

Exposure Draft 88  
March 2024  
*Comments due: May 31, 2024*

IPSAS®

*Proposed International Public Sector Accounting Standard®*

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# Arrangements Conveying Rights over Assets (Amendments to IPSAS 47 and IPSAS 48)

IPSASB

International Public  
Sector Accounting  
Standards Board®

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In meeting this objective, the IPSASB sets IPSAS® and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

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## REQUEST FOR COMMENTS

This Exposure Draft (ED), *Arrangements Conveying Rights over Assets* (Amendments to IPSAS 47 and IPSAS 48) was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by May 31, 2024.**

Respondents are asked to submit their comments electronically through the IPSASB website, using the “[Submit a Comment](#)” link. Please submit comments in both a PDF and Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. This publication may be downloaded from the IPSASB website: [www.ipsasb.org](http://www.ipsasb.org). The approved text is published in the English language.

### IPSASB’s Leases Project

In January 2022, the IPSASB published [IPSAS 43, Leases](#), which is aligned with IFRS 16, *Leases*. The publication of IPSAS 43 completed phase one of the IPSASB’s Leases project.

The Basis for Conclusions to IPSAS 43 explains how the IPSASB addressed the comment letters in developing IPSAS 43 and the reasons to have a phased approach to the Leases project.

Phase Two of the Leases project led to the publication in January 2021 of [Request for Information \(RFI\), Concessionary Leases and Other Arrangements Similar to Leases](#). The objective of phase two of the Leases project is to develop additional guidance on concessionary leases and other arrangements similar to leases.

In January 2023, the IPSASB published [ED 84, Concessionary Leases and Right-of-Use Assets In-kind \(Amendments to IPSAS 43 and IPSAS 23\)](#) to propose guidance for some of the arrangements identified in the RFI.

When ED 84 was published, the IPSASB had not approved IPSAS 47, *Revenue* and IPSAS 48, *Transfer Expenses*. This ED complements and updates the ED 84 proposals by clarifying the proposed amendments to IPSAS 47 and IPSAS 48 that arise from phase two of the Leases project.

The Final Pronouncement is expected to include illustrative examples in IPSAS 43 on Access Rights, Arrangements Allowing Right to Use an Asset, and Shared Properties explaining why these arrangements are not leases.

### Objective of the ED

The objective of this ED is to propose additional guidance for the concession in concessionary leases and for other arrangements that convey rights over assets.

### Guide for Respondents

The IPSASB welcomes comments on all the matters discussed in this ED. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording. Comments must be submitted in English.

The Specific Matters for Comment requested for the ED are provided below.

**Specific Matter for Comment 1:**

The IPSASB decided to carry over the proposals in ED 84 in IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)* related to the concession in concessionary leases to IPSAS 47 (see paragraphs IPSAS 47.BC141–BC145). Do you agree with the proposed amendments to IPSAS 47? 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:**

The IPSASB decided to propose non-authoritative guidance for arrangements conveying rights over assets in IPSAS 47 (see paragraphs IPSAS 47.BC146–BC150). Do you agree with the proposed non-authoritative amendments to IPSAS 47? 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 3:**

The IPSASB decided to propose non-authoritative guidance for arrangements conveying rights over assets without consideration in IPSAS 48 (see paragraphs IPSAS 48.BC41–BC44). Do you agree with the proposed non-authoritative amendments to IPSAS 48? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

**EXPOSURE DRAFT 88, ARRANGEMENTS CONVEYING RIGHTS OVER  
ASSETS (AMENDMENTS TO IPSAS 47 AND IPSAS 48)**

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## AMENDMENTS TO IPSAS 47, *REVENUE*

Paragraphs 194A, 203A, AG153A–AG153B, AG202A–AG202K, BC141–BC151, IE1A–IE1J, IE296A, and IE308 are added. Paragraphs AG1 and AG154 are amended. The headings above paragraphs AG153A, AG202A, AG202C, AG202D, AG202F, AG202H, BC141, IE1A, IE1B, IE1E, IE1H, IE296A, and IE308 are added. New text is underlined and deleted text is struck through.

### Effective Date and Transition

#### Effective Date

...

194A. Paragraphs AG1 and AG154 were amended and paragraphs 194A, 203A, AG153A–AG153B, AG202A–AG202K were added by [draft] IPSAS [X] (ED 88), *Arrangements Conveying Rights over Assets (Amendments to IPSAS 47 and IPSAS 48)* issued in [Month YYYY]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after [MM DD, YYYY]. Earlier application is permitted. If an entity applies the amendments for a period beginning before [MM DD, YYYY] it shall disclose that fact and apply IPSAS 43, IPSAS 45, IPSAS 46, IPSAS 47, and IPSAS 48 at the same time.

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#### Transition

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203A. The transition requirements for right-of-use assets in IPSAS 43 are also applicable to the measurement of the right-of-use assets in-kind held by an entity, as appropriate.

