



17 May 2021

BOTSWANA INSTITUTE OF CHARTERED ACCOUNTANTS COMMENT LETTER TO EXPOSURE DRAFT 75 – LEASES

Introduction

The Botswana Institute of Chartered Accountants (“BICA”) is a statutory body established by Accountants Act, 2010 for the regulation of the accountancy profession in Botswana. The BICA mission is to protect public interest through promoting the accountancy profession, supporting accountants, facilitating quality professional accountancy services through the monitoring and regulation of professional accountants.

The Institute appreciates the opportunity to contribute towards IPSASB’s Exposure Draft 75 – Leases. We provide our comments to each specific question as per the exposure draft.

Should you wish to have further engagements please do not hesitate to contact the undersigned.

Yours Faithfully

Signed electronically

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RESPONSES TO SPECIFIC QUESTIONS

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.

Response

We concur with IPSASB's decision:

- a) not to provide an explicit scope exclusion for concessionary leases in this ED 75 since it aligns with IFRS 16 viewpoint and that ED 75 already addresses lease incentives paid by the lessor to the lessee to entice the lessee to enter into the lease.
- b) to issue additional Application Guidance explaining the factors an entity should consider in assessing whether an arrangement is contractual or non-contractual.
- c) not to apply the term "binding arrangements" to describe the arrangements highlighted in paragraph AG3
- d) not to include the IFRS 16 requirements for a manufacturer or dealer lessor in this ED 75 and to amend the IFRS 16 definition of "initial direct costs" by removing the reference to a manufacturer or dealer lessor.
- e) not to include any additional public sector specific recognition exemptions than those provided for in IFRS 16
- f) not to provide any additional guidance to help public sector entities to determine the implicit rate in the lease and the incremental borrowing rate as this are not public sector specific problems.

We do not concur with IPSASB's decision:

- a) not to specify a dollar amount or not make any reference to a threshold in the Basis for Conclusions of this ED 75 about leases of low-value assets. While IPSASB argues that preparers of financial statements are permitted to use materiality as a basis for deciding whether to include or exclude a leased asset in its financial statements, we are of the view that this option is likely to be abused and thus make it difficult to comparatively assess the status of different entities.

In view of this, it is our opinion that IPSASB considers making it mandatory for entities to disclose the values of leased assets not included in the financial statements so that users can be able to evaluate the entities financial status. We also note that this will be in line with the concept of faithful presentation in the conceptual framework.

- b) The inclusion of the recent amendments to IFRS 16 for COVID-19-related rent concessions. While IPSASB is of the opinion that the inclusion of these requirements

may be useful to preparers and users of GPFRS due to the uncertain duration and future impacts of the pandemic, it's our opinion that the applicability of these requirements may be overtaken by events and therefore be of no value to the preparers and users of GPFRS.

We would rather suggest that if the requirements are to remain they should be framed as general pandemic clauses rather than specifically referencing them as Covid-19 requirements.

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.

Response

We concur with IPSASB's recommendation to retain the fair value definition from IFRS 16 and IPSAS 13, *Leases* and have no additional reasons to support this assertion.

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.

Response

Based on the aforementioned information, we are in agreement with the proposal made by IPSASB and have no additional reasons to support this assertion.