



## THE INSTITUTE OF CHARTERED ACCOUNTANTS (GHANA)

Accountancy House, off Trinity Avenue, Okponglo, East Legon P. O. Box GP 4268 Accra, Ghana  
tel: 0544336701/2 | 027781422/3/4 | email: info@icagh.com | www.icagh.com

OUR REF: ICAG/TD/ED/Q2/2  
YOUR REF:

The Technical Director  
International Public Sector Accounting Standards Board (IPSASB)  
New York

May 17, 2021

Dear Sir,  
**Request for Information – Concessionary Leases and Other Arrangements Similar to Leases**

We are grateful to the IPSASB for the opportunity given us to share our views on the Request for Information (RFI) on Concessionary leases and other arrangements similar to leases. We welcome the initiative of the IPSASB to address public sector issues specific to concessionary leases (i.e. components in leases with non-market terms) and other arrangements similar to leases (i.e. arrangements that provide other forms of rights over assets, but not the right of use as provided in a lease arrangement).

Below are our responses to the questions raised in the Request for Information:

**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**

### **Comment**

Yes, there are a lot of concessionary leases or similar arrangements as described in the RFI. Government of Ghana has given a number of its property to foreign missions and international organisations either for free or on concessionary rate far below the market value. A lease at below market terms implies the existence of a concession or subsidy in-kind in the lease contract, which can be identified as the difference between the market value of the right to use an asset and the consideration stipulated in the lease contract (contract value).

**(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.**

### **Comments**



The accounting treatment applied under this concessionary arrangement by both parties depend on the nature of the agreement and whether the transfer of ownership is effected in favour of the lessee. In most of these arrangements ownership remains with the government and the organization occupying it only has right to use the asset. The payments if any made by the lessees are treated as rental payments. The lessees do not record the value of the property as assets in their books but rather record the periodic payments as expenses. The lessees however, pays for the maintenance and general upkeep of the property and are treated as such in their books. The government continues to keep the property in its books as assets, and record any revenue received from rental payments as income. Appropriate ledger entries are made to record the transaction. If no payments are received from the lessees, the lessor or the government does not record any revenue, and the lessor does not record any expense in respect of property given for free.

**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**

**Comment**

Yes, there are a lot of leases for zero or nominal consideration as described in the RFI. Office buildings and other property occupied by the Metropolitan, Municipal and District Assemblies (MMDAs) and other government agencies are owned by the central government. The MMDAs and other government institutions are occupying them for free. That is, the property is given out for zero consideration. The government, most of the times keeps and maintains the property on behalf of the MMDAs. The government and the MMDAs often times lease out their property to third parties including, NGOs, traditional institutions, private investors and individuals to carry out developmental activities in a community. Such arrangements are mostly zero or nominal lease concession where the lessee is made to pay a token or nominal amount to signify the transaction.

**(b) Describe if and how the value of the concession is reflected in the financial statements of both parties to the arrangement.**

**Comment**

Property given by the government to the MMDAs and other organisations for free continue to remain the property of government and as such are kept in the books of the government. The MMDAs do not record the property transferred to them for free, however, they at times maintain the property and record such expenses in their books.

**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.**

**Comment**

Yes, there are a number of arrangements that provide access rights for a period of time in exchange for consideration. Government owns farmlands, industrial parks, recreational parks, conference



halls, and office spaces that are leased out to individuals and organisations for a short period and at times a longer period for a consideration. Government leases out farmlands and industrial parks for individuals to farm on it or establish industries for some time. In such situation, periodic rentals are paid to the government or government agency which owns the land or industrial park as per the agreement. The lessee recognizes periodic payments in their books as rental payments. The government or government agency will on the other hand recognize such receipts as revenue from the lease. There are other property of government or government agency which manages conference halls, recreational parks, forest reserves, offices and coast lines which are leased out to individuals, organisations and churches for short period. The lessees pay for the usage for the property for the period in use. Such payments are recorded as expenses to the lessee and the government or government agency which owns the property records such payments as revenue.

**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.**

#### **Comment**

Yes, there are arrangements with similar characteristics as the one described. The third parties usually give these facilities out to government agencies for many years. In most cases, there are no formal arrangements, but both parties do understand their rights and obligations. The third parties could elect to give them off to the government for free, or receive some other benefits in return.

Usually the third parties treat the properties as their asset, depreciating them at the appropriate rate. Any income for giving out such properties are also accounted for in the Income Statement. The public sector entity would usually not record such properties as assets in their financial statements. However, any rental or benefits offered to the third parties are captured in the entities financial statements.

**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.**

#### **Comment**

Yes, in my jurisdiction there are arrangements as the one described above. The social housing is usually provided by government or government agency for its workers or the public. The social housing is provided by the public sector entity, and the occupants are usually required to pay an amount mostly below the market rate. In certain situations, the tenancy arrangement is for life, such that the property is only reclaimed when the tenant passes on. Depending on the nature of the agreement, the tenancy may be for a short period where you vacate and another person occupies it. This is much particular with social housing owned by government organisations which are given to their employees. The periodic rental payments are recorded as receipts in the books of the



housing provider. The social provider recognizes the properties as state or public properties in their financial statements.

**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.**

#### **Comment**

There are a lot of instances where institutions and departments of government are co-located in the same building. Such institutions and departments of government share properties without a formal lease contract. The building may be owned by government and given to these institutions to operate from. It could also be owned by one of the institutions and lease out to other institutions to use the excess spaces in the building. In the case where the building is owned by government, government gives it out to the ministries, departments, and agencies of government to perform their functions. No formal lease agreements are made between the government and the ministries, departments and agencies (MDAs), and again no rental payments are made. The ministry, department or agency does not own the building, and as such does not record it in their financial statements. There is a government agency who takes care of government property. Such agency will record the property in their books and takes care of the maintenance of the property.

There are situations where the property is owned by an agency of government but allows other state agencies to use the property for their activities. Arrangements of this nature are usually made at the supervisory ministerial or governmental level. The lease agreement will indicate the terms of the occupancy and rental payments. In most cases the property is given at no cost or payment of minimal rent towards the repair and maintenance of the property. The lessee department or agency does not record the property in their books but only the rental payment, if any.

**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.**

#### **Comments**

There are occasions where the community or individuals donate or lease their land or property to government to be used for social projects such as schools, hospitals, markets and lorry parks. Such leases are mostly for zero or minimal consideration which is far below the market value of the property. The term of the lease is usually perpetual and the community does not have intention to reclaim the land unless government decides to abandon the project and gives back the property to its owners. The community does not record anything in their books for such a lease where the lease is for zero consideration. Where payments are received from government for the use of the land, such receipts are considered as income to the community and the money is often used to finance another project in the community. The government often does not record such a lease where no

payments are made in its books or at a nominal amount. Where some payments are made government records it at the value of the amount given.

We hope the IPSASB finds these comments helpful in further developing its consultations on “Concessionary leases and other arrangements similar to leases”. In turn, we are committed to helping the IPSASB in whatever way possible to build upon the results of this Request for Information. We look forward to strengthening the dialogue between us. Please do not hesitate to contact us should you wish to discuss any matters raised in this submission.

**Yours Sincerely,**



**Osei Adjaye-Gyamfi**

**(Director, Technical and Research)**