## Application Guidance

*This Appendix is an integral part of IPSAS 47.*

AG1. This Application Guidance is organized into the following categories:

...

(e) Application of Principles to Specific Transactions (paragraphs AG139–AG202);

...

(va) Concessionary Leases for Lessees (paragraphs AG153A–AG153B);

...

(xiv) Bill-and-Hold Arrangements (paragraph AG199–AG202); ~~and~~

(xv) Right-of-use Assets In-kind (paragraphs AG202A–AG202K); and

...

### Application of Principles to Specific Transactions

...

#### Concessionary Leases for Lessees

AG153A. Concessionary leases are leases received by a lessee at below-market terms. The portion of the lease that is payable, along with any interest payments, is accounted for in accordance with IPSAS 43. A lessee considers whether any difference between the present value of payments for the lease at market rates based on the current use of the underlying asset and the present value of contractual payments on initial recognition is revenue that should be accounted for in accordance with this Standard.

AG153B. Where a lessee determines that the difference between the present value of payments for the lease at market rates based on the current use of the underlying asset and the present value of contractual payments on initial recognition is revenue, a lessee recognizes the difference as revenue, except if a compliance obligation exists. Where a compliance obligation exists, the lessee considers if it gives rise to the existence and recognition of a liability. As the lessee satisfies the compliance obligation, the liability is reduced, and an equal amount of revenue is recognized.

#### Measurement of Transferred Assets

AG154. As required by paragraph 106, transferred assets are measured at their transaction consideration as at the date of recognition. When an entity received consideration in a form other than cash, the non-cash consideration is initially measured at its current value in accordance with relevant IPSAS;

...

- (d) Right-of-use assets held by a lessee acquired through concessionary leases are to be initially measured at the present value of payments for the lease at market rates based on the current use of the underlying asset in accordance with IPSAS 43.

...

### Right-of-Use Assets In-kind

#### Identification

AG202A. Right-of-use assets in-kind are right-of-use assets received without consideration. An entity identifies a right-of-use asset in-kind in accordance with the requirements of paragraphs 10–12 and AG10–AG34 of IPSAS 43, Leases for identifying a lease, with the necessary adaptations in the absence of payments.

AG202B. Right-of-use assets in-kind are transfers of assets that one entity makes to another, either free from requirements or may be subject to certain obligations. The resource provider may be an entity or an individual. For right-of-use assets in-kind, the past event giving rise to the control of resources embodying future economic benefits or service potential is normally the receipt of the right-of-use asset in-kind.

#### Recognition

AG202C. Right-of-use assets in-kind are recognized as assets in accordance with paragraphs 18–25 and the recognition of revenue depends on whether they arise from a transaction with a binding arrangement.

#### Measurement

AG202D. On initial recognition, right-of-use assets in-kind are measured at the present value of payments at market rates based on the current use of the underlying asset in accordance with paragraphs 26A and 26B of IPSAS 43. If payments for the right-of-use assets in-kind at market rates based on the current use of the underlying asset are not readily available, the right-of-use asset in-kind shall be measured in accordance with paragraphs 24–26 of IPSAS 43.

AG202E. After initial recognition, an entity shall subsequently measure right-of-use assets in-kind in accordance with paragraphs 30–36 of IPSAS 43 for right-of-use assets.

#### Presentation

#### Display

AG202F. An entity shall present in the statement of financial position or disclose in the notes right-of-use assets in-kind separately from other assets. If an entity does not present right-of-use assets in-kind separately in the statement of financial position, the entity shall:

- (a) Include right-of-use assets in-kind within the same line item as that within which the corresponding underlying assets would be presented if they were owned; and
- (b) Disclose which line items in the statement of financial position include those right-of-use assets in-kind.

AG202G. An entity may present right-of-use assets in-kind together with other right-of-use assets.



Disclosure

- AG202H. An entity shall disclose in the notes to the general purpose financial statements the nature and type of major classes of right-of-use assets in-kind, showing separately major classes of right-of-use assets in-kind received.
- AG202I. For right-of-use assets in-kind, an entity shall disclose in the notes to the general purpose financial statements the:
- (a) Depreciation charge for right-of-use assets in-kind by class of underlying asset; and
  - (b) Carrying amount at the end of the reporting period by class of underlying asset.
- AG202J. If right-of-use assets in-kind meet the definition of investment property, an entity shall apply the disclosure requirements in IPSAS 16. In that case, an entity is not required to provide disclosures in AG202I for those right-of-use assets in-kind.
- AG202K. If an entity measures right-of-use assets in-kind at revalued amounts applying IPSAS 45, an entity shall disclose the information required by paragraph 74 of IPSAS 45 for those right-of-use assets in-kind.

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 47.*

...

