



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).

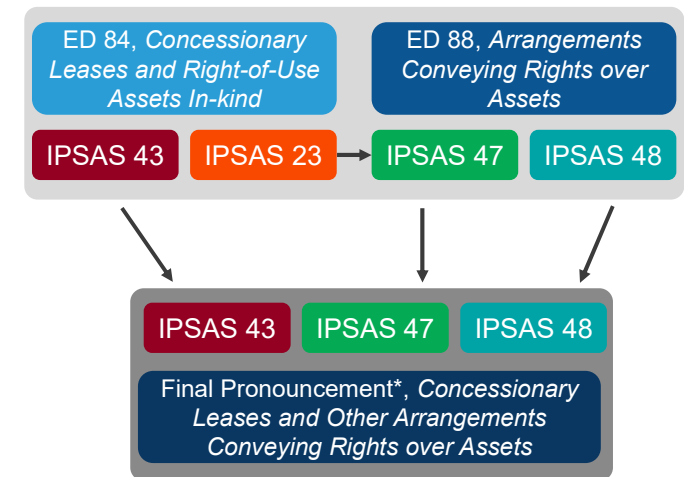
In January 2023, the IPSASB issued [ED 84, *Concessionary Leases and Right-of-Use Assets In-kind \(Amendments to IPSAS 43 and IPSAS 23\)*](#). The proposals were strongly supported and the IPSASB completed its review of responses in March 2024.

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.