



International Public  
Sector Accounting  
Standards Board

529 Fifth Avenue, 6th Floor, New York, NY 10017  
T +1 (212) 286-9344 F +1 (212) 286-9570  
[www.ipsasb.org](http://www.ipsasb.org)

## MEETING HIGHLIGHTS

March 2015

Contact: Leah Weselowski ([leahweselowski@ifac.org](mailto:leahweselowski@ifac.org))

This Meeting Highlights from the International Public Sector Accounting Standards Board (IPSASB) has been prepared for information purposes only. Except for approval of documents for public exposure and issuance of final Standards, Chapters or Guidelines, decisions reported are tentative, reflect only the current status of discussions on projects, and may change after further deliberation by the IPSASB.

For more detailed information about IPSASB projects, please refer to the project summaries under [Current Projects](#) on the IPSASB website.

---

### Social Benefits

The Chair introduced the session by reporting that the Deputy Director had given a presentation on the project to the OECD Accruals Symposium at the end of February. Issues raised at the Symposium had been addressed by staff in the supplementary paper circulated at the meeting. Following this introduction, staff presented an Issues Paper and a draft Consultation Paper (CP) on Social Benefits.

#### *Structure of the CP*

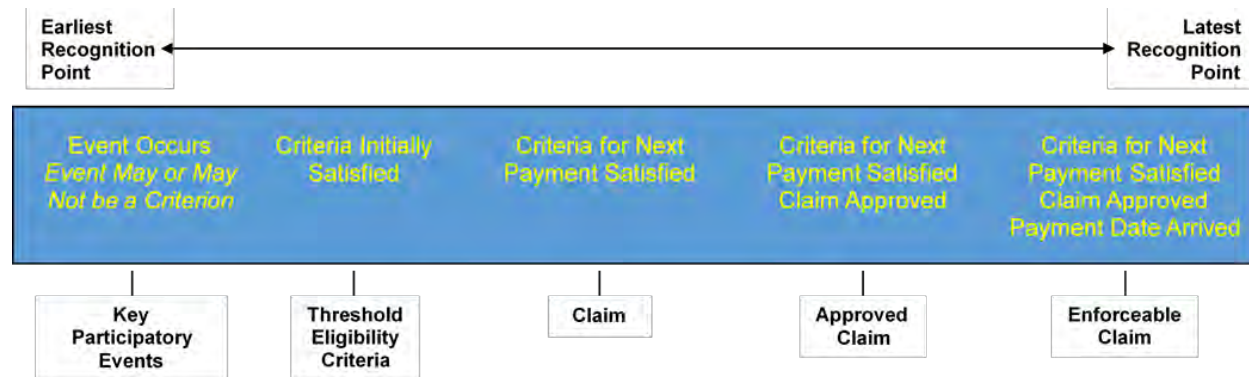
The IPSASB agreed that it would help constituents focus on the key issues if the CP highlighted previous thinking, existing thinking and new thinking. The CP should be much clearer about what new developments had influenced the drafting of the CP and should help constituents identify these new developments. The Conceptual Framework, Recommended Practice Guideline (RPG) 1, *Reporting on the Long-Term Sustainability of an Entity's Finances*, and the link with Government Finance Statistics (GFS) had all been developed since the IPSASB's last consultation on social benefits in 2008.

#### *Clarification of Option 1*

The draft CP included a new diagram illustrating the recognition point for the legal obligation sub-option, all eligibility criteria met sub-option, and the due and payable sub-option.

The IPSASB debated whether including all five sub-options under option 1 would make the diagram more useful for constituents. It noted that it would be helpful for the diagram to build the arguments stage by stage, making reference to the payment date where appropriate. IPSASB members also noted that the terminology used in describing the sub-options, which was drawn from previous publications, did not reflect current thinking. The IPSASB agreed that it would avoid confusion if the CP used alternative terminology. In particular, the term "due and payable" will not be used in the CP, because its application varies in practice

and also because it is ambiguous. The IPSASB agreed to replace the diagram in the draft CP with the following diagram:

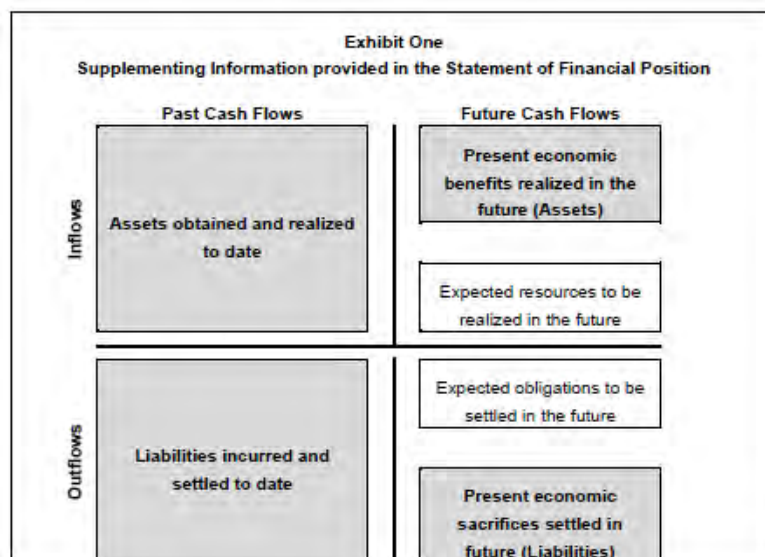


This diagram will be included before any discussion of the sub-options, and the order of the sub-options will be amended to match the diagram.

### Page-by-Page Review

The IPSASB undertook a page-by-page review of the CP. The most significant issues raised by the IPSASB were:

- The CP should be clearer about the IPSASB's intentions regarding presentation and disclosure issues. The diagram included in RPG 1 (below) showing the link between information reported in accordance with RPG 1 and information reported in the financial statements should be included in CP (the shaded areas indicate information reported in the financial statements whereas the unshaded areas indicate information only reported in more comprehensive reports).



- Some members found the distinction between social insurance and social security difficult to understand. The IPSASB directed staff to expand on these definitions, drawing on the wording in GFS.

- The IPSASB agreed that the discussion of the accounting requirements under the insurance approach could be made more understandable. Members agreed to adopt a “building block” approach, addressing fully funded schemes prior to moving on to partially funded schemes.
- There was some concern that Specific Matters for Comment (SMCs), in particular SMCs 3 and 4 might be too open and overwhelm constituents. Staff was directed to review the wording of the SMCs. The IPSASB will consider developing one or more Preliminary Views to provide a framework to which constituents could respond.

The IPASB agreed that a revised draft of the CP should be brought to the June 2015 meeting for approval.

IPSASB staff member contact – Paul Mason: [paulmason@ipsasb.org](mailto:paulmason@ipsasb.org)

---

## Sovereign Debt Restructuring Under IPSASs

As a result of the Global Financial Crisis (GFC) there is an ongoing discussion on the sustainability of sovereign debt levels. Recent media reports have discussed sovereign debt levels measured under IPSAS, including the impact of restructurings. The IPSASB held an education session considering requirements in IPSAB’s financial instruments standards<sup>1</sup> relevant to sovereign debt restructurings for:

- Presentation;
- Recognition;
- Derecognition;
- Measurement; and
- Statistical accounting requirements.

In addition to the discussions on the technical aspects of accounting for sovereign debt restructurings, the IPSASB noted that it was important to continue to engage with the statistical accounting community to reduce differences where possible and appropriate.

The IPSASB requested that a staff document be developed that factually outlines the technical accounting considerations for sovereign debt restructurings. The IPSASB emphasized the importance of communicating how the various steps in sovereign debt restructuring transactions are captured in a transparent and representatively faithful method under IPSASs.

