



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

17 May 2023

Mr Ross Smith
Program and Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario M5V 3H2
Canada

Dear Mr Smith

EXPOSURE DRAFT 84, CONCESSIONARY LEASES AND RIGHT-OF-USE ASSETS IN-KIND

The Malaysian Institute of Accountants (MIA) is pleased to provide comments on the International Public Sector Accounting Standards Board (IPSASB) Exposure Draft 84, *Concessionary Leases and Right-of-Use Assets In-Kind* as attached in Appendix 1 to this letter.

We hope our comments would contribute to the IPSASB's deliberation in finalising the matter. If you have any queries or require clarification of this submission, please contact Rasmimi Ramli, Executive Director of Sustainability, Digital Economy, and Reporting at +603 2722 9277 or by email at rasmimi@mia.org.my.

Yours sincerely

MALAYSIAN INSTITUTE OF ACCOUNTANTS

DR WAN AHMAD RUDIRMAN WAN RAZAK
Chief Executive Officer

Specific Matter for Comment 1:

The IPSASB decided to propose new accounting guidance for concessionary leases for lessees (see paragraphs IPSAS 43.BC 124-BC 137) and right-of-use assets in-kind (see paragraphs IPSAS 23.BC 28-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.

We agree with the proposed amendments to IPSAS 43 and IPSAS 23, subject to our responses in Specific Matter for Comments 3 and 4.

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.BC 138-BC 149). 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.

We agree with IPSASB's proposal on accounting for leases at below-market terms in the same way as for leases at market terms for concessionary operating leases. We propose the IPSASB to provide illustrative examples on concessionary finance leases.

Specific Matter for Comment 3:

The IPSASB decided to propose initially measuring right-of-use assets in concessionary leases (see paragraphs IPSAS 43.BC 124-BC 131) and right-of-use assets in-kind (see paragraphs IPSAS 23.BC 28-BC 30) 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.

We agree with the IPSASB's proposal to initially measure right-of-use assets in concessionary leases and right-of-use assets in-kind 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.

We propose that the IPSASB provides definition and further guidance on the term 'current use' in the standard as such term is a critical factor to be considered in measuring concessionary leases and right-of-use assets in-kind.

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 IPSASB 43.BC 132-BC 133) 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.

We agree with the IPSASB's proposal above.

We noted that the requirement to measure lease at the present value of contractual payments for the lease is stated in BC 132 and we propose that such requirement to be stated in the standard itself.

BC 133 states that "when initially measuring the right-of-use asset in a concessionary lease, the IPSASB expects preparers to apply a reasonable level of effort in determining the present value of lease payments at market rates based on the current use of the underlying asset". We propose that the standard include further guidance on 'reasonable level of effort' required to determine the present value of payments for the lease at market rates based on the current use of the underlying asset.

In addition, we wish to highlight that when the present value of contractual payments for the lease is used to measure right of-use assets in concessionary leases, it will result in a Nil concession difference following the guidance stated in AG61. We wish to clarify whether this is the intended consequence of such a transaction.