### **Revision of IPSAS 47 as a result of [draft] IPSAS [X] (ED 88), Arrangements Conveying Rights over Assets (Amendments to IPSAS 47 and IPSAS 48) issued in [Month and Year]**

BC141. In January 2021, the IPSASB issued the Request for Information (RFI), Concessionary Leases and Other Arrangements Similar to Leases. The RFI included a set of arrangements similar to leases that are common in the public sector<sup>1</sup>.

BC142. Based on the information received from respondents to the RFI, in January 2023, the IPSASB issued Exposure Draft (ED) 84, Concessionary Leases and Right-of-Use Assets In-kind (Amendments to IPSAS 43 and IPSAS 23). ED 84 proposed new public sector specific accounting requirements for two of the six types of arrangements identified in the RFI. Regarding the RFI remaining arrangements, the IPSASB had taken the view that the applicable IPSAS at the time of publication of ED 84 already provided the principles on how to account for those arrangements.

BC143. During the review of responses to ED 84, the IPSASB noted that some respondents raised some issues that were related to arrangements that do not meet the definition of a lease or right-of-use asset in-kind. The IPSASB also noted that this may be related to the fact that ED 84 did not propose accounting for the remaining types of arrangements included in the RFI that do not meet the definition of a lease or right-of-use asset in-kind. Therefore, respondents did not have a comprehensive view on the accounting for these types of arrangements that convey rights over assets.

BC144. In May 2023, the IPSASB published IPSAS 45, Property, Plant, and Equipment<sup>2</sup>, IPSAS 46, Measurement, IPSAS 47, Revenue<sup>3</sup>, and IPSAS 48, Transfer Expenses. As IPSAS 47 supersedes IPSAS 23, the ED 84 proposals of amendments to IPSAS 23 will no longer be applicable in 2026 onwards.

BC145. The IPSASB decided to publish ED 88 with proposed authoritative and non-authoritative guidance for the concession in concessionary leases for lessees in IPSAS 47 to update the proposals in ED 84.

BC146. The IPSASB also decided to propose non-authoritative guidance in IPSAS 47 and IPSAS 48, Transfer Expenses for the remaining arrangements in the RFI that convey rights over assets, thus complementing, and updating the proposals in ED 84.

BC147. In developing the proposed guidance in ED 88, the IPSASB decided to provide only illustrative examples on the remaining arrangements in the RFI because these arrangements may take many forms.

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<sup>1</sup> The Request for Information included six types of arrangements, as follows: (i) Concessionary Leases, (ii) Leases for Zero or Nominal Consideration, (iii) Access Rights (or Rights of Access to Property and/or Land), (iv) Arrangements Allowing Right-of-Use, (v) Social Housing Rental Arrangements, and (vi) Shared Properties with or without a Lease-Arrangement in Place.

<sup>2</sup> IPSAS 45 will be effective on January 1, 2025, and supersedes IPSAS 17, Property, Plant, and Equipment.

<sup>3</sup> IPSAS 47 will be effective on January 1, 2026, and supersedes IPSAS 9, Revenue from Exchange Transactions, IPSAS 11, Construction Contracts, and IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers).

BC148. The IPSASB noted that some respondents to the RFI had identified in their jurisdiction arrangements that conveyed the right to use an underlying asset for zero consideration. As this type of arrangement does not meet the definition of a lease because it lacks consideration, and with the approval of IPSAS 43, the IPSASB decided to create a new type of asset –the right-of-use asset in-kind– that did not exist at the time of approval of IPSAS 47, and to amend IPSAS 47 to provide guidance on accounting for this type of arrangement.

BC149. The IPSASB decided that accounting for right-of-use assets in-kind should follow the same principles as for right-of-use assets acquired through a concessionary lease because both have types of non-cash consideration.

BC150. The IPSASB noted that the recognition of services in-kind is elected rather than a requirement. The IPSASB considered whether to allow an election for recognizing right-of-use assets in-kind. The IPSASB decided to require recognition of right-of-use assets in-kind to be aligned with the accounting of both right-of-use assets under concessionary leases and donated assets.

BC151. The IPSASB also considered adding illustrative examples accompanying IPSAS 31, *Intangible Assets*, as some of these arrangements may meet the definition of an intangible asset. The IPSASB decided not to add illustrative examples accompanying IPSAS 31 because the main objective of issuing ED 88 is to update IPSAS 47 and IPSAS 48, as these IPSAS had not yet been issued by the IPSASB at the time of approval of ED 84.

## **Illustrative Examples**

*These examples accompany, but are not part of, IPSAS 47.*

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### **Scope**

IE1A. Examples 0A–0D illustrate the requirements in paragraph 3(d) of IPSAS 47 to assess whether the arrangement is in the scope of IPSAS 47, rather than in the scope of IPSAS 43, Leases.

#### *Example 0A – Access Rights*

IE1B. A Government Agency (the Entity) enters into an arrangement with a public sector entity (Customer) to convey the right to access to land in a forest and to small station cabins for use by the Customer’s employees in the course of its operations for a period of five years. The Customer uses the land to feed sheep and cows that are to be sold in the course of its activities. From season to season, the Entity has the discretion to change the portion of land and the small station cabins used by the Customer depending on other Entity’s activities that take place on the land. The Customer pays the transaction consideration upfront to the Entity for the use of the land and small station cabins.

