

Exposure Draft 56
July 2015
Comments due: November 30, 2015

*Proposed International Public Sector Accounting
Standard and Recommended Practice Guideline*

The Applicability of IPSASsTM

IPSASB

International Public
Sector Accounting
Standards Board®

This document was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances.

In meeting this objective the IPSASB sets International Public Sector Accounting Standards™ (IPSAS™) and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants® (IFAC®).

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REQUEST FOR COMMENTS

This Exposure Draft 56 (ED 56), *The Applicability of IPSASs*, was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Exposure Draft (ED) may be modified in light of comments received before being issued in final form. **Comments are requested by November 30, 2015.**

Respondents are asked to submit their comments electronically through the IPSASB website, using the [“Submit a Comment”](#) link. Please submit comments in both a PDF and Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. This publication may be downloaded from the IPSASB website: www.ipsasb.org. The approved text is published in the English language.

Objective of the Exposure Draft

The objective of this ED is to remove the Government Business Enterprise (GBE) definition in IPSAS 1, *Presentation of Financial Statements*, and propose consequential amendments in IPSASs and RPGs.

Guide for Respondents

The IPSASB welcomes comments on all the changes proposed to IPSASs and RPGs in ED 56. The ED highlights one specific matter for comment, which is provided below to facilitate the comments. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and include reasons for agreeing or disagreeing. If you disagree, please provide alternative proposals.

Specific Matter for Comment

The IPSASB proposes deleting the defined term “Government Business Enterprise” and removing all references to the term from the IPSASB’s pronouncements, so that the *Preface to International Public Sector Accounting Standards* will provide guidance on the applicability of IPSASs and RPGs.

In order to facilitate comments, a positive description of the characteristics of public sector entities for which IPSASs are intended is included in the *Executive Summary* of the ED. This description will be part of the *Preface to International Public Sector Accounting Standards*.

Do you agree with the changes to IPSASs and RPGs proposed in this ED? If not, please provide your reasons.

Executive Summary

Currently IPSAS 1, *Presentation of Financial Statements*, includes a definition of a Government Business Enterprise (GBE). The scope section of each International Public Sector Accounting Standards (IPSAS) and Recommended Practice Guideline (RPG) specifically excludes GBEs and includes a reference to the *Preface to International Public Sector Accounting Standards (Preface)*, which states that GBEs apply International Financial Reporting Standards issued by the International Accounting Standards Board.

The International Public Sector Accounting Standards Board (IPSASB) is proposing a new approach to communicate its view of the entities to which IPSASs apply. That approach involves:

- Deleting the GBE definition in IPSAS 1, *Presentation of Financial Statements*;
- Amending the scope section of each IPSAS and RPG by removing the paragraph that states that GBEs do not apply IPSASs; and
- Replacing the current paragraph 10 in the *Preface* with a revised paragraph providing the characteristics of public sector entities for which IPSASs are intended as follows:

The IPSASs are designed to apply to public sector entities¹ that:

- (a) Are responsible for the delivery of services² to benefit the public and/or to redistribute income and wealth;*
- (b) Mainly 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 their investment; and,*
- (c) Do not have a primary objective to make profits.*

The paragraph about the applicability of each standard to all general purpose financial statements prepared and presented under the accrual basis of accounting in accordance with IPSASs will be retained in the scope section of each IPSAS.

The proposed changes follow the IPSASB's consideration of comments received on the Consultation Paper, *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*, published in 2014. A large majority of respondents to the Consultation Paper supported an approach whereby the IPSASB would rely on a set of high-level characteristics to communicate the types of entities for which it develops IPSASs and RPGs, rather than retaining and improving the definition of a GBE. This approach is further developed in this Exposure Draft (ED) 56, *The Applicability of IPSASs*. The IPSASB considers the proposal in this ED is the most transparent way to communicate the types of public sector entities that it considers when developing IPSASs. The approach is high-level and principles-based and draws on *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*. By proposing this approach the IPSASB also acknowledges:

- The role of regulators in determining the accounting standards to be applied by different entities in their jurisdictions; and
- Constituents' concerns about differing interpretations of GBEs developing in practice.

¹ Paragraph 1.8 of *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* identifies a wide range of public sector entities for which IPSASs are designed.

² Services encompasses goods, services and policy advice.

The revisions to the *Preface*, which the IPSASB has already approved, are provided in this ED to inform constituents of the characteristics that the IPSASB will consider when developing IPSASs and RPGs. This information will facilitate constituents' consideration of the proposed amendments to IPSASs and RPGs in this ED.

ED 56 THE APPLICABILITY OF IPSASS

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Objective

1. The objective of this ED is to remove the Government Business Enterprise (GBE) definition in IPSAS 1, *Presentation of Financial Statements* and propose consequential amendments in IPSASs and RPGs.

IPSASs and RPGs Addressed

2. This ED applies to all extant IPSASs and RPGs as of March 31, 2015.

Amendments to IPSAS 1, *Presentation of Financial Statements*

Paragraphs 5, 6 and 12 are deleted. Paragraph 153G is added. Paragraphs 7, 97 and Implementation Guidance are amended. The Basis for Conclusions includes new text. New text is underlined and deleted text is struck through.

Scope

...

~~5. This Standard applies to all public sector entities other than Government Business Enterprises.~~

~~6. The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in paragraph 7 below.~~

Definitions

7. The following terms are used in this Standard with the meanings specified:

...

Government Business Enterprise means an entity that has all the following characteristics:

- ~~(a) Is an entity with the power to contract in its own name;~~
- ~~(b) Has been assigned the financial and operational authority to carry on a business;~~
- ~~(c) Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;~~
- ~~(d) Is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and~~
- ~~(e) Is controlled by a public sector entity.~~

...

Government Business Enterprises

~~12. GBEs include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge. IPSAS 35 provides guidance on determining whether control exists for financial reporting purposes, and should be referred to in determining whether a GBE is controlled by another public sector entity.~~

97. In some cases, there may be a non-controlling interest in the net assets/equity of the entity. For example, at the whole-of-government level, the economic entity may include a GBE commercial public sector entity that has been partly privatized. Accordingly, there may be private shareholders who have a financial interest in the net assets/equity of the entity.

