

**ASOCIACION INTERAMERICANA DE CONTABILIDAD
INTERAMERICAN ACCOUNTING ASSOCIATION
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE**

Panamá, República de Panamá, May 15th, 2020

Oficio N° 157/2021 AIC

Members of the Board
International Public Sector Accounting Standard Board (IPSASB)
529 5th Avenue, 6th Floor
New York, New York 10017

REF: Proposed IPSASB ED 75, Leases

Dear Members of the Board,

The Inter-American Accounting Association (IAA) (AIC – in Spanish), welcomes the opportunity to comment on the Exposure IPSAS ED 75, Leases.

This reply summarizes the views of different member countries of the IAA, according to the following due process:

Due process:

The Draft was submitted to the different IAA member, the Inter-American Technical Commissions (ITC) and the Sponsor Organizations (SO); hence all members had the opportunity to participate in the discussion of the Draft.

All comments received from the ITC and SO, were compared and discussed, before preparing a reply which has been approved upon by all members

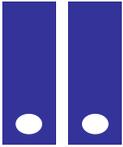
General comments:

We decisively support the IPSASB initiative on this important issue, considering the educational issue as fundamental in the formation and exercise of the accounting and auditing professional.

If you have any questions about our comments, please do not hesitate to contact us.

Sincerely,

Maria Clara Cavalcante B.
PRESIDENT



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Comment Letter of the Interamerican Accounting Association- IAA on the document for public discussion referred to; “Proposed IPSAS ED 75, Leases”

We have answered the questions of the document in accordance with the provided instructions. Please see our answers and related comments below.

Questions included in Request for Information (RFI), *Concessionary Leases and Other Arrangements Similar to Leases* are provided below. They are included to provide constituents with a complete list of questions related to the Leases project. Please review and consider the RFI when responding to these questions.

Question 1: In your jurisdiction, do you have concessionary leases (or similar arrangements) as described in this RFI? If yes, please:

- (a) Describe the nature of these leases (or similar arrangements) and their concessionary characteristics; and
- (b) Describe the accounting treatment applied by both parties to the arrangement to these types of leases (or similar arrangements), including whether the value of the concession is reflected in the financial statements.

Answer 1:

In leasing contracts for premises, the lessee takes into account the market value.

But in the evaluation of the contract by the General Comptroller's Office, the different appraisals of the property must be obtained by both the Management of Architecture-Heritage Assets and the Ministry of Economy and Finance before renting or leasing and thus giving an estimated price to the proposer or offer provided by the lessee.

In addition to taking into consideration the budgeted amount, for the Central Government sector, Public Companies, in terms of Local Governments it is already a bit more difficult to apply it and due to the needs of the areas, but all leased assets must be taken to Contract, with your budget line. There is no other type of document, they are standard rules already established by the Comptroller General's Office.

Regarding the accounting records, from what we have observed and reviewed in Local Government and Public Companies, the accounting record of the obligation does not apply financially neither in the short nor in the long term, only affectation in the Income Statement, but budgetary if it is keep track of the duration of the contract, example: The contract must indicate the budget item and the amount per year; if it lasts 1, 2 or 3 years or if the leased asset was taken in the middle of the year.

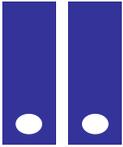
At no time are the Assets or Liabilities recorded. (It will be because there are Entities: Example Charitable Lottery, Marketing Institute, Community Boards; that specifically the accounting records are not yet as of today May 2021, integrated into the ISTMO System before SIAFPA).

Leases for Nominal or Nil Consideration

12. Like the concessional leases described earlier in this RFI, often in the public sector, lease-type agreements are entered into for no or nominal consideration (for example, for a currency unit).

13. These types of arrangements have a key difference compared to concessional leases: no consideration is exchanged or the consideration exchanged is negligible. The implicit value of the concession in the agreement is, or almost is, the total market value of the right to use an asset

14. Examples of these arrangements include government departments or municipalities that provide office space at no charge to a third party.



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Question 2: In your jurisdiction, do you have leases for zero or nominal consideration as described in this RFI? If yes, please:

- (a) Describe the nature and characteristics of this type of lease (or similar arrangement); and
- (b) Describe if and how the value of the concession is reflected in the financial statements of both parties to the arrangement.