IPSASB staff member contact – Ross Smith: [rosssmith@ipsasb.org](mailto:rosssmith@ipsasb.org)

---

## Reporting Service Performance Information

The IPSASB considered three issues related to the draft Recommended Practice Guide (RPG), *Reporting Service Performance Information*. The IPSASB approved changes to the RPG’s structure and its approach to information disclosures. The IPSASB decided that the definition of “service performance objective” should be revised by removing “effectiveness”. This change addresses a previously identified circularity between the definitions of “service performance objective” and “effectiveness”. The main further revisions—which related to Conceptual Framework references in the RPG, coverage in the Basis for Conclusions and an appendix with illustrative examples—were considered and approved. These changes had been

---

<sup>1</sup> The IPSASB’s financial instruments standards are: IPSAS 28, *Financial Instruments: Presentation*, IPSAS 29, *Financial Instruments: Recognition and Measurement*, and IPSAS 30, *Financial Instruments: Disclosures*.

incorporated into the draft RPG for the IPSASB's review. The IPSASB then carried out a page-by-page review of the draft RPG, and identified a number of further revisions.

The IPSASB unanimously approved the RPG. The RPG was issued, on March 31, 2015.

IPSASB staff member contact – Gwenda Jensen: [GwendaJensen@ipsasb.org](mailto:GwendaJensen@ipsasb.org)

---

## **Government Finance Statistics Update**

The Chair of the Task Force, Ian Carruthers, provided an update on the work of the Task Force, which includes members of the statistical accounting community from the International Monetary Fund, Eurostat and national statistics offices. The Task Force had addressed the key issue of alignment between Government Finance Statistics and IPSAS and had decided to split the areas that it had considered into three categories:

- Potential differences that can be resolved now through adopting a GFS-aligned IPSAS option;
- Differences currently needing to be managed that could be resolved in future through an existing IPSASB work-plan project;
- Differences currently needing to be managed that:
  - Could potentially be resolved through a future IPSASB project;
  - Could potentially be resolved through a future SNA/GFS revision project; or
  - Do not currently appear capable of resolution.

The Task Force recommended that “tracking tables” based on this categorization should be a standing item at IPSASB meetings. The IPSASB accepted this recommendation.

The IPSASB decided to include in the GFS Tracking Tables additional issues related to:

- (a) GFS definitions on relevant balances, such as operating balance;
- (b) Other GFS definitions, such as gross debt and net debt; and,
- (c) The objectives of GFS and IPSASs;

IPSASB staff member contact – João Fonseca: [joaofonseca@ipsasb.org](mailto:joaofonseca@ipsasb.org)

---

## **Public Sector Financial Instruments**

The IPSASB considered an Issues Paper and a draft of sections of a Consultation Paper (CP).

### *Introduction and project objective*

The IPSASB considered amendments to communicate the importance of monetary authorities to the public sector and their and service delivery aims and the public interest implications. The IPSASB agreed with the revisions.

### *Monetary gold – definitions*

The IPSASB discussed the proposed definitions of monetary gold, physical gold, monetary authority and reserve assets. The IPSASB agreed with the changes and provided directions for further development and refinement of the definitions.

## *Scope*

The IPSASB agreed with the revisions to the scope discussion in the monetary gold chapter and the proposal that the following gold assets should be included:

- (a) Physical gold (including gold held directly, in allocated and unallocated gold accounts);
- (b) Commemorative gold coins and gold coins that are legal tender; and
- (c) Some financial instruments which allow for physical settlement in gold on demand without restriction and for which monetary authorities have the intention of taking physical delivery of the gold.

## *Measurement*

The IPSASB was not convinced that the arguments in the CP for using historical cost, based on the provision of information about an entity's operational capacity, were compelling.

The IPSASB directed staff to consider revising the discussion of historical cost to link it to the cost of services. It was noted that it may be helpful to consider the various restrictions on selling monetary gold that many monetary authorities have, when making a link between the intention of holding monetary gold and cost of services.

The IPSASB directed that in discussing the measurement options in the CP, the intention of the monetary authority in holding gold assets should be considered, similarly to how IPSAS 29 classifies assets and liabilities and that classification determines the accounting requirements.

## *Recognition and accounting for transaction costs and changes in value of monetary gold*

The IPSASB noted that the historical cost option presented in the CP also needs to discuss how to account for impairments.

## *Disclosures*

The IPSASB decided that consideration of presentation and disclosure should be revisited after all of the chapters of the CP have been developed.