IE1C. The Entity has determined that this arrangement is not a lease because there are no identified assets as the assets can be changed.

IE1D. In accordance with paragraph 3(d) of IPSAS 47, the Entity determined that this arrangement is a revenue transaction in the scope of IPSAS 47. The Entity confirms that the arrangement is a binding arrangement because it has an enforceable obligation to provide access to the land and cabins, in exchange for an enforceable right to receive payment from the Customer. Thus, the Entity would account for the arrangement by applying paragraphs 56–147 of IPSAS 47.

#### *Example 0B – Arrangements Allowing the Right to Use an Asset*

IE1E. Municipality A (the Entity) enters into an arrangement to provide Government Agency X (Customer) the right to use the Entity’s properties, which are specifically designed to deliver education services as part of a national program for certifying the qualifications of the labor force for a period of seven years, in exchange for transaction consideration that is paid monthly. Throughout the seven-year period, the Entity can and will change the buildings where the certification occurs according to its needs, as long as it gives the Customer a 30-day notice for the Customer’s planning purposes.

IE1F. The Entity has determined that this arrangement is not a lease because the Entity has substantive substitution rights.

IE1G. In accordance with paragraph 3(d) of IPSAS 47, the Entity determined that this arrangement is a revenue transaction in the scope of IPSAS 47. The Entity confirms that the arrangement is a binding arrangement because it has an enforceable obligation to provide the right to use its properties for the Customer to deliver education services in exchange for an enforceable right to receive payments from the Customer. Thus, the Entity would account for the arrangement by applying paragraphs 56–147 of IPSAS 47.

Example 0C – Shared Properties

IE1H. Municipality A (the Entity) enters into an arrangement with Government Agency B (Customer) to share the use of a floor in an office building for three years. The Entity will continue to use the floor for the majority of the time and coordinates with the Customer the dates that each can use it to their own activities. The Customer pays transaction consideration upfront each month, based on the number of days it plans to use the office space.

IE1I. The Entity has determined that this arrangement is not a lease because the Entity has not transferred to the Customer the right to obtain substantially all of the economic benefits or service potential from the use of the floor.

IE1J. In accordance with paragraph 3(d) of IPSAS 47, the Entity determined that this arrangement is a revenue transaction in the scope of IPSAS 47. The Entity confirms that the arrangement is a binding arrangement because it has an enforceable obligation to share the use of the office space with the Customer, in exchange for an enforceable right to payment from the Customer. Thus, the Entity would account for the arrangement by applying paragraphs 56–147 of IPSAS 47.

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Concessionary Leases

Example 54A – Concessionary Lease (Lessee)–Concession Results from 30% Lower Contractual Payments than Payments for the Lease at Market Rates.

IE296A. Public sector entity X (Lessee) enters into a lease with Municipality Y (Lessor) to use a building to provide medical services to the population over a period of 5 years. The Lessor does not regulate the types of medical services provided to the population.

The annual payment for the lease at market rates based on the current use of the underlying asset is CU5,312,420.

The lease stipulates that it should be paid over the 5-year period as follows:

Year 1: CU3,718,694

Year 2: CU3,718,694

Year 3: CU3,718,694

Year 4: CU3,718,694

Year 5: CU3,718,694

This represents an agreed reduction of 30% to the lease payments at market rates. The interest rate implicit in the lease is 5 percent per annum which is readily determinable by the lessee.

The lease includes a compliance obligation, specifically to use the building to provide medical services to the population for 5 years. The compliance obligation is met on a straight-line basis.

It is a concessionary lease, as the present value of the payments for the lease at market rates based on the current use of the underlying asset is higher than the present value of the contractual

payments. The lessee has effectively received a concession of CU6,900,000, which is the difference between the present value of the payments for the lease at market rates and the present value of the contractual payments. (Note: An entity would consider whether the substance of the CU6,900,000 is a contribution from owners or revenue; assume for purposes of this example that the CU6,900,000 is revenue).

The revenue of CU6,900,000 is accounted for in accordance with IPSAS 47, and the lease, with its related contractual interest and lease payments, in accordance with IPSAS 43.

The journal entries to account for the concessionary lease are as follows:

1. On initial recognition, the lessee will recognize the following:

<u>Dr</u>	<u>Right-of-use asset</u>	<u>CU23,000,000</u>	
<u>Cr</u>	<u>Lease liability</u>		<u>CU16,100,000</u>
<u>Cr</u>	<u>Liability</u>		<u>CU6,900,000</u>

2. Year 1: the lessee will recognize the following:

<u>Dr</u>	<u>Liability</u>	<u>CU1,380,000</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU1,380,000</u>

(1/5 of the compliance obligation met by the lessee CU6,900,000)

(Note: The journal entries for the repayment of interest and capital and interest accruals have not been reflected in this example, as it is intended to illustrate the recognition of revenue arising from concessionary leases. A comprehensive example is included in the Illustrative Examples to IPSAS 43.)

