



KOREA INSTITUTE OF PUBLIC FINANCE

Government Accounting and Finance Statistics Center

IPSASB Exposure Draft 64

Leases

Comments on ED 64, Leases

June 29, 2018

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John Stanford
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, ON M5V 3H2 Canada

Re: The comments on the Exposure Draft 64,
Leases

Dear Mr. Stanford,

The Government Accounting and Finance Statistics Center (GAFSC) at Korea Institute of Public Finance (KIPF) is pleased to provide comments on the Exposure 64, *Leases* issued by the International Public Sector Accounting Standards Board (IPSASB).

The comments have been prepared and reviewed by the staff of the GAFSC, and they are available in the following pages. Please feel free to contact us if you have any questions regarding our comments. You may direct your inquiries to the technical staff of GAFSC, Stella Kim (sjkim@kipf.re.kr).

Sincerely,



Do-Jin Jung
Director (GAFSC at KIPF)

Specific Matter for Comment 1

The IPSASB decided to adopt the IFRS 16 right-of-use model for lessee accounting (see paragraphs BC6–BC8 for IPSASB’s reasons). Do you agree with the IPSASB’s decision? If not, please explain the reasons.

If you do agree, please provide any additional reasons not already discussed in the basis for conclusions.

[GAFSC comments] 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 are of a view that we agree to the IPSASB’s decision to adopt the right-of-use model for lessee accounting as proposed in the Exposure Draft.

Specific Matter for Comment 2

The IPSASB decided to depart from the IFRS 16 risks and rewards model for lessor accounting in this Exposure Draft (see paragraphs BC9–BC13 for IPSASB’s reasons). Do you agree with the IPSASB’s decision?

If not, please explain the reasons. If you do agree, please provide any additional reasons not already discussed in the basis for conclusions.

[GAFSC comments] We do not agree with the IPSASB’s decision to diverge from the ‘risks and rewards incidental to ownership model’ for lessor accounting. Although we agree that the underlying asset and the right-of-use asset are separate items, it is still questionable that the two items are treated as different economic phenomena.

In addition, when the right-of-use asset is transferred to a lessee, the cash flows derived from the underlying asset are also transferred to the lessee. Because the lessor in current right-of-use model recognizes both the underlying asset and the lease receivables, we consider that it is double-counting.

Specific Matter for Comment 3

The IPSASB decided to propose a single right-of-use model for lessor accounting consistent with lessee accounting (see paragraphs BC34–BC40 for IPSASB’s reasons). Do you agree with the requirements for lessor accounting proposed in this Exposure Draft? If not, what changes would you make to those requirements?

[GAFSC comments] We disagree to the IPSASB's decision, which is in line with our comments for SMC 2. In this light, we encourage the IPSASB to conduct a detailed review on the plan to adopt the right-of-use model for lessor accounting based on definitions of assets and resources given under the *Conceptual Framework*.

Specific Matter for Comment 4

For lessors, the IPSASB proposes to measure concessionary leases at fair value and recognize the subsidy granted to lessees as a day-one expense and revenue over the lease term consistent with concessionary loans (see paragraphs BC77–BC96 for IPSASB's reasons). For lessees, the IPSASB proposes to measure concessionary leases at fair value and recognize revenue in accordance with IPSAS 23 (see paragraphs BC112–BC114 for IPSASB's reasons). Do you agree with the requirements to account for concessionary leases for lessors and lessees proposed in this Exposure Draft?

If not, what changes would you make to those requirements?

[GAFSC comments] We generally agree to the IPSASB's proposal, but the IPSASB needs to take into consideration that compared to concessionary loans, the current system is not sufficient to measure the FV of concessionary leases (i.e. lack of a market to determine FV).