



# IPSASB Leases Project

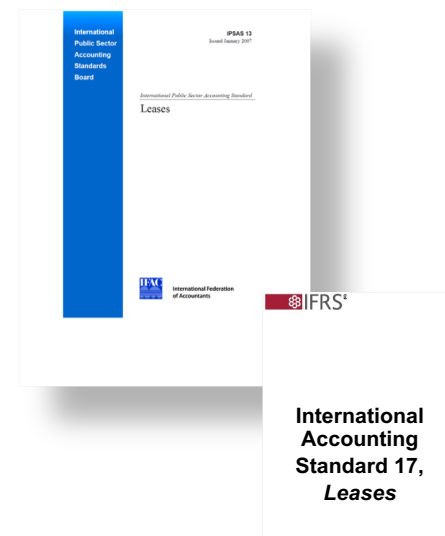
João Fonseca, Principal

ICGFM Forum on IPSASB ED 75, Leases

May 11<sup>th</sup>, 2021

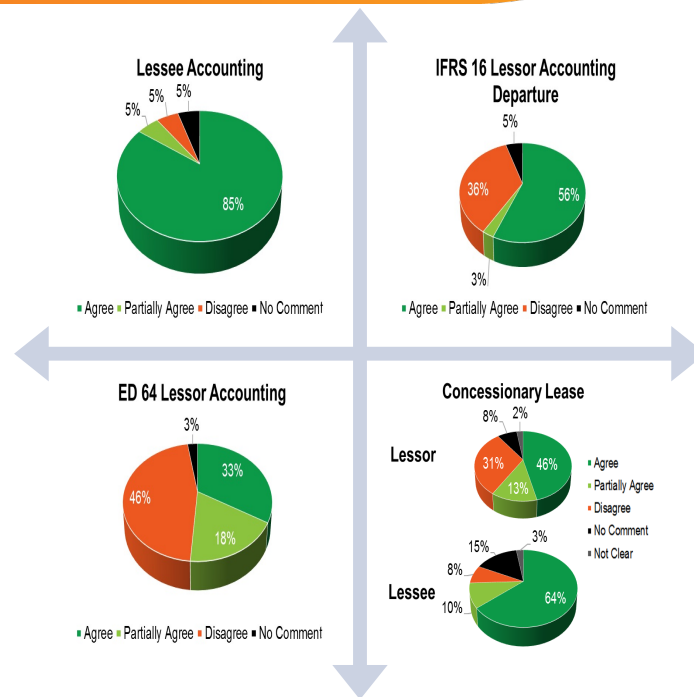
# Why a New Leasing Standard in the Public Sector?

- Risks and rewards model in IPSAS 13 lessee accounting:
  - Permitted ‘off-balance sheet financing’ for operating leases
  - Difficult to:
    - Understand the entity’s assets and liabilities; and
    - Compare entities that lease assets with those that buy assets.

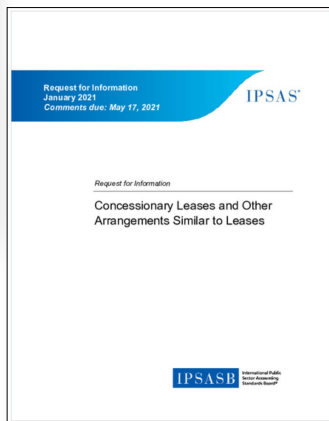
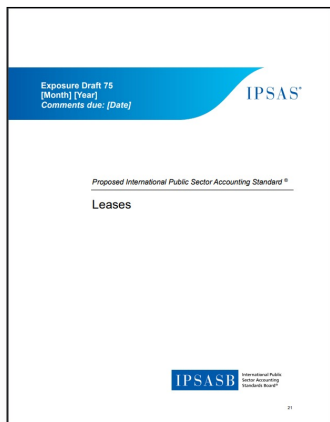


# Overview of responses to ED 64, *Leases*

- **Lessee accounting:**
  - Strong support for ‘right-of-use’ approach
- **Lessor accounting:**
  - Mixed feedback on proposals
- **Concessionary leases:**
  - Mixed feedback on proposals



# Leases-Current Approach



## Two-phased approach:

- **Phase One – ED 75:** IFRS 16-aligned
- **Phase Two – Request for Information:** Collect evidence base on characteristics of concessionary leases and other arrangements similar to leases that are common in the public sector – then decide what if any additional guidance required