Answer 2.

Upon arrival of the Leasing Contract, after endorsement by the General Comptroller's Office, you must enter the Purchasing Department, so that the registration of the same can be made, where the modality and its action as a procedure will be indicated, currently within the designated Program From there it will go to the Accounting Department for its accounting record, that the accrual record will be made to receive monthly payments affecting the expense accounts and accounts payable that will ultimately be observed in the Financial Reports of the entity. Examples: Central Government (Ministry of Government and Justice, National Post Office), including Public Companies, Tocumen Airport and the Panama Canal, in Panama.

Arrangements Allowing the Right of Use

19. There are cases where public sector entities provide services (eg educational services) using property provided by third parties (eg trusts and non-governmental entities). In some cases these entities can override the properties and in other cases they cannot. Often there is no written agreement, but the public sector entity can only use the properties for its specific service.

Question 3: Does your jurisdiction have arrangements that provide access rights for a period of time in exchange for consideration? If yes, please describe the nature of these arrangements and how they are reflected in the financial statements of both parties to the arrangement.

No, Comment

Question 4: In your jurisdiction, do you have arrangements with the same or similar characteristics to the one identified above? If yes, please describe the nature of these arrangements and how they are reflected in the financial statements of both parties to the arrangement.

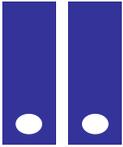
Answer 4:

Example of Panama: The National Post Office, an entity that belongs to the Ministry of Government and Justice, previously spaces were used by municipal agreements, with the social purpose of benefiting the population, however, given Decentralization, today Contracts / Agreements are made of Leases, carrying out the same process already described in point 2.

Social Housing Rental Arrangements

20. Social housing may sometimes be provided under agreements or legislation that stipulate the terms and conditions under which public sector entities may enter into rental agreements as principal lessors or subleases For example, the agreement or legislation may limit the powers of the public sector entity organizing / initiating the housing leases to terminate the agreement.

21. In other situations, leases may not have a final term by which a tenant has an obligation to vacate and return the underlying asset.



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22. *In this case, due to the limitations of the rights of the social housing provider in the agreements and by not having a predetermined period of time to return the asset, there is a question whether these types of agreements meet the definition of leasing.*

Question 5: In your jurisdiction, do you have arrangements involving social housing with lease-type clauses or other types of lease-like arrangements with no end terms? If yes, please describe the nature of these arrangements and how they are reflected in the financial statements of the social housing provider.

Answer 5:

In the case of Panama: Applies to the following entities: MINISTRY OF HOUSING AND MORTGAGE BANK.

These are the cases of the transfer of land belonging to an entity that is not in use and which, in turn, is transferred to the required entity, at no cost.

In this case, the MIVI or Ministry of Housing is the entity that builds or is responsible for awarding the Public Bid, within its budget.

These two entities are the related and responsible entities that will later build the apartment buildings of social interest or neighborhoods.

But in the case of receiving income from the rental of the property or in many cases, the purchase of the constructed property is solely and exclusively the function of the Mortgage Bank.

It should be noted that both entities belong to the Central Government Sector and within their Financial Statements Assets, sales and Income are recorded.

Until the last period that ended in May 2019, the Accounting Department of the General Comptroller's Office together with the Accounting Directorate of the Ministry of Economy and Finance continued to review the accounting records, financial statements and integration of the Isthmus System in different entities that were not yet adhered to the integrated system of the Financial - Budgetary status.

On the other hand, we also want to inform that the Decentralization Directorate, attached to the Presidency, continues to improve financial and budgetary control in addition to controls to the Financial Statements of the 21 communal boards that make up the Capital District, even if they are manual.

Question 6: In your jurisdiction, do you have arrangements involving the sharing of properties without a formal lease contract? If yes, please describe the nature of these arrangements and how they are reflected in the financial statements of both parties to the arrangement.

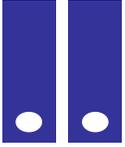
Answer 6:

No, comment

Question 7: In your jurisdiction, do you have other types of arrangements similar to leases not mentioned in this RFI? If so, please describe the characteristics of these arrangements and how they are presently being reflected in the financial statements of both parties to the arrangement.

Answer 7:

No, comment



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