Effective Date

...

153G. Paragraphs 5, 6 and 12 were deleted and paragraphs 7 and 97 were amended by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 1.

...

Revision of IPSAS 1 as a result of the IPSASB's *The Applicability of IPSASs*, issued in Month Year

Background

BC13. IPSAS 1 included the following definition of a Government Business Enterprise (GBE):

Government Business Enterprise means an entity that has all the following characteristics:

- (a) Is an entity with the power to contract in its own name;
- (b) Has been assigned the financial and operational authority to carry on a business;
- (c) Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;
- (d) Is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and
- (e) Is controlled by a public sector entity.

BC14. The purpose of the definition was to exclude commercially-oriented public sector entities that met the above definition of a GBE from the scope of IPSASs. However, feedback received by the IPSASB indicated that there is a wide range of entities being described as GBEs, some of which clearly do not meet the IPSASB definition of a GBE. There also appeared to be different interpretations of components of the definition.

BC15. To address this problem, in August 2014 the IPSASB issued a Consultation Paper (CP), *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*. The CP proposed two main approaches to communicate its policy on the public sector entities for which it is developing accounting standards and on GBEs.

BC16. Approach 1 proposed (i) deleting the definition of a GBE; and (ii) providing a high-level description of the characteristics of public sector entities for which IPSASs are intended. This approach had two options: using the IPSASB's current and developing literature (Option 1a) or using Government Finance Statistics (GFS) reporting guidelines and explanatory guidance (Option 1b).

BC17. Under Option 1a, the IPSASB would describe the characteristics of the public sector entities in the following way:

IPSASs are designed to apply to entities that:

- (a) Are responsible for the delivery of services³ to the public with assets held primarily for their service potential and/or to make transfer payments 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.

BC18. Approach 2 proposed retaining and modifying the definition of a GBE in IPSAS 1 in order to resolve problems in its application, and proposed two options for the definition's modification. Option 2a proposed clarifying the current definition of a GBE and Option 2b proposed narrowing the existing definition of a GBE.

BC19. The IPSASB expressed a unanimous Preliminary View (PV) in the CP that Approach 1 was most appropriate because it focuses on the characteristics of public sector entities for which IPSASs are intended. A majority of IPSASB members supported Option 1a because it is a high level, principles-based approach that draws on the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*, and acknowledges the role of regulators and other relevant authorities in determining which entities should apply IPSASs.

BC20. There was strong support from respondents for Option 1a. In general, respondents supported Option 1a for the reasons stated in the previous paragraph. Some respondents also gave additional reasons for supporting Option 1a. These reasons, included reliance on the literature of a third-party over which the IPSASB has no control, and the possibility of inconsistency with the IPSASB's own literature, which were identified as risks with Option 1b.

BC21. Respondents' reasons for not supporting Option 1a included:

- A lack of resource capacity of regulators in less developed countries making it difficult to develop detailed criteria for reporting requirements;
- Different national regulators using different criteria, which would reduce consistency between jurisdictions; and
- The complexities of public sector entities compared with private sector entities that demand a different approach to the determination of reporting requirements.

The IPSASB's decision

BC22. In August 2015, the IPSASB issued Exposure Draft (ED) 56, *The Applicability of IPSASs*. The ED reflected the IPSASB's decision to provide, in the *Preface to International Public Sector Accounting Standards*, a description of the characteristics of public sector entities for which IPSASs are intended, and to base the proposed description on the IPSASB's literature. The IPSASB further decided to delete the definition of a GBE from IPSAS 1 and delete all references to GBEs in IPSASs and RPGs. The IPSASB considered that this approach best serves the public interest because it removes a definition that has been ambiguous and difficult to implement, and describes the characteristics of public sector entities according to the IPSASB's literature.

BC23. The characteristics of public sector entities provided in the *Preface to International Public Sector Accounting Standards* reflect the characteristics of the public sector that the IPSASB has considered in the development of its *Conceptual Framework for General Purpose Financial*

³ Services encompasses goods and services.

Reporting by Public Sector Entities. The characteristics are described in the *Preface to the Conceptual Framework*.

BC24. In coming to its decision, the IPSASB acknowledged that:

- (a) The role of regulators in considering the characteristics of public sector entities when deciding about the applicability of IPSASs in their jurisdiction may vary;
- (b) The consideration of alignment between IPSASs and GFS reporting guidelines is an important issue;
- (c) The meaning of the term “public sector” needs to be addressed, with reference to the *Preface to the Conceptual Framework*; and
- (d) Holding assets for service potential instead of assets held to generate cash is a distinctive characteristic of public sector entities for which IPSASs are intended.

The role of regulators and other relevant authorities

BC25. The IPSASB acknowledged that regulators and other relevant authorities might form different views from the IPSASB on the applicability of IPSASs in each jurisdiction. Many jurisdictions develop their own criteria to decide which entities should apply IPSASs. These criteria may vary for legal, economic or fiscal reasons. Therefore, the IPSASB is of the view that a principles-based approach is appropriate, because that approach allows flexibility in each jurisdiction.

Alignment between IPSASs and GFS reporting guidelines

BC26. The IPSASB has a policy of reducing unnecessary differences between IPSASs and GFS reporting guidelines, where appropriate. The IPSASB decided that, on the issue of the applicability of IPSASs, the objectives of financial reporting are better served by developing characteristics that are based on the IPSASB’s current and developing literature over which it has control.

The meaning of the term “public sector”

BC27. According to the *Preface*, the term “public sector” includes national and sub-national (regional, state/provincial, and local), governments and related governmental entities. It also includes international public sector organizations. The IPSASB acknowledges that the public sector also includes other entities that seek a return on equity to investors. IPSASs are not intended for application to the general purpose financial reports of this type of entity. However, when they are included in consolidated financial statements by a controlling entity that applies IPSASs, appropriate adjustments are made to ensure conformity with the economic entity’s accounting policies. Therefore, the IPSASB is of the view that the term public sector is related to single and group entities as described in the *Preface*.

