

OTHER LEASE-TYPE ARRANGEMENTS

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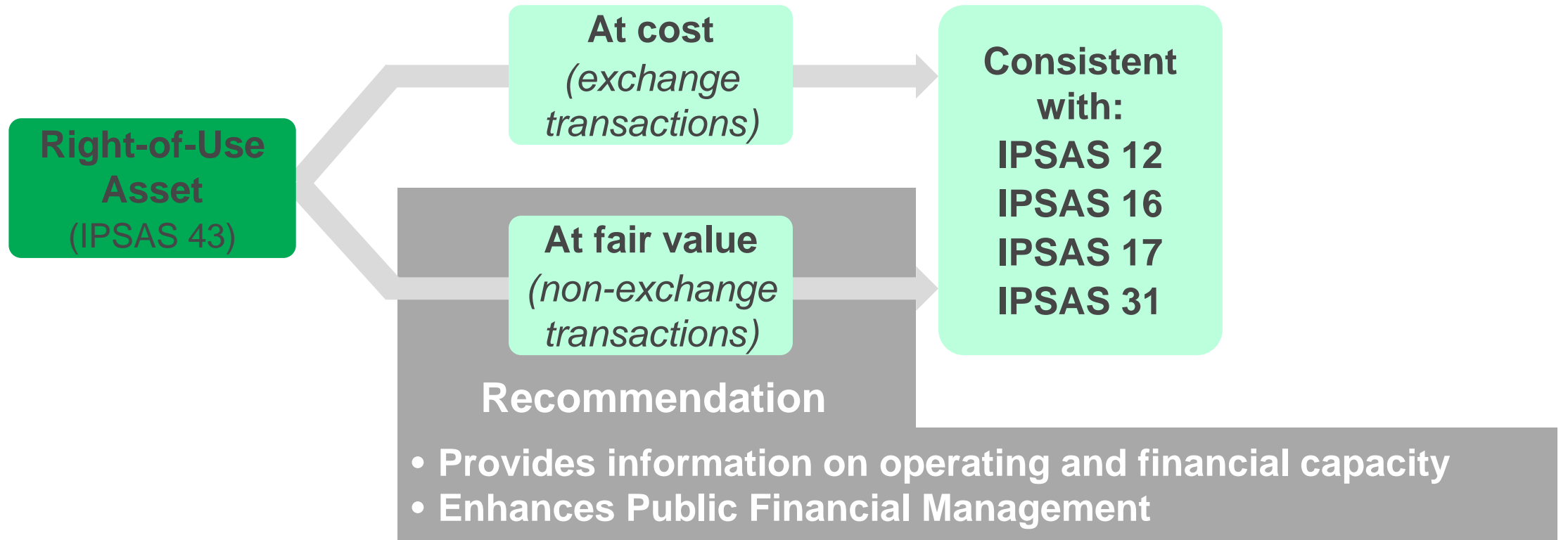
IPSASB Meeting – June/2022

Task Force Chair's Observations from Task Force Discussions

- Two Task Force meetings in Q2 2022
- Transaction analysis based on IPSAS 43 lease accounting models
- Links with other IPSASB projects
- Leases for zero or nominal consideration
- Basis for conclusions to be enhanced after each IPSASB meeting
- Application of the concessionary lease accounting principles to sale and leaseback transactions to be discussed at the September 2022 meeting

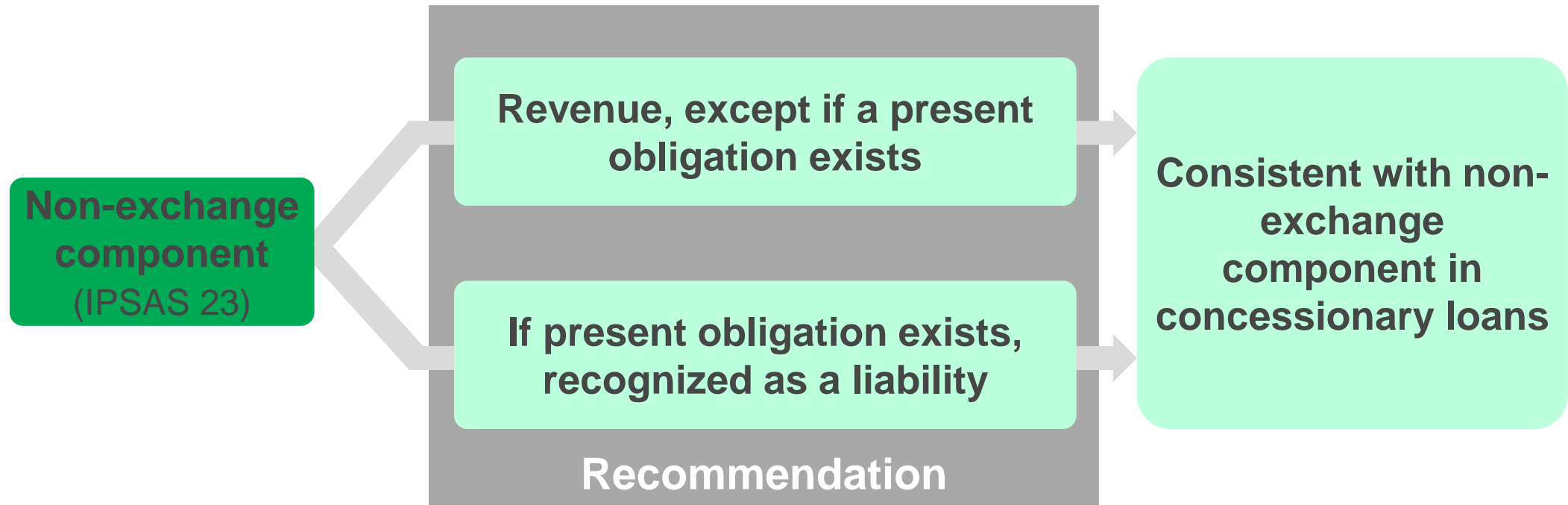
Concessionary Lease: Measurement and Recognition of the Concession for Lessees

