
EXPOSURE DRAFT 84,
CONCESSORARY LEASES AND RIGHT-OF-USE ASSETS IN-KIND
(AMENDMENTS TO IPSAS 43 AND IPSAS 23)

Program and Technical Director
International Public Sector Accounting Standards Board (IPSASB)
International Federation of Accountants
277 Wellington Street West, 6th floor
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Brasília, Brazil
May 16, 2023


Dear Mr. Ross Smith,

The *Conselho Federal de Contabilidade* (CFC) of Brazil welcomes the opportunity to collaborate with the consultation on IPSASB, *Exposure Draft (ED) 84, Concessorary Leases and Right-of-Use Assets In-Kind (Amendments to IPSAS43 and IPSAS23)*. CFC, alongside with its regional arms - *Conselhos Regionais de Contabilidade* (CRCs), is the Professional Accountancy Organization that carries out regulatory activities for overseeing the accountancy profession throughout the country.

Our points of view and comments can be found on the Appendix of this document that was prepared by the Permanent Committee for Public Sector Accounting Standards linked to Conselho Federal de Contabilidade (CP CASP – acronym in Portuguese).

Should you have any questions or require clarification of any matters in this submission, please contact: tecnica@cfc.org.br.

Best regards,


Ana Tércia Lopes Rodrigues
Technical Vice-President
Conselho Federal de Contabilidade

CONTEXT AND GENERAL COMMENTS

The Conselho Federal de Contabilidade, in general, agrees with the content presented in this ED. However, we understand that the idea of a specific accounting treatment for Concessionary Leases and Right-of-Use Assets In-Kind stems from the nature of the public sector, and its main objective is to recognize, measure and present the government subsidy component from the lessee's perspective.

In this sense, using lease payments at market rates as a basis for measurement based on the use of the underlying asset is a technique compatible with fair value by existing standards.

The Conselho Federal de Contabilidade acknowledges that recognizing the government subsidy from the lessee's perspective in Concessionary Leases will only be possible when the fair value from the market perspective can be reliably measured.

When the fair value is not available, the proposed measurement model based on the present value of the contract payments does not allow the recognition of the government subsidy component, and, therefore, it is not a case of Concessionary Leases.

In the specific questions regarding comments on this ED, the Conselho Federal de Contabilidade presents its arguments.

APPENDIX

Specific Matter for Comment 1

The IPSASB decided to propose new accounting guidance for concessionary leases for lessees (see paragraphs IPSAS 43.BC124–BC137) and right-of-use assets in-kind (see paragraphs IPSAS 23.BC28– BC30). Do you agree with the proposed amendments to IPSAS 43 and IPSAS 23? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions?

Answer:

CP CASP/CFC partially agrees with this proposal. Analyzing the proposed wording for IPSAS 43 (BC124-BC137), it has been agreed with measurement based on fair value from a market perspective. Therefore, the proposal to use lease payments at market rates based on using the underlying asset as a measurement basis is a technique consistent with the fair value measurement basis.

In cases where the fair value based on market rates of the lease payments is not available, there is no way to measure the value of the subsidies, therefore not categorizing the transaction as concessionary leases. The concept of concessionary leases is related to a contract with a government subsidy, and the subsidy can only be measured if there is a market perspective. In this sense, the Conselho Federal de Contabilidade does not agree to treat it as a kind of concessionary leases when there is no market perspective in the contract. In cases of the absence of a market perspective, leases should not be achieved by this ED.

Specific Matter for Comment 2

For lessors, the IPSASB decided to propose accounting for leases at below-market terms in the same way as for leases at market terms (see paragraphs IPSAS 43.BC138–BC149). Do you agree with the proposed amendments to IPSAS 43? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

Answer:

CP CASP/CFC agrees with the proposal. However, it is necessary to correct a quote in the wording of BC 147, which states, “As foregone revenue is not recognized under IPSAS 9”, as the command not to recognize lost revenue in IPSAS 23.

Specific Matter for Comment 3

The IPSASB decided to propose initially measuring right-of-use assets in concessionary leases (see paragraphs IPSAS 43.BC124–BC131) and right-of-use assets in-kind (see paragraphs IPSAS 23.BC28– BC30) at the present value of payments for the lease at market rates based on the current use of the underlying asset as at the commencement date of the lease. Do you agree with 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.

Answer:

CP CASP/CFC agrees with the proposal.

Specific Matter for Comment 4

When the payments for the lease at market rates based on the current use of the underlying asset are not readily available, the IPSASB decided to propose initially measuring right-of-use assets in concessionary leases (see paragraphs IPSAS 43.BC132–BC133) at the present value of contractual payments for the lease. Do you agree with 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.

Answer:

CP CASP/CFC disagrees with the proposal. One of the objectives of the accounting treatment of concessionary leases is to measure and recognize the government subsidy component, which can only be reliably measured when there is a market perspective. Although we agree that when contracts cannot be measured from a market perspective, the right to use them must be measured based on the present value of contractual payments for the lease, we do not agree with calling these contracts concessionary leases.