



May 12, 2021
Mr Ross Smith
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street, 4th floor
Toronto
Ontario M5V 3H2
CANADA

RE: Comments on ED 75, *Leases*

Dear Mr. Smith,

We welcome the opportunity to comment on ED 75, *Leases*. Our responses to the specific questions raised in the ED as well as other comments on the ED are set out in Appendix 1.

Should you have any queries concerning the matters in this submission, or wish to discuss them in further detail, please contact Mr. Abdullah Alhomaida via email at:

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Yours sincerely,

Abdullah Al Mehthil

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Appendix 1 – Comments on ED 75, *Leases*

Specific Matter for Comment 1:

The IPSASB decided to propose an IFRS 16-aligned Standard in ED 75 (see paragraphs BC21–BC36). Do you agree with how the IPSASB has modified IFRS 16 for the public sector (see paragraphs BC37–BC60)? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

We agree with how the IPSASB has modified IFRS 16 for the public sector, except for the IPSASB's decision not to include in the draft Standard the manufacturer or dealer lessor requirements included in IFRS 16. These requirements might be applicable where, for example, a public sector entity manufactures and leases out goods at subsidized/below-market rates.

Specific Matter for Comment 2:

The IPSASB decided to propose the retention of the fair value definition from IFRS 16 and IPSAS 13, *Leases*, which differs from the definition proposed in ED 77, *Measurement* (see paragraphs BC43–BC45). Do you agree with the IPSASB's decision? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

We agree with the IPSASB's decision to retain the fair value definition from IFRS 16 and IPSAS 13. However, we suggest that the IPSASB specifies in paragraphs BC43–BC45 that the definition is for the purpose of applying the lessor accounting requirements and that lessees would apply the fair value definition in the final IPSAS on *Measurement*.

Specific Matter for Comment 3:

The IPSASB decided to propose to refer to both “economic benefits” and “service potential”, where appropriate, in the application guidance section of ED 75 on identifying a lease (see paragraphs BC46–BC48). Do you agree with the IPSASB's decision? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

We agree with the IPSASB's decision to refer to both “economic benefits” and “service potential” in the application guidance on identifying a lease. We suggest that the IPSASB do likewise, where appropriate, in the following parts:

- AG38(b),

- AG42(a),
- Example 1A,
- Example 1B,
- Example 3A,
- Example 5–Truck Rental,
- Example 6A,
- Example 6B,
- Example 7–Aircraft,
- Example 8–Contract for Shirts,
- Example 9A,
- Example 9B,
- Example 9C,
- Example 10B,
- Example 13–Measurement by a Lessee and Accounting for a Change in the Lease Term - Part 2—Subsequent Measurement and Accounting for a Change in the Lease Term, and
- Example 14A.

Other comments:

- The lessee’s incremental borrowing rate is defined as “the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment”. While we understand that IFRS 16 does not specify whether “similar value” refers to the fair value, cash price or another proxy for the value of the underlying asset, we suggest that IPSASB introduce guidance on this to leave no room for interpretation and limit divergent applications.
- It would be also helpful to incorporate comprehensive illustrative examples on lessees using the modified retrospective approach to applying the Standard described in paragraphs 109(b)-117.
- We understand that IPSASs follow the American spelling convention. However, all instances of the following words in the ED deviate from that norm: “fibre”, “summarise”, “metre”, and “minimise”. For consistency, we suggest changing the spelling to “fiber”, “summarize”, “meter” and “minimize”.