Measurement



Concessionary Lease: Measurement and Recognition of the Concession for Lessees

Recognition



From the lessee perspective, leases are financings of the right to use an underlying asset.

Concessionary Lease: Measurement and Recognition of the Concession for Lessees

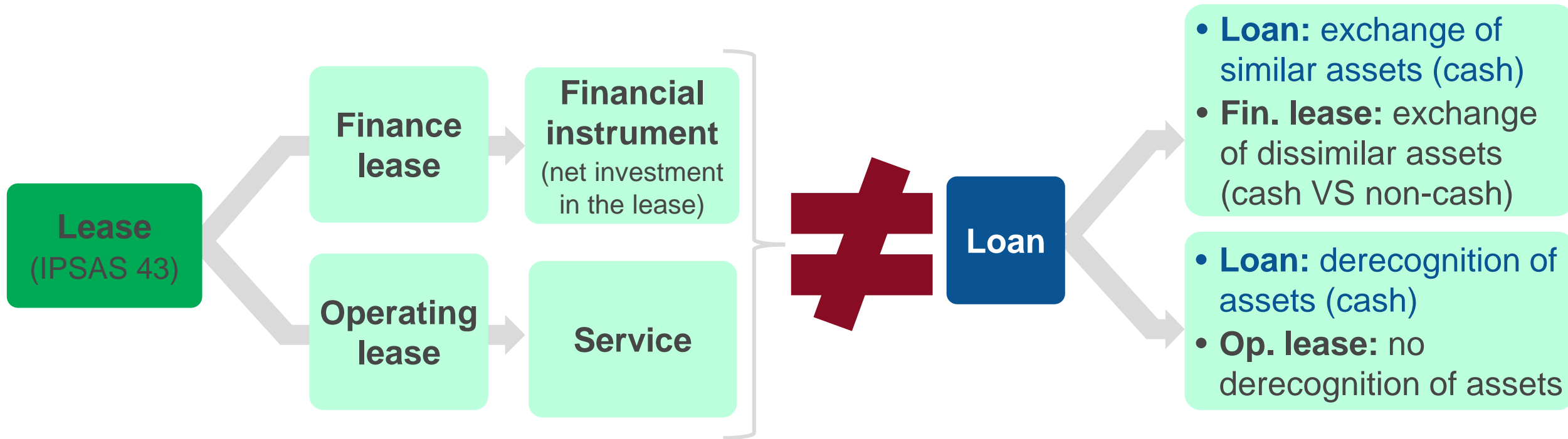
Staff and Task Force's Recommendations:

- **To measure** right-of-use assets in concessionary leases at fair value on initial recognition.
- **To initially recognize** the concession component as revenue, except if a present obligation exists (where it is recognized as a liability).

Does the IPSASB agree with these recommendations?

