

Agenda Item 10: Leases

Mike Blake, Task Force Chair

João Fonseca, Principal

IPSASB Meeting

Lisbon, Portugal

September 24–27, 2019

Project management: Stock take

- Road Map – progress to date and future meeting plans
- Board Decisions – previous decisions taken and key future issues
- Board Instructions – satisfied with actions taken?
- Other Issues?

Outline

Introduction

- Structure and purpose of this session

Task Force report back to IPSASB

- Work Progress in Q3 2019
- Task Force views on departure or not from IFRS 16 Lessor Accounting based on conceptual reasons
- Issues to be further discussed by the Task Force
- Task Force recommendation

IFRS 16, *Leases*

- Presentation by Sarah Geisman (UK Treasury) (preparer perspective)
- Presentation by John Verrinder (Eurostat) (GFS perspective)
- Presentation by Isabelle Sapet (Mazars) (audit perspective)

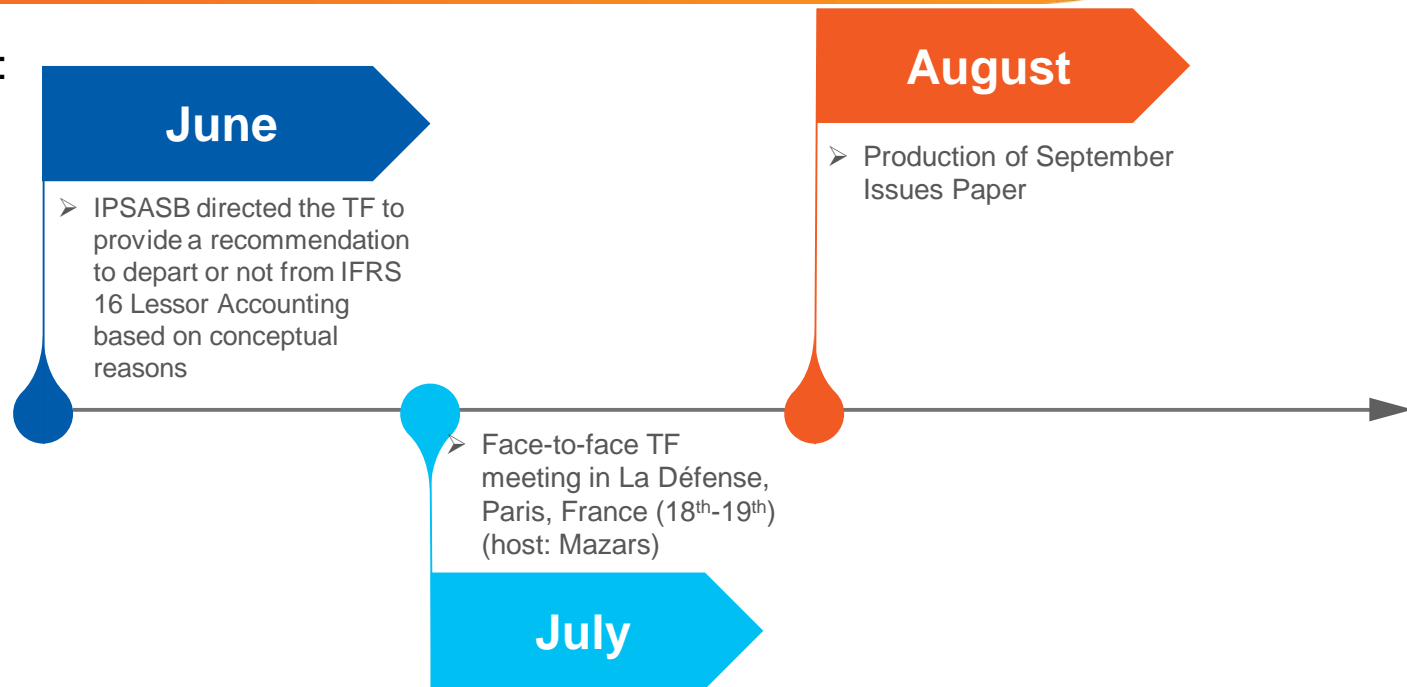
Next steps (afternoon session)