Assets held for service potential

BC28. The IPSASB is of the view that the description *are responsible for the delivery of services*⁴ to the public provided in the *Preface* indicates that IPSASs are intended for public sector entities that hold assets primarily for service potential rather than the generation of cash flows.

⁴ Services encompasses goods, services and policy advice.

Implementation Guidance

...

Public Sector Entity—Statement of Accounting Policies (Extract)

Reporting Entity

These financial statements are for a public sector entity (national government of Country A). The financial statements encompass the reporting entity as specified in the relevant legislation (Public Finance Act 20XX). This comprises

- Central government ministries; and
- ~~Government Business Enterprises~~ Commercial public sector entities.

Amendments to IPSAS 2, *Cash Flow Statements*

Paragraphs 3, 4 and 16 are deleted. Paragraph 63D is added. New text is underlined and deleted text is struck through.

Scope

...

3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
4. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Definitions

...

Government Business Enterprises

16. ~~GBEs include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge. IPSAS 6, *Consolidated and Separate Financial Statements*, provides guidance on determining whether control exists for financial reporting purposes, and should be referred to in determining whether a GBE is controlled by another public sector entity.~~

Effective Date

...

- 63D. Paragraphs 3, 4 and 16 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*

Paragraphs 5 and 6 are deleted. Paragraph 59B is added. New text is underlined and deleted text is struck through.

Scope

...

5. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~

6. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

59B. Paragraphs 5 and 6 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*

Paragraphs 6 and 7 are deleted. Paragraph 71B is added. New text is underlined and deleted text is struck through.

Scope

...

6. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~

7. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

71B. Paragraphs 6 and 7 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 5, *Borrowing Costs*

Paragraphs 2, 3 and 11 are deleted. Paragraph 42B is added. New text is underlined and deleted text is struck through.

Scope

...

~~2. This Standard applies to all public sector entities other than Government Business Enterprises.~~

~~3. The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Definitions

...

Government Business Enterprises

~~11. GBEs include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge. IPSAS 6, *Consolidated and Separate Financial Statements*, provides guidance on determining whether control exists for financial reporting purposes, and should be referred to in determining whether a GBE is controlled by another public sector entity.~~

Effective Date

...

42B. Paragraphs 2, 3 and 11 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 9, *Revenue from Exchange Transactions*

Paragraphs 2 and 3 are deleted. Paragraph 41A is added. New text is underlined and deleted text is struck through.

Scope

...

~~2. This Standard applies to all public sector entities other than Government Business Enterprises.~~

~~3. The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

41A. Paragraphs 2 and 3 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 10, *Financial Reporting in Hyperinflationary Economies*

Paragraphs 2 and 3 are deleted. Paragraph 38C is added. New text is underlined and deleted text is struck through.

Scope

...

2. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~

3. ~~The Preface to *International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

38C. Paragraphs 2 and 3 were deleted by *The Applicability of IPSAS*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 11, *Construction Contracts*

Paragraphs 2 and 3 are deleted. Paragraph 57A is added. Paragraphs 45(a), IG1, IG22 and IG26 are amended. New text is underlined and deleted text is struck through.

Scope

...

2. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~

3. ~~The Preface to *International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Recognition of Expected Deficits

...

45. Public sector entities may enter into construction contracts that specify that the revenue intended to cover the construction costs will be provided by the other parties to the contract. This may occur where, for example:

- (a) Government departments and agencies that are largely dependent on appropriations or similar allocations of government revenue to fund their operations are also empowered to contract with ~~GBEs~~ commercial public sector entities or private sector entities for the construction of assets on a commercial or full cost recovery basis; or

Effective Date

...

57A. Paragraphs 2 and 3 were deleted and paragraph 45(a) was amended by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Implementation Guidance

This guidance accompanies, but is not part of, IPSAS 11.

Disclosure of Accounting Policies

IG1. The following are examples of accounting policy disclosures for a department that enters noncommercial construction contracts with other government agencies for full, partial, or no cost recovery from the other parties to the contract. The department is also empowered to enter into construction contracts with commercial public sector entities and private sector entities ~~and GBEs~~, and to enter full cost recovery construction contracts with certain state hospitals and state universities.

...

Contract Disclosures

Appropriation/Aid Funded Contracts and Full Cost Recovery Contracts

IG22. The Department of Works and Services was recently created as the entity to manage the construction of major buildings and roadworks for other government entities. It is funded predominantly by appropriation, but with the approval of the Minister is empowered to undertake construction projects financed by national or international aid agencies. It has its own construction capabilities and can also subcontract. With the approval of the Minister, the Department may also undertake construction work on a commercial basis for commercial public sector entities and private sector entities ~~and GBEs~~ and on a full cost recovery basis for state hospitals and state run universities.

Commercial Contracts

IG26. The Division of National Construction Works has been established within the Department of Works and Services to undertake construction work on a commercial basis for ~~GBEs~~ commercial public sector entities and private sector entities at the direction, and with the approval, of the Minister. The Division has reached the end of its first year of operations. All its contract costs incurred have been paid for in cash, and all its progress billings and advances have been received in cash. Contract costs incurred for contracts B, C, and E include the cost of materials that have been purchased for the contract, but which have not been used in contract performance to date. For contracts B, C, and E, the customers have made advances to the contractor for work not yet performed.

Amendments to IPSAS 12, *Inventories*

Paragraphs 4 and 5 are deleted. Paragraph 51B added. New text is underlined and deleted text is struck through.

Scope

...

4. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
5. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

- 51B. Paragraphs 4 and 5 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 13, *Leases*

Paragraphs 3 and 4 are deleted. Paragraph 85C added. New text is underlined and deleted text is struck through.

Scope

...

3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
4. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

- 85C. Paragraphs 3 and 4 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 14, *Events after the Reporting Date*

Paragraphs 3 and 4 are deleted. Paragraph 32B is added. Paragraphs 15 and 21 are amended. New text is underlined and deleted text is struck through.

Scope

...

- ~~3. This Standard applies to all public sector entities other than Government Business Enterprises.~~
- ~~4. The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Dividends or Similar Distributions

...