Concessionary Lease: Measurement and Recognition of the Concession for Lessors

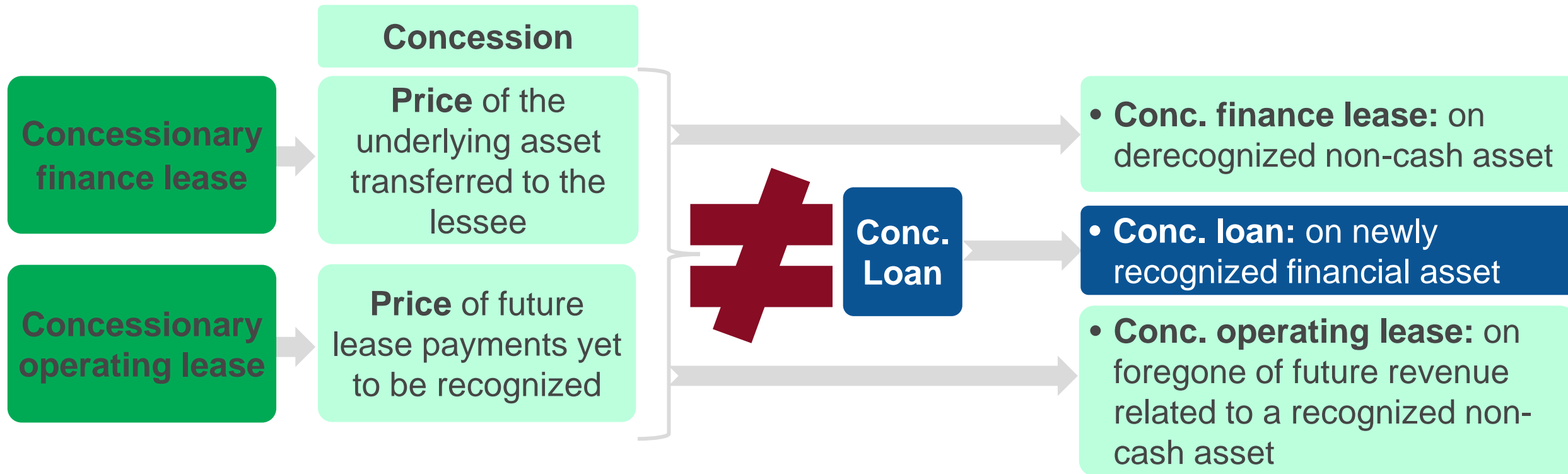
Risks and Rewards Dual Model



From the lessor perspective, leases are economically different from loans.

Concessionary Lease: Measurement and Recognition of the Concession for Lessors

Concessionary Loan versus Concessionary Lease



From the lessor perspective, concessionary leases are economically different from concessionary loans.

Concessionary Lease: Measurement and Recognition of the Concession for Lessors

Staff and Task Force's Recommendations:

- Concessionary finance lease:
 - **To measure** the transferred asset at its carrying amount in accordance with the relevant IPSAS;
 - **To recognize** the cost of the transferred asset on disposal in accordance with the relevant IPSAS;
- Concessionary operating lease:
 - **To measure** the lease payments at cost in accordance with IPSAS 43; and
 - **To assess** whether the underlying asset is impaired with accordance with IPSAS 21 or IPSAS 26, as appropriate.

Does the IPSASB agree with these recommendations?

Concessionary Lease: Presentation and Disclosures

Staff and Task Force's Recommendations

- For lessees:
 - Amendments to IPSAS 23.107 and IPSAS 43.64A (see draft ED in Agenda Item 6.3.1)
- For lessors
 - Amendments to IPSAS 43.96A–96B (see draft ED in Agenda Item 6.3.1)

Recommended disclosures related to the respective accounting models, not beyond, for cost-benefit reasons.

Does the IPSASB agree with these recommendations?

Concessionary Lease: Identification, Classification, and Scope

Staff and Task Force's Recommendations:

- **To include** in IPSAS 43, *Leases* the amendments on identification, classification and scope of concessionary leases (see draft ED [XX]):
 - Proposed new paragraphs 18A–18D of IPSAS 43; and
 - Proposed new paragraphs AG32A, AG32B, AG60-AG62 of IPSAS 43.
- **Not to extend** the general accounting guidance for concessionary leases for lessees' recognition exemptions:
 - Leases of low value assets – not material enough to warrant concessionary lease accounting
 - Short-term leases – Cost-benefit reasons

Does the IPSASB agree with these recommendations?

Concessionary Lease: Identification, Classification, and Scope

Staff and Task Force's Recommendations:

- **Not to include** in IPSAS 43 additional specific guidance on:
 - Lease incentives – IPSAS 43.BC47 already provides an explanation on this topic
 - Lease modifications – Preparers need to apply professional when applying IPSAS 43
 - Variable lease payments for identifying and classifying leases – Not prevalent in the public sector that warrant specific guidance.

Does the IPSASB agree with these recommendations?

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

Staff and Task Force's Recommendations:

Lessee

Current Literature

- Cross-refer to IPSAS 23:
 - It is still effective;
 - Deals with principles applicable to:
 - Non-exchange revenue; and
 - Assets acquired at below-market terms.

(see proposed paragraphs to IPSAS 23 and to IPSAS 43 in draft ED)

Developing Literature

- New IPSAS 23 guidance on concessionary leases to be included in the new IPSAS on Revenue:
 - IPSAS 23 principles carry forward; and
 - Consistent with concessionary loans guidance.

Does the IPSASB agree with these recommendations?

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

Staff and Task Force's Recommendations:

Lessor

Current Literature

- Include guidance in IPSAS 43:
 - No current IPSAS on Transfer Expenses;
 - Consistent with IPSAS 41 on concessionary loans;
 - Current IPSASB's literature provides sufficient principles that can be applicable in the accounting for concessionary leases for lessors.

(see proposed paragraphs to IPSAS 43 in draft ED)

Developing Literature

- Transfer Expenses project will assess any consequential amendments to IPSASB's literature, including IPSAS 43.

Does the IPSASB agree with these recommendations?