



Republic of Kenya



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**Ross Smith**

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**CANADA**

Dear *Ross,*

**EXPOSURE DRAFT 84: Concessionary Leases and Right of Use Assets in Kind  
(Amendments to IPSAS 43 and IPSAS 23)**

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**Introduction**

The Public Sector Accounting Standards Board - Kenya (PSASB-K) is a Semi-Autonomous Government Agency under the National Treasury Kenya. The Board is established pursuant to Section 192 of the Public Finance Management Act of 2012, with the core mandate, to set generally accepted accounting standards and internal audit standards for public sector entities in Kenya.

We thank the IPSASB for the publishing the proposals to update IPSASs 23 and 43. We have presented a summary of our responses to the specific matters for comment in relation to ED 84:

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**Specific Matter for Comment 1**

The IPSASB decided to propose new accounting guidance for concessionary leases for lessees and right of use assets in kind. 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.

*PSASB Kenya agrees with the proposed accounting guidance for concessionary leases for lessees and right of use assets in kind in IPSAS 43 and IPSAS 23. The Basis for Conclusions in our view are consistent with other similar literature within the IPSAS suite of Standards.*



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### 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. 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.

*PSASB Kenya agrees that accounting for leases at below market terms be in the same way as for leases at market terms in the books of the lessors. This will facilitate avoidance of recognition difficulties. PSASB also considers the disclosures related to these assets in the lessors books to be adequate.*

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### Specific Matter for Comment 3

The IPSASB decided to propose initially measuring right of use 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 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.

*PSASB Kenya agrees with the IPSASB's decision to initially measure right of use assets in concessionary leases and right of use assets in kind at present value of payments for the lease at market rate based on the current use of the underlying assets as at the commencement date of the lease.*

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### 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 has decided to propose initially measuring the right of use assets in concessionary leases at the net present value of contractual payments 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.



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**PSASB**  
PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (KENYA)

*PSASB Kenya agrees that when the payments for the lease at market rates based on the current use of the underlying assets are not available, initial measurement be done at the present value of contractual payments for the lease. PSASB Kenya is further in agreement that the lease liability would still be reliably measured by using contractual payments of the lease. Disclosure requirements should however be made explaining the difficulties faced by an lessee in obtaining payments of the lease at market rates based on the current use of the underlying asset.*

Yours

**FCPA FREDRICK RIAGA**  
**CHIEF EXECUTIVE OFFICER**

