



Memorandum

To:	AASB members	Date:	29 June 2011
From:	Clark Anstis	Agenda Item:	7.1
Subject:	IPSASB Report	File:	

Action

To receive a report on the 14 – 17 June 2011 meeting of the International Public Sector Accounting Standards Board and consider a number of issues arising therefrom.

Attachments

- 7.2 Report on the IPSASB Meeting, June 2011; and
- 7.3 IPSASB agenda schedule 2011-2013 (IPSASB agenda paper 7.2).

Overview

This agenda item reports on the major discussions and outcomes from the IPSASB meeting and identifies a number of issues arising from the meeting for the information of and potential discussion by AASB members.

Background

The IPSASB met in Naples, Italy, hosted by the National Council of Professional Accountants (CNDCEC) and the Parthenope University of Naples. Both Tim Youngberry (Australia) and Ken Warren (New Zealand) attended the meeting. Clark Anstis and Joanne Scott attended as Technical Advisors to Tim and Ken respectively.

The Conceptual Framework project discussions covered only about one day of the four days of the meeting, reflecting that consultation documents are presently on issue for the three major phases of the CF project, with the review of constituents' responses to commence at the next meeting (September). Of the non-Framework projects, the service concession arrangements project is at the stage of developing a final Standard, the long-term fiscal sustainability project is developing an Exposure Draft, and the other projects on the agenda were at various stages of developing issues papers or consultation papers.

The attached report on the IPSASB meeting includes more detailed information about the discussions at the meeting.

The project on service concession arrangements is addressed in detail in agenda item 18 for this meeting.

Issues Arising from the June 2011 IPSASB Meeting

Scope of GPFRs

The IPSASB has held the view for a long time that an entity can prepare a series of general purpose financial reports (GPFRs) that provide a range of different sets of information useful to users of the financial reports. There is no expectation that broader information within the scope of GPFRs will be published in a single report that also includes the general purpose financial statements (GPFs). That is, a single GPFR does not need to provide all the information that an entity might choose or be required to publish in GPFRs. This raises the general problem of how to decide that a particular GPFR is complete in itself.

The IPSASB has a number of current projects that address areas of financial reporting beyond the typical general purpose financial statements (including notes): service performance information, long-term fiscal sustainability information and financial statement discussion and analysis. One of the issues confronting the IPSASB is how to distinguish the boundary between GPFs and GPFRs, which affects views on whether requirements for broader-scope GPFRs should be included in mandatory IPSASB Standards or in voluntary practice statements or other guidance. This issue arises each time the IPSASB addresses any broader-scope topics (called “comprehensive scope” information by the IPSASB), as indicated in the attached meeting report.

This issue also affects what is meant by the phrase “compliance with IPSASs”, or, more generally, “compliance with accounting standards”. Can a GPFR be said to comply fully with the Standards when it complies only with those that are relevant to that particular type of GPFR? Can a GPFR of limited scope be said to comply fully with the Standards when it complies only with the one or few that are relevant to that particular type of GPFR? Or is it preferable to separate a single body of Standards into groups intended for the different types of GPFRs, to limit the potential for inferring compliance with Standards that have not been applied to a particular GPFR?

Is this any different from an entity stating compliance with Australian Accounting Standards when some of those Standards have not been applied because they are not relevant, such as an entity that does not have extractive industry activities or does not issue insurance contracts?

Do AASB members have any views on these issues?

Work Program (see section 1.3 of the meeting report)

At the June meeting, the IPSASB continued its discussion of which projects might be added to the Board’s active agenda. As the report indicates, there is a range of views amongst the members as various projects compete for scarce staff and member resources. Nevertheless, a project brief for an IFRS-convergence project concerning the recent IASB Standards on consolidations and joint arrangements was approved by the IPSASB at the meeting, on the basis that such a project had been approved by the IPSASB in April 2010. The September meeting will again discuss project priorities for the few vacant agenda places, including reviewing the status of the dormant social benefit obligations project. Meanwhile, the IASB continues to develop significant projects in leases and revenue recognition.

Some IPSASB members considered that the IPSASB should engage in formal consultation over its agenda for the 2011-13 period (see agenda paper 7.3), but the IPSASB decided not to carry out such

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a process at this time. However, that does not prevent constituents from providing views to the IPSASB, which of course might or might not influence the IPSASB's agenda decisions.

Would the AASB wish to comment formally to the IPSASB on which committed and new projects should have priority?

Entity Combinations (section 2.5)

The IPSASB is developing a Consultation Paper to address entity combinations, having been unable to agree previously on a Standard based on IFRS 3 *Business Combinations* after going through a full due process with an exposure draft.

Contrary to the approach in IFRS 3 and the Australian equivalent, the IPSASB is considering the accounting treatment of mergers. At this very early stage of the project, the preferred measurement basis for mergers is carrying amounts, with aggregation of the net assets/equity of the combining entities into the resulting entity's financial statements. Fresh-start accounting (fair value measurement basis for all of the combining entities) was considered but rejected.

Do AASB members have any initial reactions to this issue?