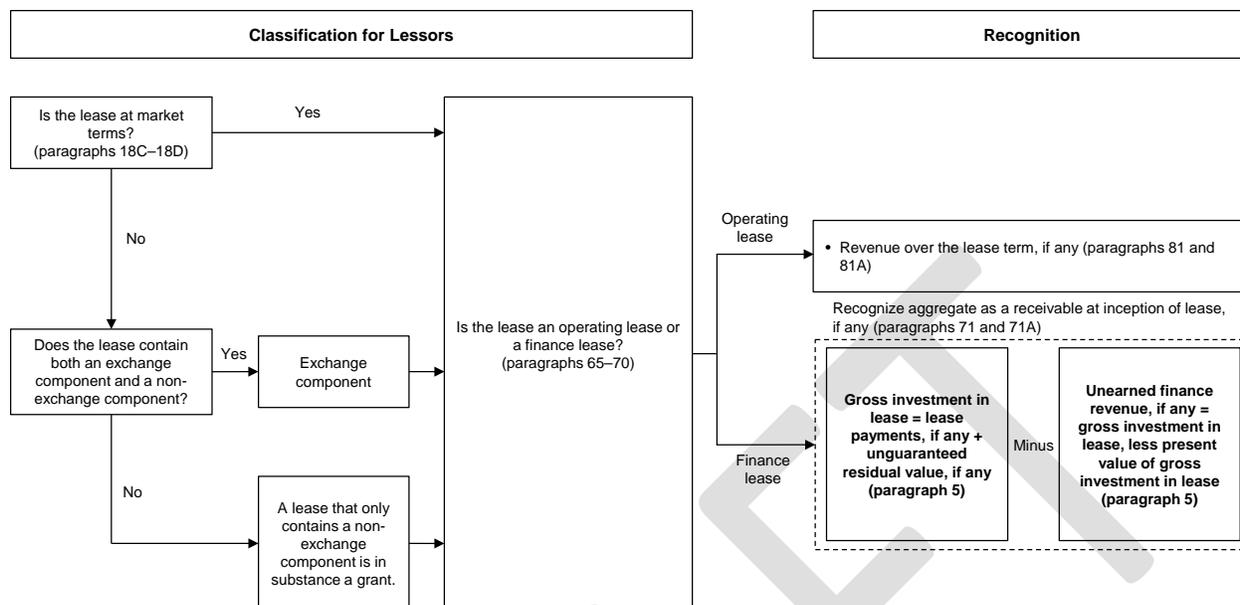
### Classification of Leases At Market Terms and At Below-Market Terms and Scoping for Lessees (paragraphs 18A–18B)

AG32A. The diagram below establishes the classification and scope of leases for lessees.



**Classification of Leases At Market Terms and At Below-Market Terms and Scoping for Lessors (paragraphs 18A, 18C–18D)**

AG32B. The diagram below establishes the classification and scope of leases for lessors.



**Application Guidance**

...

**Concessionary Leases (see paragraphs 18A, 18A, 26A–26D, 29A, 42, 64A, 71A, 81A)**

AG60. Concessionary leases are granted to or received by an entity at below-market terms. Examples of concessionary leases include leases to international organizations or to other public sector entities with public policy objectives.

AG61. As concessionary leases are granted or received at below-market terms, the discounted contractual lease payments (consideration) on initial recognition of the lease will be lower than the discounted market lease payments. At initial recognition, an entity therefore analyzes the substance of the lease granted or received into its component parts, and accounts for those components using the principles in paragraphs AG62 and AG65 below.

AG62. An entity firstly assesses whether the substance of the concessionary lease is in fact a lease transaction, a grant or a combination thereof, by applying the principles in this Standard and paragraphs 39–58 of IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*.

AG63. If an entity has determined that, in substance, the concessionary lease is a grant (for example, a lease for zero or nominal consideration), it accounts for the transaction as follows:

- (a) Where the right-of-use asset in-kind is received by an entity, it is accounted for in accordance with IPSAS 23.

- (b) Where the grant is granted by an entity, it is accounted for as follows:
- (i) In a finance lease, the entity derecognizes the underlying asset in accordance with applicable IPSAS and recognizes the net investment in the lease in accordance with this Standard; and
  - (ii) In an operating lease, the entity recognizes lease revenue in accordance with this Standard, if any, and may assess whether the underlying asset is impaired in accordance with the applicable IPSAS.

AG64. If an entity receiving the right-of-use asset has determined that the transaction is a combination of a lease transaction and a grant, any difference between the discounted market lease payments and the discounted contractual lease payments is accounted for in accordance with IPSAS 23.

