

MAY 21, 2021

EXPOSURE DRAFT 75:
LEASES

CONSULTATION RESPONSE

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Manj has over 25 years' experience working in public sector, focusing on implementation of accrual accounting across UK central Govt departments and the Whole of Government Accounts consolidation. She has advised several jurisdictions on implementing accrual accounting.

Manj has particular interest in supporting governments to address the practicalities of implementing IPSASs.



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Dear IPSASB secretariat

Exposure draft 75 Leases

I am delighted to share my comments on the proposed Exposure Draft standard on leases (ED 75) consultation.

Leases

Accounting for leases has long been a challenging area for standard setters to best reflect the economic reality of transactions, as is evidenced by the divergent views to the previous ED (64).

Lessee Accounting

I agree with the approach recommended by IPSASB as it is consistent with the approach set out in IFRS 16 (to adopt a right of use model.) I believe this better reflects the substance of the transaction rather than the risk and reward approach (IPSAS 13). This is in line with IPSASB's strategy to converge (or align¹) with the development of IFRSs.

This is extremely helpful especially where the wider public sector may include state owned enterprises or public interest entities that are required to follow IFRS. Greater alignment helps reduce reconciliation issues between IFRS and IPSAS on consolidation at a whole of government level

Lessor Accounting

I agree with the proposed approach as it is a good compromise between the different views expressed by respondent to ED64. Whilst I remain of the view that the right of use model would be the best option for the public sector, I do understand the rationale

¹ Alignment with IFRSs better reflects the position as recommended in the previous submission to the 2019-2023 IPSASB Strategy and Work Plan



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for the proposed approach i.e. to stick with IPSAS 13 risks and rewards model but require enhanced disclosures.

The split approach for lessee and lessor accounting would allow preparers to overcome the practical data collection challenges with lessee accounting which could inform the development of the approach for lessor accounting in the future.

Detailed responses to the specific matters for comment are provided in the Annex.

Finally, thank you for the opportunity to comment. If there are any questions, please do not hesitate to contact me.

Yours sincerely,

Manj Kalar

Principal consultant



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Annex 1: Specific Matters for Comment

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

I agree with the proposals and appreciate the background provided in the basis for conclusions.

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.

I agree with the proposal to retain the fair value definition as the IPSAS 13 option has been retained for lessor accounting.

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.

I agree with the proposal