15. Dividends may arise in the public sector when, for example, a public sector entity controls and consolidates the financial statements of a GBE commercial entity that has outside ownership interests to whom it pays dividends. In addition, some public sector entities adopt a financial management framework, for example “purchaser provider” models, that require them to pay income distributions to their controlling entity, such as the central government.
- ...
21. Some ~~agencies, although not GBEs,~~ public sector entities may be required to be fully or substantially self-funding, and to recover the cost of goods and services from users. For any such entity, deterioration in operating results and financial position after the reporting date may indicate a need to consider whether the going concern assumption is still appropriate.

Effective Date

...

- 32B. Paragraphs 3 and 4 were deleted and paragraphs 15 and 21 were amended by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 16, *Investment Property*

Paragraphs 3 and 4 are deleted. Paragraph 101B is added. Paragraph 9 is amended. New text is underlined and deleted text is struck through.

Scope

...

- ~~3. This Standard applies to all public sector entities other than Government Business Enterprises.~~
- ~~4. The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Definitions

9. There are a number of circumstances in which public sector entities may hold property to earn rental and for capital appreciation. For example, a public sector entity (other than a ~~GBE commercial entity~~) may be established to manage a government's property portfolio on a commercial basis. In this case, the property held by the entity, other than property held for resale in the ordinary course of operations, meets the definition of an investment property. Other public sector entities may also hold property for rentals or capital appreciation, and use the cash generated to finance their other (service delivery) activities. For example, a university or local government may own a building for the purpose of leasing on a commercial basis to external parties to generate funds, rather than to produce or supply goods and services. This property would also meet the definition of investment property. Other public sector entities may also hold property for rentals or capital appreciation, and use the cash generated to finance their other (service delivery) activities.

Effective Date

...

101B. Paragraphs 3 and 4 were deleted and paragraph 9 was amended by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 17, *Property, Plant, and Equipment*

Paragraphs 3 and 4 are deleted. Paragraph 107F is added. New text is underlined and deleted text is struck through.

Scope

...

- ~~3. This Standard applies to all public sector entities other than Government Business Enterprises.~~
- ~~4. The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

107F. Paragraphs 3 and 4 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 18, *Segment Reporting*

Paragraphs 2 and 3 are deleted. Paragraph 76A is added. Paragraphs 16(a), 24, 38 and 41 are amended. New text is underlined and deleted text is struck through.

Scope

...

~~2. This Standard applies to all public sector entities other than Government Business Enterprises.~~

~~3. The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

...

Reporting Structures

16. At the whole-of-government level, financial information is often aggregated and reported in a manner that reflects, for example:
- (a) Major economic classifications of activities undertaken by general government, such as health, education, defense, and welfare (these may reflect the Government Finance Statistics (GFS) functional classifications of government), and major trading activities undertaken by GBEs commercial public sector entities, such as state-owned power stations, banks, and insurance entities; or

...

Reporting Structures not Appropriate

24. As noted above, in most cases the segments for which information is reported internally to the governing body and the most senior manager of the entity, for the purpose of evaluating the entity's past performance and for making decisions about the future allocation of resources, will reflect those identified in budget documentation and will also be adopted for external reporting purposes in accordance with the requirements of this Standard. However, in some cases an entity's internal reporting to the governing body and the senior manager may be structured to aggregate and report on a basis that distinguishes revenues, expenses, assets, and liabilities related to budget-dependent activities from those of trading activities, or which distinguishes budget-dependent entities from GBEs commercial public sector entities. Reporting segment information in the financial statements on the basis of only these segments is unlikely to meet the objectives specified for this Standard. This is because these segments are unlikely to provide information that is relevant to users about, for example, the performance of the entity in achieving its major operating objectives. IPSAS 22, *Disclosure of Financial Information about the General Government Sector*, includes requirements for governments that elect to disclose financial information about the general government sector (GGS) as defined in statistical bases of reporting.

...

Segment Assets, Liabilities, Revenue, and Expense

...

38. In some jurisdictions, a government or government entity may control a ~~GBE or other~~ public sector entity that operates on a commercial basis and is subject to income tax or income tax equivalents. These entities may be required to apply accounting standards such as IAS 12, *Income Taxes*, which prescribe the accounting treatment of income taxes or income tax equivalents. Such standards may require the recognition of income tax assets and liabilities in respect of income tax expenses, or income tax-equivalent expenses, which are recognized in the current period and are recoverable or repayable in future periods. These assets and liabilities are not included in segment

assets or segment liabilities because they arise as a result of all the activities of the entity as a whole and the tax arrangements in place in respect of the entity. However, assets representing taxation revenue receivable that is controlled by a taxing authority will be included in segment assets of the authority if they can be directly attributed to that segment or allocated to it on a reliable basis.

...

41. The financial statements for the whole-of-government, and certain other controlling entities, will require the consolidation of a number of separate entities such as departments, agencies, and ~~GBEs~~ commercial entities. In preparing these consolidated financial statements, transactions and balances between controlled entities will be eliminated in accordance with IPSAS 35, *Consolidated Financial Statements*. However, segment revenue, segment expense, segment assets, and segment liabilities are determined before balances and transactions between entities within the economic entity are eliminated as part of the consolidation process, except to the extent that such intra-economic entity balances and transactions are between entities within a single segment.

Effective Date

...

- 76A. Paragraphs 2 and 3 were deleted and paragraphs 16(a), 24, 38 and 41 were amended by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*

Paragraphs 2 and 3 are deleted. Paragraph 111B is added. New text is underlined and deleted text is struck through.

Scope

...

- ~~2. This Standard applies to all public sector entities other than Government Business Enterprises.~~
- ~~3. The Preface to *International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

- 111B. Paragraphs 2 and 3 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 20, *Related Party Disclosures*

Paragraphs 2 and 3 are deleted. Paragraph 42B is added. Implementation Guidance is amended. New text is underlined and deleted text is struck through.

Scope

...

2. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~

3. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

42B. Paragraphs 2 and 3 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Implementation Guidance

This guidance accompanies, but is not part of, IPSAS 20.

Disclosure—Government X

The following disclosures are made in the financial statements of Government X.