3. Year 2: the lessee will recognize the following (the lessee subsequently measures the concessionary lease at amortized cost):

<u>Dr</u>	<u>Liability</u>	<u>CU1,380,000</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU1,380,000</u>

(1/5 of the compliance obligation met X CU6,900,000)

4. Year 3: the lessee will recognize the following:

<u>Dr</u>	<u>Liability</u>	<u>CU1,380,000</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU1,380,000</u>

(1/5 of the compliance obligation met X CU6,900,000)

5. Year 4: the lessee will recognize the following:

<u>Dr</u>	<u>Liability</u>	<u>CU1,380,000</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU1,380,000</u>

(1/5 of the compliance obligation met X CU6,900,000)

6. Year 5: the lessee will recognize the following:

<u>Dr</u>	<u>Liability</u>	<u>CU1,380,000</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU1,380,000</u>

(1/5 of the compliance obligation met X CU6,900,000)

If the concessionary lease was granted with no compliance obligation, the lessee would recognize the following on initial recognition:

<u>Dr</u>	<u>Right-of-use asset</u>	<u>CU23,000,000</u>	
<u>Cr</u>	<u>Lease liability</u>		<u>CU16,100,000</u>
<u>Cr</u>	<u>Revenue</u>		<u>CU6,900,000</u>

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### Right-of-Use Assets In-kind

#### Example 59 – Right-of-Use Assets In-kind

IE308. Public sector entity Z (Entity Z) enters into an arrangement with a Government Agency (Agency) for 5 years to have the right to use for free a sports field to be used specifically by youth. The Agency does not regulate the types of sports services and their pricing that Entity Z provides.

A similar sports field built at the same time and with the same characteristics at a different location is being leased by the same government agency to a private sector entity for CU300,000 annually for 5 years. This information is publicly available on the Agency’s website.

Entity Z’s incremental borrowing rate is 5 percent per annum.

#### Case A – With a Binding Arrangement

Entity Z determines that under the arrangement, it has an enforceable right to use the sports field for free, and that it has an enforceable obligation (because the Agency can terminate the arrangement if that field is not being used by youth at any time in the 5 years). Entity Z determines that the arrangement meets the definition of a binding arrangement, and it includes a compliance obligation to ensure that only youth use the sports field. The compliance obligation is satisfied over time, on a straight-line basis.

Entity Z confirmed that the substance of the right-of-use is not a contribution from owners.

#### **Analysis**

Entity Z acquired a right-of-use asset for zero consideration. The present value of payments at market rates is CU1,298,843 (refer to Table 1), which corresponds to the value of the right-of-use asset and total revenue.

The journal entries to account for the right-of-use asset and revenue are as follows:

1. On initial recognition, Entity Z will recognize the following:

<u>Dr</u>	<u>Right-of-use asset</u>	<u>CU1,298,843</u>	
<u>Cr</u>	<u>Liability</u>		<u>CU1,298,843</u>

2. Year 1: Entity Z will recognize the following:

<u>Dr</u>	<u>Liability</u>	<u>CU259,769</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU259,769</u>

(1/5 of the compliance obligation met by Entity Z CU1,298,843)

3. Year 2: Entity Z will recognize the following:

<u>Dr</u>	<u>Liability</u>	<u>CU259,769</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU259,769</u>

(1/5 of the compliance obligation met CU1,298,843)

4. Year 3: Entity Z will recognize the following:

<u>Dr</u>	<u>Liability</u>	<u>CU259,769</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU259,769</u>

(1/5 of the compliance obligation met CU1,298,843)

5. Year 4: Entity Z will recognize the following:

<u>Dr</u>	<u>Liability</u>	<u>CU259,769</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU259,769</u>

(1/5 of the compliance obligation met CU1,298,843)

6. Year 5: Entity Z will recognize the following:

<u>Dr</u>	<u>Liability</u>	<u>CU259,769</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU259,769</u>

(1/5 of the compliance obligation met CU1,298,843)

Case B – Without a Binding Arrangement

Entity Z determines that under the arrangement, it has an enforceable right to use the sports field for free, but there is no enforceable obligation (because the Agency is not able to force Entity Z to restrict use of the field to youth only). Thus, Entity Z determines that the arrangement is not a binding arrangement.