## *Next chapters in the CP*

The IPSASB considered whether all reserve assets should be in scope as standalone chapters in the CP. Currently monetary gold and special drawing rights (SDRs) are in the scope of the project. However, other reserve assets, such as foreign currency reserves and highly liquid investments, are not in scope because specific IPSAS requirements already exist for these transactions. The IPSASB decided that only monetary gold and SDRs should be included as separate chapters in the CP at this time.

## *Currency & coin in circulation*

The IPSASB agreed that a key issue for both notes and coins are whether there is a liability, and, if so, the appropriate measurement bases for such a liability. The IPSASB directed staff to consider each step in both streams of transactions for issuing notes and coins, to ensure the economic and accounting implications are appropriately and completely captured in the CP.

IPSASB staff member contact – Ross Smith: [rosssmith@ipsasb.org](mailto:rosssmith@ipsasb.org)

## Government Business Enterprises

The Issues Paper considered the responses to the Consultation Paper (CP), *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*, and staff's recommendations on the future development of the project.

### *Approach 1 or Approach 2*

The IPSASB decided that describing the characteristics of public sector entities for which IPSASs are intended (Approach 1) is the way forward. Consequently, the current definition of a GBE will be deleted from IPSASB literature, rather than be modified in accordance with Approach 2.

### *Option 1a or Option 1b*

The IPSASB decided to use IPSASB's current and developing literature to provide the characteristics of entities for which the IPSASB is developing standards and guidance (Option 1a) rather than characteristics drawn from Government Finance Statistics reporting guidelines and explanatory guidance (Option 1b).

### *Description of the characteristics of public sector entities*

The IPSASB adopted the following draft description of the characteristics of public sector entities:

IPSASs are designed to apply to public sector entities that:

- (a) Are responsible for the delivery of services<sup>1</sup> to the public and/or to redistribute income and wealth;
- (b) Finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of the investment; and,
- (c) Do not have a primary objective to make profits.

<sup>1</sup>Services encompasses goods as well as services.

### *Single ED or incorporation in Improvements ED*

The IPSASB decided to develop a single ED on *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*. This ED will propose changes to IPSAS 1, *Presentation of Financial Statements*, and other IPSASs and RPGs where the term GBEs is currently used.

### *Directions to Staff*

The IPSASB directed staff to revise the Basis for Conclusions in IPSAS 1, to explain the IPSASB's reasons for deciding to delete the definition of a GBE and the IPSASB's consideration of the risks in this approach. The Basis for Conclusions will also address the role of regulators in determining detailed accounting requirements for entities in their jurisdictions and the alignment between IPSASs and Government Finance Statistics.

IPSASB staff member contact – João Fonseca: [joaofonseca@ipsasb.org](mailto:joaofonseca@ipsasb.org)

## Public Sector Combinations

Staff presented an Issues Paper and sections of a draft Exposure Draft (ED) on public sector combinations.

### *Objective and Scope*

The IPSASB tentatively supported the inclusion of donated operations within the scope of the project, but noted that a final decision would only be made once the accounting consequences of this proposal had been clarified.

### *Definitions*

The IPSASB debated the proposed definition of an acquisition, in particular whether acquisitions could arise under common control. This issue has been the most problematic aspect of the public sector combinations project, and the IPSASB did not come to a firm conclusion. Consequently the issue will be redeliberated at the June meeting.

The IPSASB directed staff to reconsider this issue by taking the indicators of control in IPSAS 35, *Consolidated Financial Statements*, as a starting point.

### *The Acquisition Method*

Although the IPSASB agreed that IFRS 3, *Business Combinations*, provides a suitable basis for developing requirements and guidance for the acquisition method, the IPSASB confirmed that the project is not an IFRS-convergence project and need not apply the “rules of the road” approach.

The IPSASB discussed a number of detailed matters relating to the acquisition method. Key decisions were as follows:

- The terminology in IFRS 3 will be revised where appropriate;
- A contingent liability should be recognized in the statement of financial position only where an acquisition involves a transfer of consideration, and hence goodwill could arise;
- Shortened wording on income tax should be adopted. This omits specific references to deferred tax assets, liabilities and timing differences. Additional provisions may need to be included to cover those situations where an acquisition included tax forgiveness.
- No reference to non-current assets held for sale will be made in the draft ED.

