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
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
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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.
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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
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!!
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Next Steps

Phase One
- ED 75 issued
  - January 2021
- Deadline for comments
  - May 2021
- IPSASB considers responses
- IPSAS issued

Phase Two
- RFI issued
  - January 2021
- Deadline for comments
  - May 2021
- IPSASB considers responses
- To be determined