Entity Z recognizes the following on initial recognition:

<u>Dr</u>	<u>Right-of-use asset</u>	<u>CU1,298,843</u>	
<u>Cr</u>	<u>Revenue</u>		<u>CU1,298,843</u>

**Table 1: Annual Payments (Using Incremental Borrowing Rate of Z at 5%)**

<u>Undiscounted Annual Payments for the Lease at Market Rates</u>	<u>Present Value of Payments at Market Rates (Value of Right-of-use asset and total revenue)</u>
<u>(1)</u>	<u>(2)</u>



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<b><u>Year 1</u></b>	<u>300,000</u>	<u>285,714</u>
<b><u>Year 2</u></b>	<u>300,000</u>	<u>272,109</u>
<b><u>Year 3</u></b>	<u>300,000</u>	<u>259,151</u>
<b><u>Year 4</u></b>	<u>300,000</u>	<u>246,811</u>
<b><u>Year 5</u></b>	<u>300,000</u>	<u>235,058</u>
<b><u>Total</u></b>	<b><u>1,500,000</u></b>	<b><u>1,298,843</u></b>

## AMENDMENTS TO IPSAS 48, *TRANSFER EXPENSES*

Paragraphs BC41–BC44 and IE12A–IE12F are added. Paragraph IE2 is amended. The headings above paragraphs BC41, IE12A and IE12E are added. New text is underlined.

### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 48.*

...

#### **Revision of IPSAS 48 as a result of [draft] IPSAS [X] (ED 88), *Arrangements Conveying Rights over Assets (Amendments to IPSAS 47 and IPSAS 48)* issued in [Month and Year]**

BC41. In January 2021, the IPSASB issued the Request for Information (RFI), *Concessionary Leases and Other Arrangements Similar to Leases*. The RFI included a set of arrangements similar to leases that are common in the public sector<sup>4</sup>.

BC42. Based on the information received from respondents to the RFI, in January 2023, the IPSASB issued Exposure Draft (ED) 84, *Concessionary Leases and Right-of-Use Assets In-kind (Amendments to IPSAS 43 and IPSAS 23)*. ED 84 proposed new public sector specific accounting requirements for two of the six types of arrangements identified in the RFI. Regarding the RFI remaining arrangements, the IPSASB had taken the view that the applicable IPSAS at the time of publication of ED 84 already provided the principles on how to account for those arrangements.

BC43. During the review of responses to ED 84, the IPSASB noted that some respondents raised some issues that were related to arrangements that do not meet the definition of a lease or right-of-use asset in-kind. The IPSASB also noted that this may be related to the fact that ED 84 did not propose accounting for the remaining types of arrangements included in the RFI that do not meet the definition of a lease or right-of-use asset in-kind. Therefore, respondents did not have a comprehensive view on the accounting for these types of arrangement that convey rights over assets.

BC44. To address this, the IPSASB decided to publish ED 88 with proposed non-authoritative guidance for other arrangements conveying rights over assets in IPSAS 48, *Transfer Expenses*. The proposals encompass all arrangements included in the RFI and taking into consideration the IPSASB's literature published after ED 84, thus complementing, and updating the proposals in ED 84.

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<sup>4</sup> The Request for Information included six types of arrangements, as follows: (i) Concessionary Leases, (ii) Leases for Zero or Nominal Consideration, (iii) Access Rights (or Rights of Access to Property and/or Land), (iv) Arrangements Allowing Right-of-Use, (v) Social Housing Housing Arrangements, and (vi) Shared Properties with or without a Lease-Arrangement in Place.

## Illustrative Examples

*These examples accompany, but are not part of, IPSAS 48.*

...

### Scope

IE2. Examples 1–2A illustrate the requirements in paragraphs 3–5 of IPSAS 48 on the determination of whether a transaction is within the scope of IPSAS 48.

...

#### Example 2A – Right-of-Use Assets In-kind

##### Case A – Usage of A Sports Field for Zero Consideration

IE12A. A Government Agency (Agency) enters into an arrangement with a public sector entity Z (Entity Z) for 5 years conveying the right to use for free a sports field to be used specifically by youth. The Agency does not regulate the types of sports services and their pricing that Entity Z provides.

IE12B. A similar sports field built at the same time and with the same characteristics at a different location is being leased by the same government agency to a private sector entity for CU300,000 annually for 5 years. This information is publicly available on the Agency's website.

IE12C. The binding arrangement includes a compliance obligation, specifically the sports field should be used by youth. To the extent the compliance obligation is not met by Entity Z, the binding arrangement is cancelled, and the right to use the sports field returns to the Government agency. Entity Z's compliance obligation is met on a straight-line basis.

IE12D. The conveying of the right to use for free of a sports field is within the scope of IPSAS 48 because the Agency provides the right to use to Entity Z without directly receiving any good, service, or other asset in return (see paragraph 6). The Entity would measure the transfer expense using the cost of resources to be transferred (see paragraph 30), which may include depreciation, maintenance, and other costs.

##### Case B – Social Housing without Consideration

IE12E. The national government publishes new legislation which requires municipal governments to take action to reduce the number of homeless in their community. To implement the legislation requirements, Municipality Z (the Entity) engages with a public sector organization (Organization) to operate social housing services for the homeless in the local community. Under the 10-year arrangement, the Organization is able to use the Entity's 100 vacant social housing units (to temporarily house the homeless until they find a more permanent place to live) for zero consideration.