AG65. If an entity granting a lease has determined that the transaction is a combination of a lease transaction and a grant:

- (a) In a finance lease, the entity derecognizes the underlying asset in accordance with the applicable IPSAS and recognizes the net investment in the lease in accordance with this Standard; and
- (b) In an operating lease, the entity recognizes lease revenue in accordance with this Standard and may assess whether the underlying asset is impaired in accordance with the applicable IPSAS.

Illustrative examples are provided in paragraphs IGXX and IGXX of IPSAS 23 as well as in paragraphs IEXX and IEXX accompanying this Standard. [Guidance to be developed for the September 2022 meeting depending on IPSASB's decisions at this meeting]

...

## **Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, IPSAS 43.*

...

**Revision of IPSAS 43 as a result of [draft] ED [XX], *Concessionary Leases and Other Arrangements Similar to Leases (Amendments to IPSAS 23 and IPSAS 43)* issued in [Month and Year]**

### **Concessionary Leases**

#### *Identification, Classification, and Scope*

BC28. IPSAS 43 introduced new guidance on identifying a lease as a result of an exchange transaction. Building on this guidance, the IPSASB proposed additional guidance to identify, classify, and scope concessionary leases.

BC29. The IPSASB proposed this new guidance because it would help preparers:

- (a) Distinguish leases at market terms from leases from leases that have embedded concessions;
- (b) Understand the relationship between IPSAS 43 and other IPSAS; and

- (c) Apply the IPSAS 43 principles to leases at market terms and apply the principles in other IPSAS to the concessions, as appropriate.

Lessee

Recognition and Measurement

BC30. IPSAS 43 measures the right-of-use asset at cost. This is consistent with the measurement of many other non-financial assets, such as assets within the scope of IPSAS 12, *Inventories*, IPSAS 16, *Investment Property*, IPSAS 17, *Property, Plant, and Equipment*, and IPSAS 31, *Intangible Assets* that are a result of exchange transactions. However, for non-exchange transactions a cost measurement basis does not reflect the economics of the transaction because it does not capture the embedded concession.

BC31. To address this issue, when developing the guidance to account for leases as a result of a non-exchange transaction (concessionary leases) in [draft] ED [XX], *Concessionary Leases and Other Arrangements Similar to Leases* (Amendments to IPSAS 23 and IPSAS 43), the IPSASB considered the principles in the above IPSAS as well as in IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)* and in IPSAS 41, *Financial Instruments* to account for the right-of-use asset and the concession component.

BC32. The IPSASB noted that the above IPSAS require that assets acquired through non-exchange transactions to be measured at their fair value as at the date of acquisition. The IPSASB proposed requiring measuring the right-of-use asset also at fair value in a concessionary lease because:

- (a) It is consistent with IPSASB's literature on the accounting for non-exchange transactions, including concessionary loans;
- (b) It provides information on operating and financial capacity as referred in the Conceptual Framework for accountability and decision-making purposes; and
- (c) Recognizing the implicit concession in a lease at below-market terms would enhance Public Financial Management (PFM) to the extent that the improvements would outweigh the costs associated with such a change.

BC33. The IPSASB also proposed to account for the concession component in a concessionary lease following the principles applicable to concessionary loans in IPSAS 23 because:

- (a) Both transactions are at below-market terms at inception;
- (b) Have a concession to the price of the resource being transferred;
- (c) Have the objective to provide/receive resources with a price at below-market terms;
- (d) Whether transferring a resource in cash or in-kind it should not modify the accounting for the concession component as non-exchange revenue in both transactions, as concessionary leases are in substance a financing transaction; and
- (e) It prevents preparers choosing between concessionary leases and concessionary loans to achieve desired accounting outcomes.

### Recognition Exemptions

BC34. The IPSASB considered the applicability to lessees of the general model to account for concessionary leases that are short-term leases and leases for which the underlying asset is of low value.

BC35. The IPSASB decided not to extend the general model to account for concessionary leases to lessees' recognition exemptions because:

- (a) Leases for which the underlying asset is of low value are not material enough to warrant specific concessionary lease accounting; and
- (b) Of cost-benefit reasons for short-term leases as they have a lease term of 12 months or less.

### Disclosures

BC36. The IPSASB noted that IPSAS 43 already requires disclosures for leases at market terms. Therefore, the IPSASB decided to require additional disclosures that are specific to concessionary leases.

### Lessor

#### Recognition and Measurement

BC37. IPSAS 43 requires lessors to classify leases as either an operating lease or a finance lease under a risks and rewards dual model. Operating leases are viewed as a service, and the net investment in the lease in finance leases is viewed as a financial instrument.