## Brief Comparison Between ED 64 and ED 75

### ED 64, *Leases*

- **Lessee accounting**
  - Right-of-use model (based on IFRS 16)
  - Concessionary leases
- **Lessor accounting**
  - Right-of-use model
  - Concessionary leases

### ED 75, *Leases*

- **Lessee accounting**
  - Right-of-use model (based on IFRS 16)
- **Lessor accounting**
  - Risks and rewards model (based on IFRS 16)

# ED 75 – Lessee Accounting

## Accounting for the lease—General guidance

Recognition

Right-of-use asset

Lease liability

## Accounting for the lease—Elective Exemptions

- Short-term leases
- Leases of low value asset

Recognize the lease payments as an expense on either:

- (a) A straight-line basis over the lease term; or
- (b) Another systematic basis.

## Specific Matters for Comment (SMC)

### SMC 1

- The proposed modifications to IFRS 16 for the public sector

### SMC 2

- The proposed retention of the fair value definition from IPSAS 13 and IFRS 16.

### SMC 3

- The proposed addition of the term “service potential”, where appropriate, together with “economic benefits” in the application guidance of ED 75 on identifying a lease

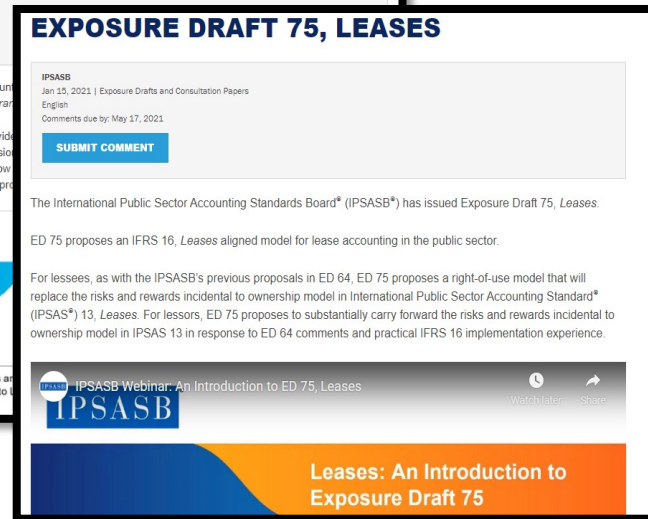
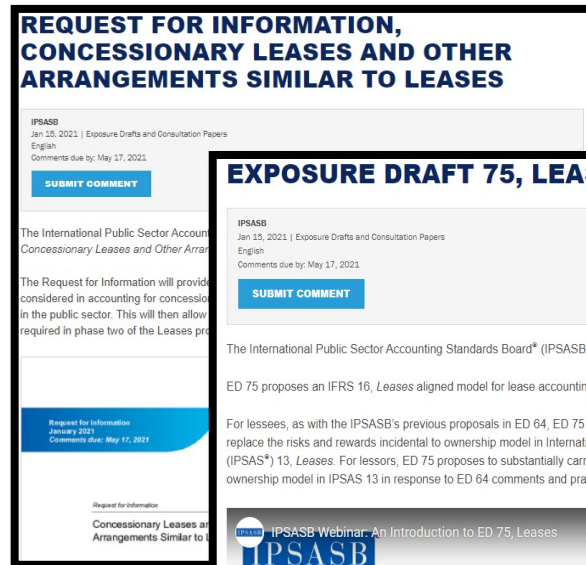
# Leases – Further Information

Information available on the IPSASB website:

- IPSASB ED 75 Webinar
- At-a-Glance Summary: ED 75

Comments due: *May 17, 2021*

- Please Share Your Views on ED 75 and on the Request for Information!!



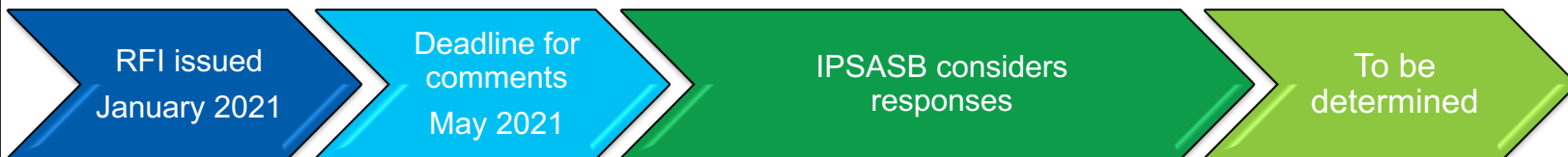


# Next Steps

## Phase One



## Phase Two





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