Controlled Entities (Paragraph 25)

The Government controls the following reporting entities:

Government Departments and Agencies: Education, Welfare, Police, Post, Works and Services, Defense, Justice, Treasury/Finance, Department X, Agency XYZ (identify all departments and agencies).

~~Government Business Enterprises~~ Commercial Public Sector Entities: Government Electricity Company, Government Telecommunications ~~Agency Company~~ (identify all ~~GBEs~~ commercial public sector entities).

Disclosure—Government Agency XYZ

These disclosures are made in the financial statements of Government Agency XYZ, which is a separate reporting entity.

Controlled Entities (Paragraph 25)

The Agency is controlled by Department X. Department X is controlled by Government X.

The Agency controls the Administration Services Unit, which is a ~~government business enterprise (GBE)~~ commercial entity.

Amendments to IPSAS 21, *Impairment of Non-Cash Generating Assets*

Paragraphs 3, 4 and 15 and BC21 are deleted. Paragraph 82D is added. Paragraphs 6, 20 and 21 are amended. New text is underlined and deleted text is struck through.

Scope

...

3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~

4. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

...

6. This Standard excludes from its scope the impairment of assets that are dealt with in another IPSAS. ~~GBEs apply IAS 36, and therefore are not subject to the provisions of this Standard.~~ Public sector entities other than ~~GBEs~~ commercial entities apply IPSAS 26 to their cash-generating assets, and apply this Standard to their non-cash-generating assets. Paragraphs 6-13 explain the scope of the Standard in greater detail.

Definitions

...

Government Business Enterprises

15. ~~GBEs include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge.~~

Cash-Generating Assets

...

20. In some cases, it may not be clear whether the primary objective of holding an asset is to generate a commercial return. In such cases, it is necessary to evaluate the significance of the cash flows. It may be difficult to determine whether the extent to which the asset generates cash flows is so significant that this Standard is applicable rather than IPSAS 26. Judgment is needed to determine which Standard to apply. An entity develops criteria so that it can exercise that judgment consistently in accordance with the definition of cash-generating assets and non-cash-generating assets, and with the related guidance in paragraphs 16–20. Paragraph 73A requires an entity to disclose the criteria used in making this judgment. However, given the overall objectives of most public sector entities, other than ~~GBEs~~ commercial entities, the presumption is that assets are non-cash-generating and, therefore, IPSAS 21 will apply.

21. Assets held by ~~GBEs~~ commercial public sector entities are cash-generating assets. Public sector entities other than ~~GBEs~~ commercial entities may hold assets to generate a commercial return. For

the purposes of this Standard, an asset held by a non-~~GBE~~ commercial public sector entity is classified as a cash-generating asset if the asset (or unit of which the asset is a part) is operated with the objective of generating a commercial return through the provision of goods and/or services to external parties.

Effective Date

...

82D. Paragraphs 3, 4 and 15 were deleted and paragraphs 6, 20 and 21 were amended by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Basis for Conclusions

...

Impairment of Non-Cash-Generating Assets Held by GBEs

~~BC21. This Standard requires that the impairment of all assets held by GBEs be accounted for under IAS 36. GBEs are profit-oriented entities, and the assets employed by them are primarily cash-generating assets. The Preface to International Public Sector Accounting Standards makes it clear that GBEs are profit-oriented entities, and are therefore required to comply with IFRSs and IASs. Individual IPSASs make it explicit that IFRSs apply to GBEs. Accordingly, non-cash-generating assets are expected to be appropriately grouped with cash-generating assets of GBEs to form a cash-generating unit to be tested for impairment in accordance with IAS 36.~~

Amendments to IPSAS 22, *Disclosures of Financial Information about the General Government Sector*

Paragraph 16 is deleted. Paragraph 47B is added. Paragraphs 3 and 22 are amended. New text is underlined and deleted text is struck through.

Scope

...

3. Governments raise funds from taxes, transfers, and a range of nonmarket and market activities to fund their service delivery activities. They operate through a variety of entities to provide goods and services to their constituents. Some entities rely primarily on appropriations or allocations from taxes or other government revenues to fund their service delivery activities, but may also undertake additional revenue-generating activities, including commercial activities in some cases. Other entities may generate their funds primarily or substantially from commercial activities. ~~These include government business enterprises (GBEs) as defined in IPSAS 1, *Presentation of Financial Statements*.~~

Definitions

...

Government Business Enterprises

16. ~~GBEs include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge.~~

General Government Sector

...

Public Non-Financial Corporations Sector

...

22. ~~A GBE as defined in this Standard~~ Some public sector entities ~~has~~ have similar characteristics to a public corporation or public quasi-corporation, as defined in statistical bases of financial reporting. However, there may not be an identical mapping of ~~GBEs~~ these public sector entities and the PFC and PNFC sectors. For example, a ~~GBE~~ public sector entity that is not resident would not be classified as a PFC or a PNFC.

Effective Date

...

- 47B. Paragraphs 3 and 22 were amended and paragraph 16 was deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*

Paragraphs 3 and 4 are deleted. Paragraph 124C is added. New text is underlined and deleted text is struck through.

Scope

...

3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
4. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

- 124C. Paragraphs 3 and 4 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or

after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 24, *Presentation of Budget Information in Financial Statements*

Paragraphs 4 is deleted. Paragraph 54A is added. Paragraphs 3, 46 and BC10 are amended. Paragraphs 4 and 5 in Illustrative Examples are amended. New text is underlined and deleted text is struck through.

Scope

...

3. **This Standard applies to public sector entities, other than ~~Government Business Enterprises~~ commercial entities, which are required or elect to make their approved budget(s) publicly available.**
4. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Note Disclosures of Budgetary Basis, Period and Scope

46. IPSASs require entities to prepare and present financial statements that consolidate all resources controlled by the entity. At the whole-of-government level, financial statements prepared in accordance with IPSASs will encompass budget-dependent entities and ~~GBEs~~ commercial entities controlled by the government. However, as noted in paragraph 35, approved budgets prepared in accordance with statistical reporting models may not encompass operations of the government that are undertaken on a commercial or market basis. Consistent with the requirements of paragraph 31, budget and actual amounts will be presented on a comparable basis. Disclosure of the entities encompassed by the budget will enable users to identify the extent to which the entity's activities are subject to an approved budget, and how the budget entity differs from the entity reflected in the financial statements.