IE12F. The provision of the right to use social housing units to the Organization for zero consideration is within the scope of IPSAS 48 because the Entity provides services to the Organization without directly receiving any good, service, or other asset in return (see paragraph 6). The Entity would measure the transfer expense using the cost of resources to be transferred (see paragraph 30), which may include depreciation, maintenance, and other costs.

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## Exposure Draft (ED) 88 Summary—*Arrangements Conveying Rights over Assets* (Amendments to IPSAS 47 and IPSAS 48)

This summary provides an overview of [ED 88, \*Arrangements Conveying Rights over Assets\* \(Amendments to IPSAS 47 and IPSAS 48\)](#).

**Project Objective:**

The objective of the ED is to propose guidance for the concession in concessionary leases and for other arrangements that convey rights over assets.

**The Project Stage:**

The IPSASB issued ED 88 in March 2024.

**Next Steps:**

The IPSASB seeks feedback on ED 88 to guide it in developing a final International Public Sector Accounting Standard™ (IPSAS®) that introduces new accounting requirements for concessionary leases and other arrangements that convey rights over assets.

**Comment Deadline:**

ED 88 is open for public comment until May 31, 2024.

**How to Respond:**

Respondents are asked to submit their comments electronically through the IPSASB website, using the [“Submit a Comment”](#) link. Please submit comments in both a PDF and a Word file. All comments will be considered a matter of public record and will be posted on the website.

## ED 88 and the Broader Leases Project

The current phase of the Leases project aims to amend the IFRS-aligned IPSAS 43, *Leases*, as well as IPSAS 47, *Revenue* and IPSAS 48, *Transfer Expenses* with guidance for lease-like arrangements that are common in the public sector.

### Project Background

After publishing [IPSAS 43, \*Leases\*](#) in January 2022, the IPSASB immediately began a second phase of the project to address public sector specific arrangements (concessionary leases, access rights, and other similar/‘lease-like’ arrangements).

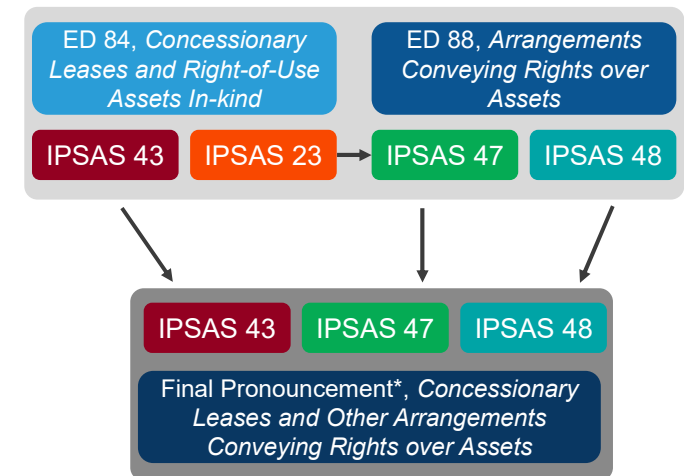
In January 2023, the IPSASB issued [ED 84, \*Concessionary Leases and Right-of-Use Assets In-kind \(Amendments to IPSAS 43 and IPSAS 23\)\*](#). The proposals were strongly supported and the IPSASB completed its review of responses in March 2024.

### Why Publish ED 88?

When ED 84 was published, the IPSASB had not approved [IPSAS 47, \*Revenue\*](#) and [IPSAS 48, \*Transfer Expenses\*](#). ED 88 reflects the strongly supported ED 84 proposed amendments to IPSAS 23 carried over to IPSAS 47, as well as includes illustrative examples on the remaining arrangements identified in the [Request for Information, \*Concessionary Leases and Other Arrangements Similar to Leases\*](#).

### The Final Pronouncement

The IPSASB intends to publish a Final Pronouncement in the second half of 2024 and will reflect the proposals of both ED 84 and ED 88:



\* Includes all arrangements identified in the Request for Information, *Concessionary Leases and Other Arrangements Similar to Leases*

## What New Requirements Does ED 88 Propose for the Concession in Concessionary Leases?

Concessionary leases are leases at below-market terms.

ED 88 proposes to measure the concession as the difference between the present value of payments for the lease at market rates based on the current use of the underlying asset and the present value of contractual payments.

### **Proposed Amendments to IPSAS 47**

ED 88 proposes that lessees:

- (a) Recognize a concession measured as the difference between the present value of payments for the lease at market rates based on the current use of the underlying asset and the present value of contractual payments; and
- (b) Recognize revenue for the concession component, except if a compliance obligation exists. Where a compliance obligation exists, it is recognized a liability. As the lessee satisfies the compliance obligation, the liability is reduced, and an equal amount of revenue is recognized.