Task Force report back to IPSASB

Progress in Q3 2019

Task Force members:

- Mike Blake, Chair
- Claudia Beier
- Isabelle Sapet
- Lynn Pamment
- Tsholo Tshoke



Task Force report back to IPSASB

Task Force views

IASB's main decisions and proposals

IPSASB Conceptual criteria to assess departure or not from IFRS 16 Lessor Accounting

Remaining issues raised by respondents

Additional issues raised by the IPSASB at the June meeting

Task Force report back to IPSASB

Task Force view: IASB's main decisions and proposals

- All leases result in a lessee obtaining the right to use an asset, regardless of the nature or remaining life of the underlying asset;
- Task Force did not identify a public sector specific conceptual reason to:
 - Develop a dual model for accounting; and
 - Classify leases as either finance or operating leases for lessors.

Task Force report back to IPSASB

Task Force view: IPSASB criteria to depart or not from IFRS 16 Lessor Accounting

	IFRS 16 Lessor Accounting
Consistency with the <i>Conceptual Framework</i>	x
Consistency with IPSAS	x
Relationship with GFS	—
Relationship with PPP (IPSAS 32)	x

Task Force report back to IPSASB

Task Force view: Consistency with Conceptual Framework

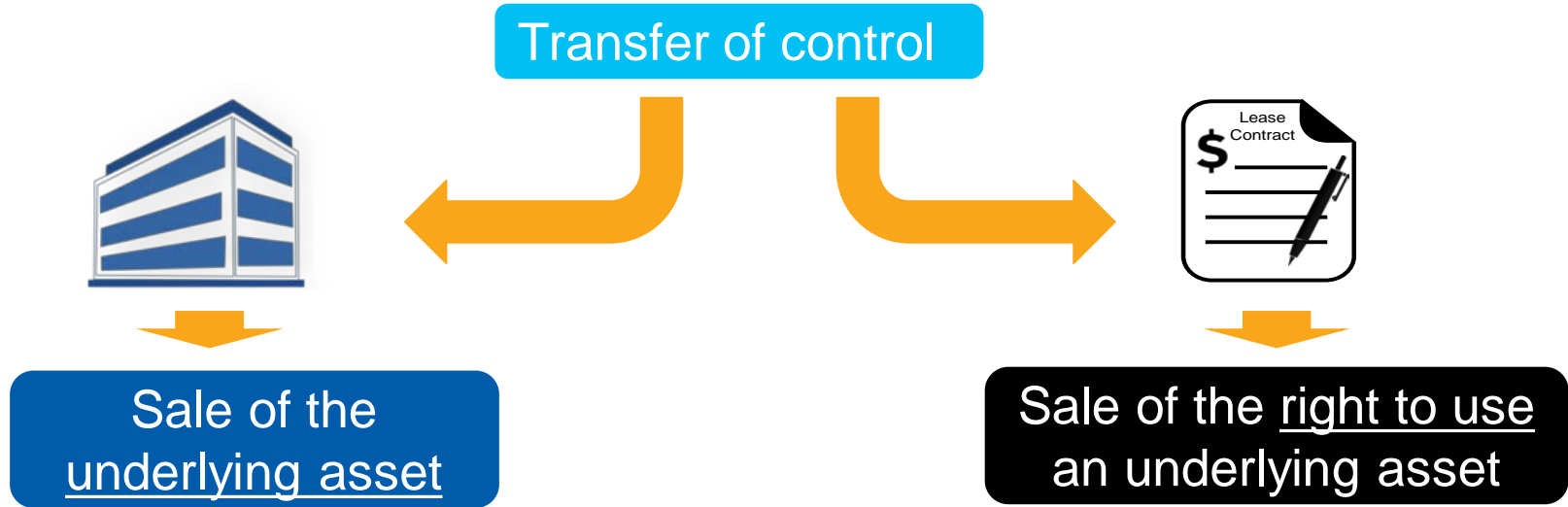


- Underlying asset
 - Continuing to recognize the underlying asset in a lease
 - May need remeasurement in a lease
 - Risks and rewards for asset recognition/derecognition not consistent with Conceptual Framework

