



Republic of Kenya



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Ross Smith

Program and Technical Director
International Public sector accounting standards Board
International Federation of Accountants
277 wellington Street West
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CANADA

Dear *Mr. Smith,*

EXPOSURE DRAFT 75: LEASES

The Public Sector Accounting Standards Board, Kenya is pleased to submit its comments on **ED 75: LEASES.**

The Public Sector Accounting Standards Board (PSASB), Kenya was established by the Public Finance Management Act (PFM) No.18 of 2012. The Board was gazetted by the Cabinet Secretary, National Treasury on 28th February 2014 and has been in operation since.

The Board is mandated to provide frameworks and set generally accepted standards for the development and management of accounting and financial systems by all state organs and Public entities in Kenya and to prescribe internal audit procedures which comply with the Public Finance Management Act, 2012.

PSASB Kenya welcomes the changes proposed in the Exposure Draft on leases and our submissions on the specific matters for comment is documented in the attachment for your consideration.

Yours

Sincerely

FREDRICK RIAGA
CHIEF EXECUTIVE OFFICER



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EXPOSURE DRAFT 75 : LEASES

Specific Matter for Comment 1:

SPC 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.

PSASB is in agreement with the proposal since the missing element of concessionary leases that was excluded in this ED is a scope for the next project as such it has address public sector specific issues with respect to Lease Accounting

Specific Matter for Comment 2:

SPC 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*¹ (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.

PSASB agrees with the proposed retention of the definition of fair value from IFRS 16 and IPSAS 13 and the BC45 is exhaustive in retaining the definition as it's consistent with the IPSASB framework and earlier adopted IPSAS 13

Specific Matter for Comment 3:

SPC 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.

PSASB agrees with the proposal since a significant number of public sector entities may enter into lease arrangements for purely providing services to the citizenry and not necessary to derive economic benefit to the particular entity as alluded to in the basis of conclusion BC47.

This is also consistent with reference of economic benefit and service potential in the definition of useful life of an asset under lease arrangements under IPSAS 13