Effective Date

...

- 54A. Paragraph 4 was deleted and paragraphs 3 and 46 were amended by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Basis for Conclusions

...

- BC10. The IPSASB considered whether it should require or encourage all public sector entities other than ~~GBEs~~ commercial entities to make publicly available their approved budgets and to comply with the requirements of this Standard. The IPSASB noted that the purpose of this Standard was not to specify whether approved budgets should be made publicly available, and agreed that it should not impose such requirements on entities or add to existing encouragements until it had further considered its role in respect of developing requirements for budget reporting. The IPSASB also

noted that public sector entities that do not make publicly available their approved budgets are not prohibited from applying the requirements of this Standard if they choose to do so.

Illustrative Examples

...

Extract of Note Disclosures—for Government X

...

4. The budget and the accounting bases differ. The financial statements for the whole-of-government are prepared on the accrual basis, using a classification based on the nature of expenses in the statement of financial performance. The financial statements are consolidated statements that include all controlled entities, including ~~government business enterprises~~ commercial entities for the fiscal period from January 1, 20XX to December 31, 20XX. The financial statements differ from the budget which is approved on the cash basis and which deals only with the general government sector which excludes ~~government business enterprises~~ commercial entities and certain other non-market government entities and activities.
5. The amounts in the financial statements were recast from the accrual basis to the cash basis, and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (~~GBEs~~ commercial entities) were made to express the actual amounts on a comparable basis to the final approved budget. The amount of these adjustments are identified in the following table.

Amendments to IPSAS 25, *Employee Benefits*

Paragraphs 8 and 9 are deleted. Paragraph 177B is added. New text is underlined and deleted text is struck through.

Scope

...

8. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
9. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

- 177B. Paragraphs 8 and 9 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 26, *Impairment of Cash-Generating Assets*

Paragraphs 3 and 4 are deleted. Paragraph 126E is added. Paragraphs 5, 18, BC10, BC11, BC15 and introductory text in Implementation Guidance are amended. New text is underlined and deleted text is struck through.

Scope

...

3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~

4. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

5. ~~GBEs apply IAS 36, *Impairment of Assets*, and therefore are not subject to the provisions of this Standard.~~ Public sector entities, other than GBEs commercial entities, that hold non-cash-generating assets as defined in paragraph 13 apply IPSAS 21, *Impairment of Non-Cash-Generating Assets*, to such assets. Public sector entities, other than GBEs commercial entities, that hold cash-generating assets apply the requirements of this Standard.

...

Cash-Generating Assets

...

18. In some cases it may not be clear whether the primary objective of holding an asset is to generate a commercial return. In such cases it is necessary to evaluate the significance of the cash flows. It may be difficult to determine whether the extent to which the asset generates cash flows is so significant that this Standard is applicable, rather than IPSAS 21. Judgment is needed to determine which Standard to apply. An entity develops criteria so that it can exercise that judgment consistently in accordance with the definition of cash-generating assets and non-cash-generating assets and with the related guidance in paragraphs 14–17. Paragraph 114 requires an entity to disclose the criteria used in making this judgment. However, given the overall objectives of most public sector entities other than GBEs commercial entities, the presumption is that assets are non-cash-generating in these circumstances and, therefore, IPSAS 21 will apply.

Effective Date

...

126E. Paragraphs 3 and 4 were deleted and paragraphs 5 and 18 were amended by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Basis for Conclusions

...

Indications of Impairment: Market Capitalization

BC10. The IPSASB considered whether the indications for impairment of cash-generating assets held by public sector entities – both external sources and internal sources of information – are similar to those in IAS 36. The IPSASB concluded that the indications in IAS 36 are relevant, except for the indication that the carrying amount of the net assets of the entity is more than its market capitalization. The IPSASB is of the view that very few public sector entities that are not ~~GBEs~~ commercial entities will issue equity instruments traded in deep markets, and that such an indication will therefore only be relevant on the consolidation of ~~GBEs~~ commercial entities.

Fair Value less Costs to Sell and Forced Sales

BC11. In commentary on the definition of “fair value less costs to sell,” IAS 36 states that “fair value less costs to sell does not reflect a forced sale,” but includes a qualification: “unless management is compelled to sell immediately.” IPSAS 26 does not include this qualification in paragraph 40 because there are very few circumstances in which public sector entities that are not ~~GBEs~~ commercial entities will be forced to sell immediately in order to remain a going concern.

Corporate Assets

BC15. The primary purpose of public sector entities that are not ~~GBEs~~ commercial entities is not the generation of commercial returns. Therefore, the IPSASB considers that there will be very few occasions in which an asset shared between different activities (such as an administrative building) contributes service potential to CGUs without also contributing service potential to non-cash-generating activities. It was therefore decided that it is not necessary to define, and provide requirements for, corporate assets in this Standard. Paragraph 96 refers entities to the relevant international and national accounting standard dealing with assets that do not generate cash flows independently of other assets and form part of more than one cash-generating unit, but do not contribute service potential to non-cash-generating activities.

Implementation Guidance

This guidance accompanies, but is not part of, IPSAS 26.

Most assets held by public sector entities are non-cash-generating assets, and accounting for their impairment should be undertaken in accordance with IPSAS 21.

In those circumstances when an asset held by a public sector entity is held with the objective of generating a commercial return, the provisions of this Standard should be followed. Most cash-generating assets will arise in business activities run by ~~government agencies that do not meet the definition of a~~ GBE commercial entities. An example is a seed-producing unit run on a commercial basis that is part of an agricultural research entity.

For the purposes of all these examples, a public sector entity that is not a ~~GBE~~ commercial entity undertakes commercial activities.

Amendments to IPSAS 27, Agriculture

Paragraphs 7 and 8 are deleted. Paragraph 56A is added. New text is underlined and deleted text is struck through.

Scope

...

