



**Chartered Accountants
Academy and Training and
Advisory Services Comment
Letter on Exposure Draft 75
Leases**



The Technical Director
IPSASB Technical Director

17 May 2021

Dear Sir/Madam

**Chartered Accountants Academy (CAA) and Training and Advisory Services (TAS) Submission –
Comment Letter on Exposure Draft 75 Leases**

In response to your request for comments for **Exposure Draft 75, Leases**, attached is the comment letter prepared by Chartered Accountants Academy and Training & Advisory Services. The comment letter is a result of deliberations of members of CAA and TAS which comprises chartered accountants who have experience in auditing, IFRS & IPSAS specialists and academics.

We are grateful for the opportunity to provide our comments on this project.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours faithfully,

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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.

The adoption of the IFRS 16 right-of-use model for lessee accounting not only converges with IFRS 16, but also enhances the usefulness of information on an operating lease. Accordingly, we agree with IPSASB's decision to adopt the right-of-use model for lessee accounting as proposed in the Exposure Draft.

We also support the board's decision on not providing a specific amount for a threshold when determining whether an asset is of low value or not as this limits inconsistency as economies differ in terms of development.

However, we believe that the IFRS 16 requirements in regards to lessee accounting are complex for public sector entities considering the burden they imposed on the private sector. Further, the costs of reporting financial information, e.g., implementation and training costs, may outweigh the benefits of such information.

The modification process should align the definition of a lease in paragraph 5 to the definition of identifying a lease in paragraph 10 so as to limit confusion when the standard is implemented. We suggest the definition of a lease in paragraph 5 be the same as paragraph 10.

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, Measurement1 (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 to the IPSASB's proposal however, the IPSASB needs to take into consideration that compared to concessionary loans, the current system in Zimbabwe is not sufficient to measure fair value of concessionary leases (i.e., lack of a market to determine fair value).

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 proposal to add “service potential” to “economic benefits” when assessing whether a contract conveys the right to control the use of an identified asset, as this improves the alignment of the lease’s standard with the Conceptual Framework (asset definition).