## What New Requirements Does ED 88 Propose for Right-of-Use Assets In-kind?

Right-of-use assets in-kind are right-of-use assets transferred to an entity without consideration.

ED 88 proposes to initially measure the right-of-use asset in-kind at the present value of payments for the lease at market rates based on the current use of the underlying asset.

### **Amendments to IPSAS 47—Identification of Right-of-Use Assets In-kind**

ED 88 proposes that an entity identify right-of-use assets in-kind applying the principles in IPSAS 43, with the necessary adaptations in the absence of lease payments.

### **Amendments to IPSAS 47—Recognition of Right-of-Use Assets In-kind**

ED 88 proposes recognizing right-of-use assets in-kind when they are received or there is a binding arrangement to receive them.

The recognition of revenue depends on whether they arise from a transaction with a binding arrangement.

If right-of-use assets in-kind are received in non-binding arrangements, revenue is recognized immediately.

If right-of-use assets in-kind are received in binding arrangements, the entity needs to assess whether compliance obligations are satisfied at a point in time or over time. If the compliance obligation is satisfied at a point in time, revenue is recognized when the compliance obligation is satisfied. If the compliance obligation is satisfied over time, revenue is recognized as the compliance obligations is satisfied.

### **Amendments to IPSAS 47—Measurement of Right-of-Use Assets In-kind**

ED 88 proposes initially measuring right-of-use assets in-

kind in accordance with the requirements of IPSAS 43 for right-of-use assets in concessionary leases because both have types of non-cash consideration (see [proposals in ED 84](#)).

ED 88 proposes subsequently measuring right-of-use assets in-kind in accordance with the requirements of IPSAS 43 for right-of-use assets in leases at market terms.

### **Amendments to IPSAS 47—Disclosures**

ED 88 proposes enhanced disclosures for right-of-use assets in-kind, such as:

- (a) Nature and type of major classes of right-of-use assets in-kind, showing separately major classes of right-of-use assets in-kind received;
- (b) Depreciation charge by class of underlying asset; and
- (c) Carrying amount at the end of the reporting period by class of underlying asset.

If right-of-use assets in-kind meet the definition of investment property or are measured at revalued amounts applying IPSAS 45, *Property, Plant, and Equipment*, the entities should apply the disclosures requirements in IPSAS 16, *Investment Property* and paragraph 74 of IPSAS 45, respectively.

## What Illustrative Examples Does ED 88 Propose for Other Arrangements Conveying Rights over Assets?

ED 88 proposes illustrative examples on Concessionary Leases for Lessees, Right-of-Use Assets In-kind, Access Rights, Arrangements Allowing the Right to Use an Asset, and Shared Properties.

### **New Illustrative Examples Accompanying IPSAS 47**

ED 88 proposes new illustrative examples on the accounting for the concession in Concessionary Leases for Lessees and in Right-of-Use Assets In-kind.

ED 88 also proposes illustrative examples on Access Rights, Arrangements Allowing the Right to Use an Asset, and Shared Properties. These illustrative examples showcase that these arrangements are not Leases and are within the scope of IPSAS 47.

### **New Illustrative Examples Accompanying IPSAS 48**

ED 88 proposes two new illustrative examples on right-of-use assets in-kind related to the usage of a sports field for zero consideration and social housing without consideration. These illustrative examples showcase that these arrangements are within the scope of IPSAS 48 as the entities providing the services, do so, without directly receiving any good, service, or other asset in return.

## Next Steps

The deadline for comments is May 31, 2024.

During the comment period, the IPSASB members are available to discuss the proposals with a wide range of parties.



### How Can I Comment on the Proposals?

The ED includes Specific Matters for Comment (SMCs) on which the IPSASB is seeking views.

Respondents may choose to answer all SMCs or just a selected few. The IPSASB welcomes comments on any other matters respondents think it should consider in forming its views.

Respondents are asked to submit their comments electronically through the IPSASB website, using the [“Submit a Comment”](#) link. Please submit comments in both a PDF and a Word file.

All comments will be considered a matter of public record and will be posted on the IPSASB website.

The IPSASB will carefully consider all feedback and discuss responses at its public meetings after the comment period has ended.

### Stay Informed

The IPSASB’s website will indicate the meetings at which feedback on the ED will be discussed. The dates and the locations of 2024 meetings are available at:

<http://www.ipsasb.org/meetings>

To stay up to date about the project, please visit:

<https://www.ipsasb.org/consultations-projects/other-lease-type-arrangements>

### Specific Matters for Comment

The three Specific Matters for Comment asked in ED 88 cover the following issues:

**SMC 1:** Accounting guidance for the concession in concessionary leases for lessees and right-of-use assets in-kind in IPSAS 47.

**SMC 2:** Non-authoritative guidance for other arrangements conveying rights over assets in IPSAS 47.

**SMC 3:** Non-authoritative guidance for other arrangements conveying rights over assets without consideration in IPSAS 48.