IFRS 16 finance lease requirements not consistent with Conceptual Framework

Task Force report back to IPSASB

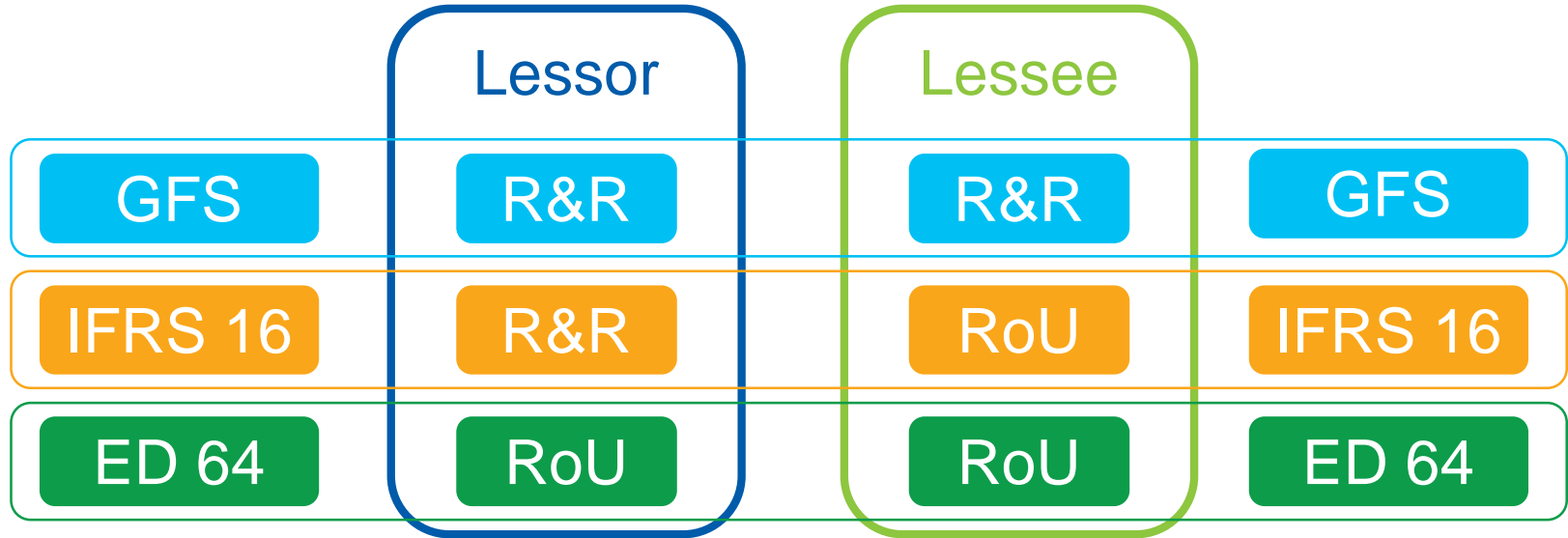
Task Force view: Consistency with IPSAS



IFRS 16 finance lease requirements not consistent with IPSAS

Task Force report back to IPSASB

Task Force view: Relationship with GFS



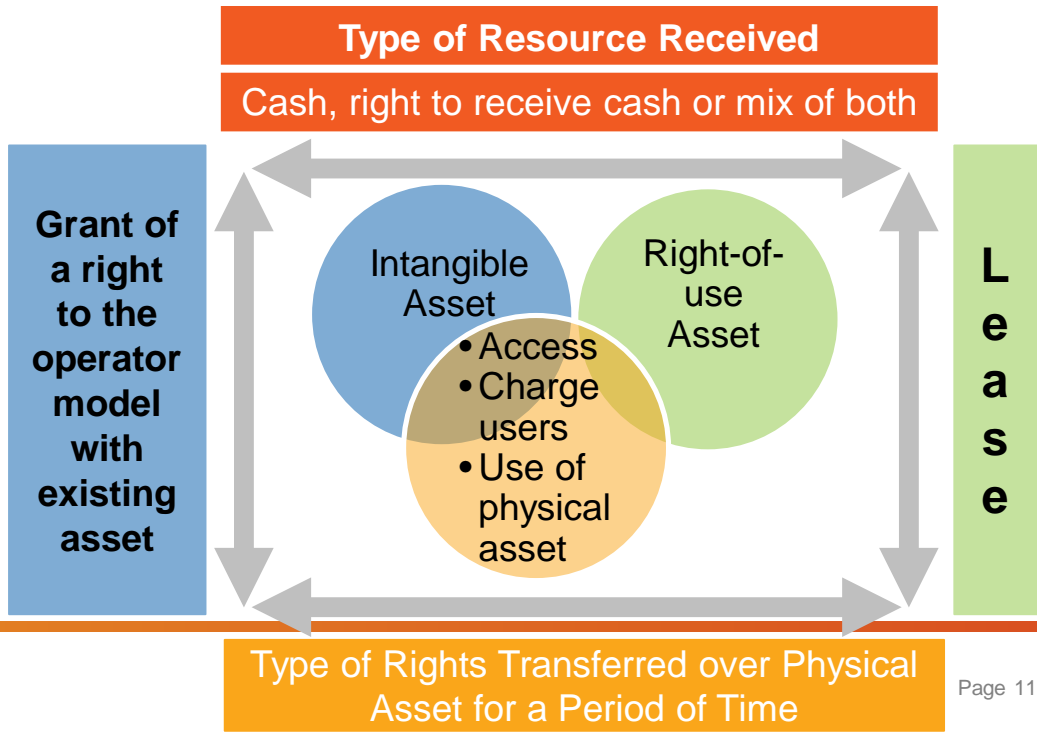
Not a relevant factor to decide departure or not from IFRS 16 Lessor Accounting

Task Force report back to IPSASB

Task Force view: Relationship with PPP (IPSAS 32)

Comparison between SCAs with existing asset and leases

Economics of the Transactions



TF View:

Comparable transactions

Task Force report back to IPSASB

Task Force view: Relationship with PPP (IPSAS 32)

Comparison
between
SCAs with
existing asset
and
leases

Accounting of the Transactions

	IPSAS 32 / IFRIC 12	IFRS 16
Model	Single	Dual
Approach	Control (operator & grantor)	Control (lessee) and R&R (lessor)
Underlying asset	Continues to be recognized	Derecognized in a finance lease
Receivable	Recognized	Not recognized in an operating lease
Liability	Recognized	Never recognized

TF View:

