



9 November 2022

External Reporting Board
PO Box 11250, Manners St Central,
Wellington 6142.

Submitted online to: [the consultation page](#)

Attention: April Mackenzie

Dear April

Proposed new lease accounting standard: Tier 1 & 2 Public Benefit Entities - PBE IPSAS 43 Leases

Thank you for the opportunity to comment on the External Reporting Board's (XRB's) Proposed new lease accounting standard: Tier 1 & 2 Public Benefit Entities - PBE IPSAS 43 *Leases*.

In general, we support the proposed new lease accounting standard and aligning it with IPSAS 43 *Leases*.

Our comments to the individual Questions are attached to this letter.

If you have any questions about our submission, please contact Lay Wee Ng, Technical Specialist, at laywee.ng@oag.parliament.nz.

Yours sincerely

Todd Beardsworth
Assistant Auditor-General – Audit Quality

Robert Cox
Director, Audit New Zealand

Appendix 1: Responses to the Questions

Clarification of the scope of PBE IPSAS 43 with respect to concessionary leases (Section 4.4)

1. Do you agree with the proposed scope clarification with respect to concessionary leases? That is, do you agree with the clarification that:
 - Concessionary leases that meet the definition of a lease are in the scope of the proposed PBE IPSAS 43;
 - Arrangements that convey the right to use an asset for a specified period of time for no consideration do not meet the definition of a lease in the proposed PBE IPSAS 43; and
 - In applying the measurement requirements in PBE IPSAS 43, an entity takes into account the lease payments as per the lease agreement, and not the lease payments that would have been charged had the lease been on market terms?

We agree with the proposed scope clarification with respect to concessionary leases as set out under Question 1.

However, we note that in the section Amendments to Other Standards in relation to the proposed amendment to PBE IPSAS 23 *Revenue from Non-exchange Transactions*, it is stated in BC 26 (on page 52 of the ED), that:

“BC26. Concessionary leases ... Until such requirements are developed, **it is not appropriate to require fair value measurement** for the concessionary component of a concessionary lease or for arrangements to use an asset for a specified period of time for no consideration.” [Emphasis added]

We note that some public entities currently fair value the concessionary component of their concessionary leases. We presume these entities can continue to use fair value measurement. It would be useful if BC26 could clarify that entities already using fair value measurement for the concessionary component of their concessionary leases can continue to do so, for example:

“BC26. Concessionary leases ... Until such requirements are developed, it is not appropriate to require fair value measurement for the concessionary component of a concessionary lease or for arrangements to use an asset for a specified period of time for no consideration. However, entities that are currently using fair value measurement for the concessionary component of their concessionary leases may continue to do so in the meantime.”

Leases of low-value assets (Section 4.5)

2. Do you agree that the assessment of whether a leased asset is of ‘low value’ should be performed on an absolute value basis for each individual leased asset, as proposed in the ED? If not, on what basis should this assessment be performed?

We agree that the assessment of whether a leased asset is of ‘low value’ should be performed on an absolute value basis for each individual leased asset.

RDR concessions (Section 4.6)

3. Do you agree with the proposed RDR concessions for Tier 2 PBEs?

We agree with the RDR concessions and note that they are consistent with NZ IFRS 16 *Leases*.

However, we note the small number of RDR concessions provided. We consider that it would be useful if the New Zealand Accounting Standards Board could revisit the RDR concessions over its suite of accounting standards at some point in the future to determine if more RDR concessions could be provided.

Effective date and other comments (Section 4.7)

4. Do you agree with the proposed effective date of 1 January 2027?
5. Do you have any other comments on the ED?

We agree with the proposed effective date of 1 January 2027 and we have no other comments on the ED.