~~7. This Standard applies to all public sector entities other than Government Business Enterprises.~~

~~8. The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

56A. Paragraphs 7 and 8 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 28, *Financial Instruments: Presentation*

Paragraphs 7 and 8 are deleted. Paragraph 60C is added. Paragraph BC25 is amended. New text is underlined and deleted text is struck through.

Scope

...

~~7. This Standard applies to all public sector entities other than Government Business Enterprises.~~

~~8. The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

60C. Paragraphs 7 and 8 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Basis for Conclusions

...

Other

...

BC25. The IPSASB considered that IFRIC 11 is not relevant for the types of instruments entered into in the public sector as it deals with share-based payment transactions. While share-based payments may be common in ~~Government Business Enterprises (GBEs)~~ commercial entities, they do not occur frequently in entities that are not ~~GBEs~~ commercial entities. As a result, the IPSASB has not included any principles from IFRIC 11 in IPSAS 28.

Amendments to IPSAS 29, *Financial Instruments: Recognition and Measurement*

Paragraphs 7 and 8 are deleted. Paragraph 125C is added. New text is underlined and deleted text is struck through.

Scope

...

~~7. This Standard applies to all public sector entities other than Government Business Enterprises.~~

~~8. The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

125C. Paragraphs 7 and 8 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 30, *Financial Instruments: Disclosures*

Paragraphs 6 and 7 are deleted. Paragraph 52B is added. New text is underlined and deleted text is struck through.

Scope

...

~~6. This Standard applies to all public sector entities other than Government Business Enterprises.~~

~~7. The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

52B. Paragraphs 6 and 7 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 31, *Intangible Assets*

Paragraphs 4 and 5 are deleted. Paragraph 132D is added. New text is underlined and deleted text is struck through.

Scope

...

~~4. This Standard applies to all public sector entities other than Government Business Enterprises.~~

~~5. The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~

Effective Date

...

132D. Paragraphs 4 and 5 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 32, *Service Concession Arrangements: Grantor*

Paragraphs 3 and 4 are deleted. Paragraph 36A is added. Paragraphs BC6 and BC34 are amended. New text is underlined and deleted text is struck through.

Scope

...

~~3. This Standard applies to all public sector entities other than Government Business Enterprises.~~

~~4. The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~

Effective Date

...

36A. Paragraphs 3 and 4 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Basis for Conclusions

...

BC6. This Standard does not specify the accounting by operators, because it is addressed in IFRIC 12. In many cases the operator is a private sector entity, and IPSASs are not designed to apply to private sector entities. The operator or the grantor may also be a ~~Government Business Enterprise (GBE)~~ commercial public sector entity. IPSASs are not designed to apply to ~~GBEs commercial public sector entities~~. ~~International Financial Reporting Standards (IFRSs) apply to private sector entities and GBEs.~~

..

BC34. The IPSASB concluded that the credit did not represent a direct increase in the grantor's net assets/equity because the credit is not one of the components of net assets/equity identified in paragraph BC33 for the reasons noted below:

...

- (d) A non-controlling interest is defined as "that portion of the surplus or deficit and net assets/equity of a controlled entity attributable to net assets/equity interests that are not owned, directly or indirectly, through controlled entities, by the controlling entity." A non-controlling interest may arise, for example, when at the whole-of-government level, the economic entity includes a GBE commercial public sector entity that has been partly privatized. Accordingly, there may be private shareholders who have a financial interest in the net assets/equity of the entity. The credit related to the recognition of a service concession asset does not meet this definition because operator does not have such a financial interest in the grantor.

Amendments to IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*

Paragraphs 7 and 8 are deleted. Paragraph 154A is added. New text is underlined and deleted text is struck through.

Scope

...

- ~~7. This Standard applies to all public sector entities other than Government Business Enterprises.~~
- ~~8. The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

154A. Paragraphs 7 and 8 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 34, *Separate Financial Statements*

Paragraphs 4 and 5 are deleted. Paragraph 32A is added. New text is underlined and deleted text is struck through.

Scope

...

- ~~4. This Standard applies to all public sector entities other than Government Business Enterprises (GBEs).~~

5. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that GBEs apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

- 32A. Paragraphs 4 and 5 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 35, *Consolidated Financial Statements*

Paragraphs 11 and 12 are deleted. Paragraph 79A is added. Paragraphs 8 and 13 are amended. Paragraphs BC8 and BC10 in Basis for Conclusions are amended. New text is underlined and deleted text is struck through.

Scope

...

8. A controlled entity is not excluded from consolidation because its activities are dissimilar to those of the other entities within the economic entity, for example, the consolidation of ~~Government Business Enterprises (GBEs)~~ commercial public sector entities with entities in the budget sector. Relevant information is provided by consolidating such controlled entities and disclosing additional information in the consolidated financial statements about the different activities of controlled entities. For example, the disclosures required by IPSAS 18, Segment Reporting, help to explain the significance of different activities within the economic entity.

...

Government Business Enterprises

11. ~~This Standard applies to all public sector entities other than GBEs.~~
12. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that GBEs apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~
13. ~~Although GBEs~~ **Commercial entities controlled by public sector entities are not required to comply with this Standard in their own financial statements. The provisions of this Standard will apply where a public sector entity that is not a GBE commercial entity has one or more controlled commercial entities that are GBEs. In these circumstances, this Standard shall be applied in consolidating GBEs those commercial entities into the financial statements of the economic entity.**

Effective Date

...

79A. Paragraphs 11 and 12 were deleted and paragraphs 8 and 13 were amended by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Basis for Conclusions

BC8. The IPSASB deliberated extensively on the issue of whether all controlled entities should be consolidated, having regard to users' needs. The IPSASB focused on the information provided by consolidated financial statements, whilst noting that users' information needs may also be met through other statements and reports such as (i) separate financial statements of both controlling and controlled entities; (ii) performance reports; and (iii) statistical reports. Although some of the IPSASB's discussions were relevant to any type of public sector entity that is a controlling entity, many of the matters considered were more pertinent at the whole of government level. The IPSASB considered views on the usefulness of consolidation in relation to the following types of controlled entities (whilst noting that these broad categories would not be universally applicable):

- (a) Departments and ministries;
- (b) Government agencies;
- (c) ~~Government Business Enterprises (GBE)~~ Commercial entities;
- (d) Financial institutions (excluding government sponsored enterprises); and
- (e) Other investments (including intentional investments, incidental investments and investment entities). The term "incidental investments" was used to refer to interests acquired in the course of meeting another objective, such as preventing the collapse of a private sector entity.