**IFRS 16
Lessor
Accounting
inconsistent
with
IPSAS 32**

Task Force report back to IPSASB

Task Force view: Issues raised by respondents and IPSASB

Conceptual issues raised by respondents and IPSASB

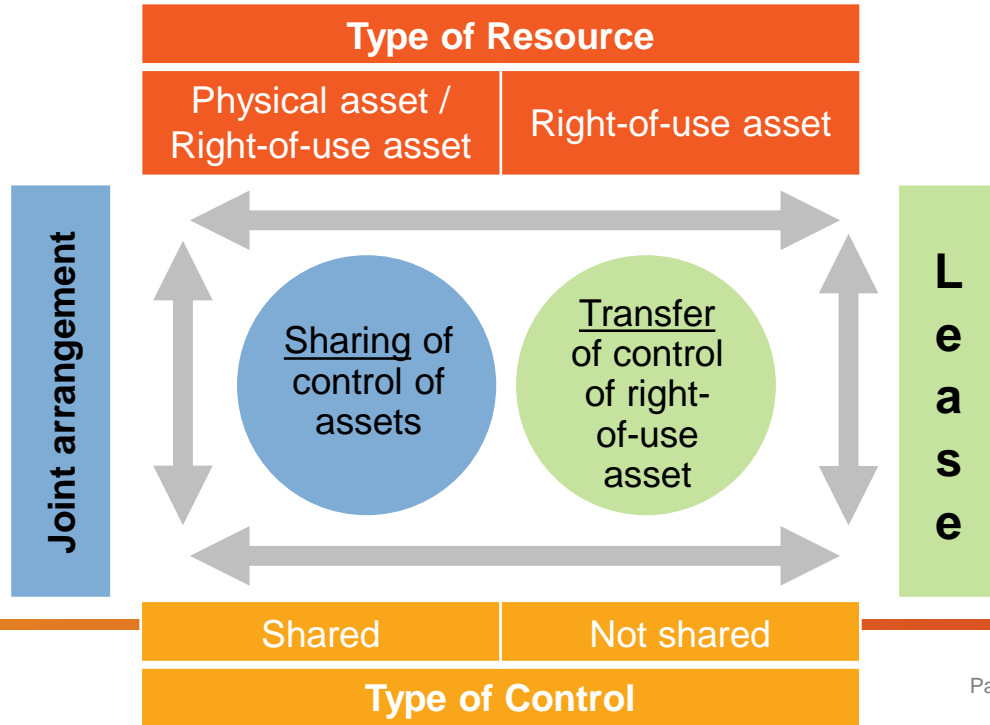
Comparability	Not relevant	Should all or portion of the underlying asset be derecognized?	Not relevant
Understandability	Not relevant	Strength of reasons to depart	Not relevant
Strength of reasons to depart	Not relevant	Double-counting	Not relevant
Public sector leases different from private sector leases	Not relevant	Is the public sector different?	Covered in other criteria
Analogy with joint arrangements	Not relevant	Public interest	Covered in other criteria
Asymmetry of information	Depart	IPSASB and IASB's Conceptual Framework	Depart
Economics of the transaction	Depart	Who controls the underlying asset?	Depart

Task Force report back to IPSASB

Task Force view: Relationship joint arrangements (IPSAS 37)

Comparison between joint arrangements and leases

Economics of the Transactions



TF View:

Different economics => not comparable

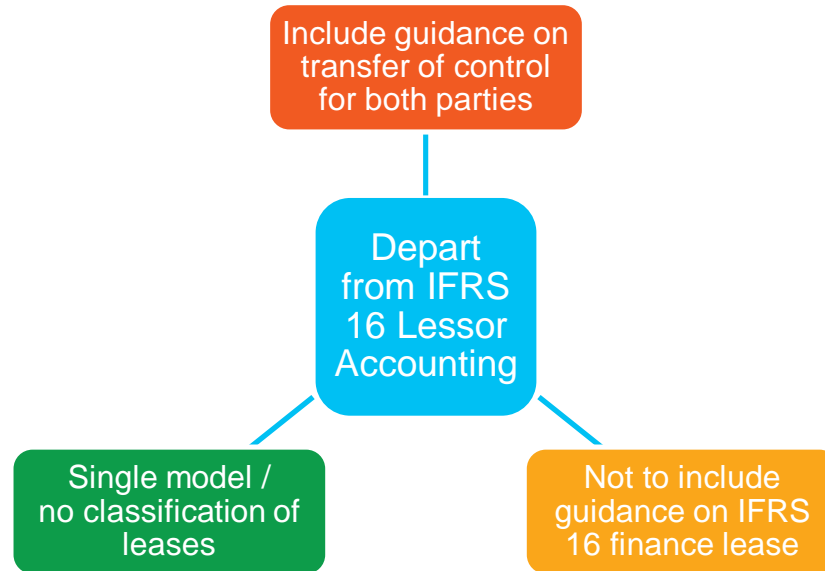
Task Force report back to IPSASB

Issues to be further discussed by the Task Force

- Recognition and measurement
 - Lease receivable
 - Liability
- These issues do not influence Task Force's recommendation

Task Force report back to IPSASB

Task Force recommendation



Task Force report back to IPSASB

Task Force recommendation

- Does the IPSASB agree with the Task Force recommendation to depart from IFRS 16 Lessor Accounting based on conceptual reasons?
 - Note: Any final decision on departure or not will be subject to the Task Force's consideration of practical issues associated with departure



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