

May 17, 2021

The Chairman  
International Public Sector Accounting Standards Board  
277 Wellington Street West  
Toronto, Ontario M5V 3H2  
Canada

Via Online Submission

Dear Mr Ian Carruthers

**COMMENTS ON EXPOSURE DRAFT 75, "LEASES"**

The Malaysian Institute of Certified Public Accountants ("MICPA") appreciates the opportunity to comment on the Exposure Draft 75, "Leases". We also applaud the effort of the International Public Sector Accounting Standards Board ("IPSASB") to enhance the Standard.

In this regard, we are pleased to attach MICPA's comments as set out in Appendix I for your consideration.

We trust our comments and accompanying recommendations to be of value and useful to the IPSASB, in your onward deliberation. MICPA looks forward to further strengthening such dialogues with your organisation.

Please do not hesitate to contact the undersigned or the Technical Director, Ms Chiam Pei Pei, at +603-2698 9622 should you require any clarification.

Thank you.

Yours sincerely,



**NOVIE BIN TAJUDDIN**  
Chief Executive Officer

Our responses to the specific questions are as follows:

### **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.**

**Comment:**

We agreed with the proposal to introduce a right-of-use model for lessee that will replace the risks and rewards incidental to ownership model in the existing IPSAS 13 *Leases*. We also agreed to retain the risks and rewards incidental to ownership model for lessor in IPSAS 13 *Leases*.

### **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.**

**Comment:**

We agree with the decision of IPSASB to retain the fair value definition consistent with IFRS 16 *Leases* and IPSAS 13 *Leases* as the definition proposed in Exposure Draft 77, *Measurement* defines fair value on the basis of an exit price (not an entry price) which does not reflect the nature of sale and leaseback transactions.

**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.**

**Comment:**

We agreed to add on the term “service potential” in the IPSAS to be in line with the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* in referring to assets in terms of both economic benefits and service potential.