



ED 203

Comments due by 6 April 2023

ACCOUNTING STANDARDS BOARD

**INVITATION TO COMMENT ON THE PROPOSED
INTERNATIONAL PUBLIC SECTOR ACCOUNTING
STANDARD ON
*CONCESSIONARY LEASES AND RIGHT-OF-USE
ASSETS IN-KIND*
(ED 203)**



ED 203

Commenting on this Exposure Draft

The Accounting Standards Board (the Board) seeks comment on the Exposure Draft of the proposed International Public Sector Accounting Standard on *Concessionary Leases and Right-of-Use Assets In-Kind* (ED 203).

Comment received on this Exposure Draft will be used in formulating a response to the IPSASB. Comment should be submitted in writing so as to be received by **6 April 2023**. E-mail responses are preferred. Unless respondents to the Exposure Draft specifically request confidentiality, the comment is a matter of public record once the pronouncement has been issued. Comment should be addressed to:

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Background to the project

Project rationale

The International Public Sector Accounting Standards Board (IPSASB) is responsible for the development of international accrual-based accounting standards, for use by governments and other public sector entities around the world. The IPSASB developed International Public Sector Accounting Standard (IPSAS) 13 on *Leases* and was primarily drawn from the International Accounting Standard (IAS) 17 on *Leases*.

In January 2016, the International Accounting Standards Board issued IFRS 16 on *Leases* to replace IAS 17. The IPSASB decided to update IPSAS 13 to align with IFRS 16. As public sector specific lease issues were identified by stakeholders, the IPSASB adopted a phased approach to the project. Phase one addressed lease accounting models for both the lessee and lessor based on IFRS 16. Phase one was completed when the IPSASB issued IPSAS 43 on *Leases* in January 2022.

The second phase of the project addresses public-sector specific issues, such as concessionary leases, access rights and other similar “lease-like” arrangements. These issues were identified through information provided by stakeholders on the IPSASB’s Request for Information (RFI) *Concessionary Leases and Other Arrangements Similar to Leases*.

Feedback on the RFI led to the issue of this Exposure Draft (ED) to propose requirements for the initial measurement of a right-of-use asset in a concessionary lease. Concessionary leases are leases at below-market terms. The ED also proposes requirements for the initial measurement of a right-of-use asset in-kind. A right-of-use asset in-kind is a right-of-use asset that is transferred to an entity, without the lessee providing any value in exchange. New guidance is also proposed on sale and leaseback transactions with embedded below-market terms that are concessions.

Impact of the Exposure Draft in South Africa

Link between IPSAS and Standards of GRAP

The Board issued an equivalent of IPSAS 13 in 2006. The Board’s policy is to align Standards of GRAP with IPSAS when this is consistent with its mandate and strategic objectives.

As part of the ASB’s consultation on its work programme for 2024 to 2026 (ED 194), local stakeholders indicated that they would like new guidance on accounting for leases. As the IPSASB agreed to first finalise both phases of its project before the revised IPSAS will become effective, local stakeholders recommended that the Board should follow a holistic approach to deal with all lease issues simultaneously. Stakeholders’ feedback on this ED is thus required to inform any future project that the Board may undertake on leases.

Which entities might be affected?



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Entities in the public sector involved in leasing arrangements, including concessionary leases and rights to use assets could be affected by the proposed IPSAS.

Commenting on this ED

Due process and timetable

The Board invites comment on the proposals set out in this ED from preparers, users, auditors, standard-setters and other parties with an interest in public sector financial reporting. Upon the closure of the comment period, the Board will consider the comment received on the ED that will be used to formulate a comment letter to the IPSASB.

Available materials

The IPSASB has developed an “At-a-Glance” document that outlines the high-level principles and concepts of IPSAS ED 84 (locally issued as ED 203). This can be accessed on the ASB’s website along with the other materials for the concurrent exposure: [At-a-Glance-ED-84.pdf \(ifac.org\)](#) and [Other-Lease-Type-Arrangements-Feedback-Statement.pdf \(ifac.org\)](#).

Invitation to comment

Comment on this ED is invited by **6 April 2023**. The Board requests that respondents express an overall opinion on whether the ED, in general, is supported and to supplement this opinion with detailed comment, whether supportive or critical. Respondents are also invited to provide detailed comment identifying the specific paragraphs to which it relates, explaining the issue and suggesting alternative wording, with supporting reasoning, where appropriate.

There is a specific matter for comment on which the IPSASB would appreciate feedback. This is outlined below.

Specific matters for comment

The IPSASB would appreciate feedback to the following question.

Specific Matter for Comment 1:

The IPSASB decided to propose new accounting guidance for concessionary leases for lessees (see paragraphs IPSAS 43.BC124–BC137) and right-of-use assets in-kind (see paragraphs IPSAS 23.BC28–BC30). Do you agree with the proposed amendments to IPSAS 43 and IPSAS 23? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

Specific Matter for Comment 2:

For lessors, the IPSASB decided to propose accounting for leases at below-market terms in the same way as for leases at market terms (see paragraphs IPSAS 43.BC138–BC149). Do you agree with the proposed amendments to IPSAS 43? If not, please explain your reasons.



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If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

Specific Matter for Comment 3:

The IPSASB decided to propose initially measuring right-of-use assets in concessionary leases (see paragraphs IPSAS 43.BC124–BC131) and right-of-use assets in-kind (see paragraphs IPSAS 23.BC28–BC30) at the present value of payments for the lease at market rates based on the current use of the underlying asset as at the commencement date of the lease. Do you agree with the IPSASB’s decision? If not, please explain your reasons. If you agree, please provide additional reasons not already discussed in the Basis for Conclusions.

Specific Matter for Comment 4:

When the payments for the lease at market rates based on the current use of the underlying asset are not readily available, the IPSASB decided to propose initially measuring right-of-use assets in concessionary leases (see paragraphs IPSAS 43.BC132–BC133) at the present value of contractual payments for the lease. Do you agree with the IPSASB’s decision? If not, please explain your reasons. If you agree, please provide additional reasons not already discussed in the Basis for Conclusions.

Other matters

As with any other EDs, comment on any other matter would be welcomed. Comment is most helpful if reference is made to a specific paragraph or group of paragraphs in your response.