BC10. The IPSASB noted arguments in support of requiring consolidation of all controlled entities of a government, including the following:

...

- (b) Identifying categories of entities which should not be consolidated could be difficult. Such attempts could lead to rules-based standards. For example, there could be difficulties in separately identifying entities rescued from financial distress on a consistent basis across jurisdictions and over time. Similar issues could arise in respect of any separate proposals for ~~GBEs~~ commercial public sector entities. ~~Although the term GBE is a defined term within IPSASs, the IPSASB noted that there are differences in the way this definition is being applied in practice in different jurisdictions.~~ In addition to the issue of clearly identifying any group of entities for which different accounting requirements would be appropriate, the IPSASB noted that similar activities can be conducted by a variety of entity types both within and across jurisdictions. So, although proposals for different accounting treatments might lead to consistent treatment for a group of entities within a jurisdiction, it might not result in comparable accounting for similar activities.

Amendments to IPSAS 36, *Investments in Associates and Joint Ventures*

Paragraphs 6 and 7 are deleted. Paragraph 51A is added. New text is underlined and deleted text is struck through.

Scope

...

~~6. This Standard applies to all public sector entities other than Government Business Enterprises (GBEs).~~

~~7. The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that GBEs apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

51A. Paragraphs 6 and 7 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 37, *Joint Arrangements*

Paragraphs 5 and 6 are deleted. Paragraph 42A is added. New text is underlined and deleted text is struck through.

Scope

...

~~5. This Standard applies to all public sector entities other than Government Business Enterprises (GBEs).~~

~~6. The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that GBEs apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

42A. Paragraphs 5 and 6 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 38, *Disclosure of Interests in Other Entities*

Paragraphs 5 and 6 are deleted. Paragraph 42A is added. New text is underlined and deleted text is struck through.

Scope

...

~~5. This Standard applies to all public sector entities other than Government Business Enterprises (GBEs).~~

6. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that GBEs apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

- 42A. Paragraphs 5 and 6 were deleted by *The Applicability of IPSASs*, issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to RPG 1, *Reporting on the Long-Term Sustainability of an Entity's Finances*

Paragraph 5 is deleted and paragraphs 6 and BC10 are amended. New text is underlined and deleted text is struck through.

Scope

...

5. ~~This RPG is applicable to all public sector entities other than Government Business Enterprises (GBEs).~~
6. Although this RPG does not apply directly to ~~GBEs~~ commercial public sector entities, the future inflows and outflows related to a ~~GBE~~ commercial public sector entity, controlled by the reporting entity, over the specified time horizon of the projections are within the scope of this RPG.

Basis for Conclusions

...

Definitions

Long-Term Fiscal Sustainability

...

- BC10. The IPSASB decided to retain the definition of long-term fiscal sustainability used in the Consultation Paper for ED 46 and subsequently for this RPG, except for widening the scope to reflect that it can apply to all public sector entities (except ~~Government Business Enterprises~~ commercial entities) rather than limiting it to governments. In coming to this conclusion the IPSASB noted the need for governments and public sector entities to both (a) provide services and meet obligations relating to entitlement programs and (b) meet financial obligations, principally debt servicing. The IPSASB also noted that many governments have sovereign powers to enact legislation for new taxation sources and to vary the levels of existing taxation, while acknowledging that in a global environment the ability to increase taxation might be practically constrained by a number of considerations. The IPSASB took the view that, provided an entity gives appropriate attention to the dimensions of long-term fiscal sustainability, as explained in paragraphs 27–40, users will be given adequate information about whether an entity can maintain existing service levels, meet obligations to the current and future beneficiaries of entitlement programs and meet

financial obligations without increasing revenue from taxation and other sources or increasing borrowing.

Amendments to RPG 2, *Financial Statement Discussion and Analysis*

Paragraph 6 is deleted. Deleted text is struck through.

Scope

...

6. ~~This RPG is applicable to all public sector entities other than Government Business Enterprises (GBEs).~~

Amendments to RPG 3, *Reporting Service Performance Information*

Paragraphs 3, BC8 and BC9 are amended. New text is underlined and deleted text is struck through.

Scope

...

3. ~~This RPG is applicable to all public sector entities other than Government Business Enterprises (GBEs).~~ Although this RPG does not apply directly to ~~GBEs~~ commercial public sector entities, the services provided by a ~~GBE~~ commercial public sector entity controlled by the reporting entity are within the scope of this RPG.

Basis for Conclusions

...

- BC8. The IPSASB considered whether the RPG should apply to ~~Government Business Enterprises (GBEs)~~ commercial public sector entities. While acknowledging that ~~GBEs~~ commercial public sector entities provide services and may report service performance information on those services the IPSASB decided that this RPG should apply to all public sector entities other than ~~GBEs~~ commercial entities. ~~This is consistent with the Preface to International Public Sector Accounting Standards, which states that the IPSASB develops accounting standards and other publications for use by public sector entities, other than GBEs.~~ This exclusion from the scope should not be read as implying that the guidance could not be applied by ~~GBEs~~ commercial public sector entities or that there is any barrier to ~~GBEs~~ commercial public sector entities in applying this guidance.
- BC9. In reaching this conclusion the IPSASB noted that where a controlling entity reports service performance information according to the recommendations in this RPG it may provide information on services provided by one or more controlled ~~GBEs~~ commercial entities. Although the ~~GBEs' commercial public sector entities'~~ own reporting is not within the scope of this RPG, the IPSASB decided that the information reported by the controlling entity—about the ~~GBEs' commercial public sector entities'~~ services—needs to follow the RPG's requirements, if the controlling entity is to assert compliance with the RPG.

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