BC38. In a finance lease, the substance or main issue of the lease is the underlying asset being transferred with the attached financing (net investment in the lease). The accounting for the transfer of the underlying asset is made in accordance with IPSAS 16, *Investment Property*, IPSAS 17, *Property, Plant and Equipment* and IPSAS 31, *Intangible Assets*. The accounting for the attached financing (net investment in the lease) is made in accordance with IPSAS 43, which includes the accounting for the lease payments and the residual value.

BC39. In an operating lease, the substance or main issue of the lease is the stream of cash-flows received by the lessor in the form of lease payments, as the lessor continues to recognize the underlying asset.

BC40. As consequence of the different economics of leases under the risks and rewards dual model, in a:

- (a) Concessionary finance lease, the concession is related to the price of the underlying asset transferred to the lessee; and
- (b) Concessionary operating lease, the concession component is related to the price of lease payments received from the lessee.

BC41. This means that lessors can have three types of concessionary leases:

- (a) Leases for zero consideration, which are in substance a gift or donation in-kind—the gift or donation in-kind is the entire value (or almost all value) of the lease transaction (operating lease or finance lease depending on lessor's classification);

- (b) Concessionary finance leases—which can be assimilated with transferring of a non-cash asset (the underlying asset) at below-market terms attached with financing for a portion of the value of the asset transferred; and
  - (c) Concessionary operating leases—which can be assimilated with services partially in-kind as the lessor continues to recognize the underlying asset.
- BC42. For concessionary finance leases, the IPSASB decided to continue measuring the transfer of the underlying asset to the lessee at its carrying amount because it is:
- (a) The cost of the concession incurred by the lessor, being the economic benefits or service potential given up measured by the carrying amount of the underlying asset; and
  - (b) Consistent with the derecognition principles in IPSAS 16, *Investment Property*, IPSAS 17, *Property, Plant and Equipment*, and IPSAS 31, *Intangible Assets* for disposals.
- BC43. For concessionary operating leases, the IPSASB decided to continue measuring the lease payments received by the lessor at cost because:
- (a) No economic benefits or service potential associated with the transaction will flow to the entity higher than the cash received by the lessor in the form of lease payments made by the lessee; and
  - (b) It is consistent with revenue recognition principles in IPSAS 9, *Revenue from Exchange Transactions*.
- BC44. In reaching to this decision, the IPSASB noted that the terms and conditions of the concessionary operating lease might help an entity assess whether there is an indication that the underlying asset may be impaired in accordance with IPSAS 21, *Impairment from Non-Cash Generating Assets* or IPSAS 26, *Impairment from Cash Generating Assets*, as appropriate.
- BC45. Following a cost measurement basis for concessionary leases, the IPSASB noted that lessors recognize the loss related with the derecognition of the underlying asset in a concessionary finance lease in accordance with the applicable IPSAS. This means that the cost of the concession would be the difference between the value of the carrying amount of the underlying asset derecognized and the value of the recognition of the net investment in the lease, if any.
- BC46. For concessionary operating leases, the IPSASB noted that continue recognizing as revenue the cash received in the form of lease payments made by lessees there would be no separate recognition of the concession. This situation occurs because the concession is related to the foregone revenue related to the lease payments. As foregone revenue is not recognized under IPSAS 9, the IPSASB did not identify an economic reason to provide an exception to this principle in the context of concessionary operating leases.

#### Disclosures

- BC47. Similar to lessees, the IPSASB noted that IPSAS 43 already requires disclosures for leases at market terms for lessors. Therefore, the IPSASB decided to require additional disclosures that are specific to concessionary leases for both concessionary finance leases and concessionary operating leases.

...

## **Illustrative Examples**

*These examples accompany, but are not part of, IPSAS 43*

[to be added at the September 2022 meeting]

DRAFT

International Public Sector Accounting Standards, Exposure Drafts, Consultation Papers, Recommended Practice Guidelines, and other IPSASB publications are published by, and copyright of, IFAC.

The IPSASB and IFAC do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

The 'International Public Sector Accounting Standards Board', 'International Public Sector Accounting Standards', 'Recommended Practice Guidelines', 'International Federation of Accountants', 'IPSASB', 'IPSAS', 'RPG', 'IFAC', the IPSASB logo, and IFAC logo are trademarks of IFAC, or registered trademarks and service marks of IFAC in the US and other countries.

Copyright © January 2021 by the International Federation of Accountants (IFAC). All rights reserved. Permission is granted to make copies of this work to achieve maximum exposure and feedback provided that each copy bears the following credit line: *"Copyright © January 2021 by the International Federation of Accountants (IFAC). All rights reserved. Used with permission of IFAC. Permission is granted to make copies of this work to achieve maximum exposure and feedback."*

DRAFT