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July 2024 Edition

International Public Sector Accounting Standards (IPSAS)
July 2024

Contents

Why adopt IPSAS?

An increasing number of governments and intergovernmental organizations produce financial statements on the accrual-basis of accounting in accordance with IPSAS or IPSAS-similar standards. The information contained in accrual accounting IPSAS financial statements is considered useful, both for accountability and for decision-making purposes. Financial reports prepared in accordance with IPSAS allow users to assess the accountability for all resources the entity controls and the deployment of those resources, assess the financial position, financial performance, and cash flows of the entity and make decisions about providing resources to, or doing business with, the entity.

IPSAS facilitates the alignment with best accounting practices through the application of credible, independent accounting standards on a full accrual basis. It improves consistency and comparability of financial statements as a result of the detailed requirements and guidance provided in each standard.

Accounting for all assets and liabilities improves internal control and provides more comprehensive information about costs that will better support results-based management.

The IPSASs are designed to apply to public sector entities that meet all the following criteria:

a. Are responsible for the delivery of services 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
c. Do not have a primary objective to make profits.

Government entities not meeting these criteria would apply IFRS.

Background to IPSAS

The development of the IPSAS has its origins in the accounting profession as a way to improve the transparency and accountability of governments and their agencies by improving and standardizing financial reporting.

The International Public Sector Accounting Standards Board (IPSASB) is an independent standard setting board supported by the International Federation of Accountants (IFAC). The IPSASB issues IPSAS, guidance, and other resources for use by the public sector around the world.

The IPSASB (and its predecessor, the IFAC Public Sector Committee) has been developing and issuing accounting standards for the public sector since 1997.

As transactions are generally common across both the private and public sectors, there has been an attempt to have IPSAS converged with the equivalent International Financial Reporting Standards (IFRS). As a general rule, the IPSAS maintain the accounting treatment and original text of the IFRS, unless there is a significant public sector issue that warrants a departure. The IPSAS are also developed for financial reporting issues that are either not addressed by adapting an IFRS or for which no IFRS has been developed.

For the purposes of IPSAS, the ‘public sector’ refers to national governments, regional governments (e.g., state, provincial, and territorial), local governments (e.g., town and city), and related governmental entities (e.g., agencies, boards, commissions, and enterprises). The IPSAS are intended to be applied in the preparation of general-purpose financial reports that are intended to meet the needs of users who cannot otherwise command reports to meet their specific information needs.

Whilst IPSASB has recognized that the adoption of accrual-based financial reporting is ideally the goal for all public financial reporting, it has acknowledged that for many governments, adoption of a cash-basis IPSAS is a more realistic intermediate goal. The IPSASB is also considering linkages with budgeting (which in many jurisdictions remains on a cash basis) and statistical reporting standards, such as the International Monetary Fund’s *Government Finance Statistics*.

Board members, governance, and due process

The board and its governance

The IPSASB consists of 18 members. All members of the IPSASB, including the chair and deputy chair, are appointed by the IFAC Board on the recommendation of the IFAC Nominating Committee.

IPSASB members at January 1, 2024

Ian Carruthers, Chair	Kamira Sanchez Nicosia
Scott Showalter, Deputy Chair	Lynn Pamment
Nor Yati Ahmad	Renée Pichard
Abdullah Al-Mehthil	Angela Ryan
Claudia Beier	Yacouba Traoré
Luzvi Chatto	Patricia Siqueira Varela
Maik Esser-Müllenbach	Andrew van der Burgh
Mari Kobayashi	Jonah Wala
Hervé-Adrien Metzger	Liang Yang

IPSASB Consultative Advisory Group (CAG) Members at January 1, 2024

Fabienne Colignon, Conseil de Normalisation des Comptes Publics – Chair	Ram Mohan Johri, Office of Comptroller and Auditor General of India
Jesús Gerardo Araya Zúñiga, Ministerio de Hacienda Costa Rica	Jeanette C. Makgolo, Botswana Unified Revenue Service
Mia Buljubasic, Audit)Office of the Institutions in the Federation of Bosnia and Herzegovina	Hans-Christian Mangelsdorf, German Federal Foreign Office
Rosa Aldea Busquets, European Commission	Tiago Melo, Ministry of Finance, Portugal
Adnan Chughtai, United Nations	Gustavo Adolfo Smith Mansilla, Office of the Comptroller General of the Republic of Chile
Anthony Close, Independent	Admire Ndurunduru, Pan African Federation of Accountants (PAFA)
Lana Dar,Office of the Auditor General of Canada	Belaid Oukemoum, ONEC
Adda Faye,The Global Fund to Fight AIDS, Tuberculosis and Malaria	Julie Raboy, Israel Government Accounting Standard Board
Davit Gamkrelidze,Ministry of Finance of Georgia	Geoffrey Simpson, INTOSAI
Paul Gisby, Accountancy Europe	Agnieszka Stachniak, Ministry of Finance of Poland
Helen Hall, Asian Development Bank	Sheila Weinberg, Truth in Accounting
Franziska Hoppermann, Federal German Parliament	Timothy Williamson, The World Bank
	Qi Zhang, Zhongnan University of Economics and Law

Due process

The IPSASB standard-setting activities follow a public due process. The process provides an opportunity for all those interested in financial reporting for the public sector to express their views to the IPSASB that are considered as part of the development of IPSAS.