### *The Modified Pooling of Interests Method*

The IPSASB discussed a number of detailed matters relating to the modified pooling of interests method in the context of reorganizations and amalgamations. Key decisions were as follows:

- Where the larger of the parties combining had not previously adopted IPSAS, it would be more appropriate for the acquisition to be accounted for using IPSAS 33, *First-time Adoption of Accrual Basis IPSASs*. This need not be addressed in a future IPSAS.
- The IPSASB directed staff to reorder the provisions regarding gains and losses so that gains and losses arising from conforming accounting policies are addressed prior to the discussion of any residual gain or loss.

IPSASB staff member contacts – João Fonseca: [joaofonseca@ipsasb.org](mailto:joaofonseca@ipsasb.org) and Paul Mason: [paulmason@ipsasb.org](mailto:paulmason@ipsasb.org)



---

## Work Plan

Following the discussion of respondents' comments to the strategy and the work plan consultation at the December 2014 meeting the IPSASB considered project briefs for eight projects.

The IPSASB approved the following projects:

- Revenue (Exchange and Non-exchange);
- Non-exchange expenses;
- Limited scope review of *Financial Reporting Under the Cash Basis of Accounting (the Cash Basis IPSAS)*;
- Limited scope review of IPSAS 25, *Employee Benefits*;
- Consequential amendments arising from Chapters 1-4 of the Conceptual Framework.

The Revenue project will initially consider the impact of a performance obligation approach on revenue recognition in the public sector. The Non-exchange Expenses project will consider the recognition and measurement of non-exchange expenses that are outside the scope of the social benefits project. The review of the Cash Basis IPSAS will focus on consolidation, external assistance and third party settlements.

The limited scope review of IPSAS 25 will consider changes effected to IAS 19, *Employee Benefits*, by the International Accounting Standards Board's (IASB) 2011 revision, principally elimination of the "corridor" approach, whereby actuarial gains and losses within specified parameters do not have to be recognized in surplus/deficit. The project will also review the existing requirements and guidance in IPSAS 25 on composite social security schemes.

The limited scope project on consequential amendments arising from Chapter 1-4 of the Conceptual Framework will propose updating guidance relating to the qualitative characteristics and pervasive constraints on financial reporting in IPSAS 1, *Presentation of Financial Statements*, and elsewhere in the IPSASB's literature. It will also propose minor changes to the hierarchy of pronouncements in IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*, where there is no IPSAS dealing with a transaction or event.

The IPSASB remains committed to projects on Public Sector Measurement and Public Sector Assets (Heritage and Infrastructure). The IPSASB directed Staff to consider further the scope and timing of these projects and the relationship between the two projects. The IPSASB will consider revised project briefs at its June 2015 meeting.

The IPSASB decide to defer the project on Leases until the IASB Board has issued a new International Financial Reporting Standard.

IPSASB staff member contact – John Stanford: [johnstanford@ipsasb.org](mailto:johnstanford@ipsasb.org)

---

## Emissions Trading Schemes

The IPSASB considered four issues related to development of a Consultation Paper (CP) on accounting for Emissions Trading Schemes (ETs). A draft structure was accepted as a useful basis for developing the CP. With respect to the project's scope, the IPSASB directed staff to consider traders, in addition to ETS administrators and participants, during development of the CP. Staff should explore scope to take a



generic approach to different types of ETSs and keep the project's focus on schemes that involve creation of tradable allowances and emission allowance equivalents. The project's name should remain "Emissions Trading Schemes", consistent with that focus. Staff and the TBG will attempt to develop accounting treatments that focus on factors common to all ETSs. The IPSASB noted that, to be viable, this approach will need to adequately address differences between cap-and-trade and baseline-and-credit schemes, which create emission allowances in different ways.

Next steps are for Staff and the TBG to (a) develop the first chapters of the ETS consultation paper, and (b) develop a second Issues Paper for the IPSASB's June 2015 meeting.

IPSASB staff member contact – Gwenda Jensen: [GwendaJensen@ipsasb.org](mailto:GwendaJensen@ipsasb.org)

---

## **Next Meeting**

The next IPSASB meeting will be held in Toronto, Canada on June 23–26, 2015.