The development of IPSAS typically involves proposals being set out in an Exposure Draft (ED) that is released by the IPSASB for public comment. The due process allows for Consultation Papers (CP) to be issued prior to an ED to consider an issue in detail and provides the basis for further discussion and debate. The IPSASB also issues Recommended Practice Guidelines (RPG).

IPSAS are issued as the final set of the due process and mark the conclusion of the IPSASB's deliberations on a financial reporting issue. Subsequent amendments to an IPSAS require the due process to be followed.

More detailed information about the IPSASB governance arrangements and due process can be found in the "Terms of Reference" in the *Handbook of International Public Sector Accounting Pronouncements*.

IPSAS Summary

In this guide we summarize the provisions of all IPSAS standards, recommended practice guidelines (RPGs) and the conceptual framework, issued as at 1 July 2024.

This summary is intended as general information and is not a substitute for reading the entire standard, recommended practice guideline and conceptual framework. These are available at IPSASB's website: **www.ipsasb.org**.

IPSAS	Pronouncement	Based on
IPSAS 1	Presentation of Financial Statements	IAS 1
IPSAS 2	Cash Flow Statements	IAS 7
IPSAS 3	Accounting Policies, Changes in Accounting Estimates and Errors	IAS 8
IPSAS 4	The Effects of Changes in Foreign Exchange Rates	IAS 21
IPSAS 5	Borrowing Costs	IAS 23
IPSAS 6	Consolidated and Separate Financial Statements — superseded by IPSAS 34-38	IAS 27
IPSAS 7	Investments in Associates — superseded by IPSAS 34-38	IAS 28
IPSAS 8	Interests in Joint Ventures — superseded by IPSAS 34-38	IAS 31
IPSAS 9	Revenue from Exchange Transactions – superseded by IPSAS 47	IAS 18
IPSAS 10	Financial Reporting in Hyperinflationary Economies	IAS 29
IPSAS 11	Construction Contracts – superseded by IPSAS 47	IAS 11
IPSAS 12	Inventories	IAS 2
IPSAS 13	Leases— superseded by IPSAS 43	IAS 17
IPSAS 14	Events After the Reporting Date	IAS 10
IPSAS 15	Financial Instruments: Disclosure and Presentation — superseded by IPSAS 28 and IPSAS 30	
IPSAS 16	Investment Property	IAS 40
IPSAS 17	Property, Plant and Equipment – superseded by IPSAS 45	IAS 16
IPSAS 18	Segment Reporting	IAS 14
IPSAS 19	Provisions, Contingent Liabilities and Contingent Assets	IAS 37
IPSAS 20	Related Party Disclosures	IAS 24
IPSAS 21	Impairment of Non-Cash-Generating Assets	IAS 36
IPSAS 22	Disclosure of Financial Information About the General Government Sector	N/A

IPSAS	Pronouncement	Based on
IPSAS 23	Revenue from Non-Exchange Transactions (Taxes and Transfers) – superseded by IPSAS 47	N/A
IPSAS 24	Presentation of Budget Information in Financial Statements	N/A
IPSAS 25	Employee Benefits — superseded by IPSAS 39	
IPSAS 26	Impairment of Cash-Generating Assets	IAS 36
IPSAS 27	Agriculture	IAS 41
IPSAS 28	Financial Instruments: Presentation	IAS 32
IPSAS 29	Financial Instruments: Recognition and Measurement – replaced by IPSAS 41	IAS 39
IPSAS 30	Financial Instruments: Disclosures	IFRS 7
IPSAS 31	Intangible Assets	IAS 38
IPSAS 32	Service Concession Arrangements: Grantor	IFRIC 12
IPSAS 33	First-time Adoption of Accrual Basis IPSASs	N/A
IPSAS 34	Separate Financial Statements	IAS 27
IPSAS 35	Consolidated Financial Statements	IFRS 10
IPSAS 36	Investments in Associates and Joint Ventures	IAS 28
IPSAS 37	Joint Arrangements	IFRS 11
IPSAS 38	Disclosure of Interests in Other Entities	IFRS 12
IPSAS 39	Employee Benefits	IAS 19
IPSAS 40	Public Sector Combinations	IFRS 3
IPSAS 41	Financial Instruments	IFRS 9
IPSAS 42	Social Benefits	N/A
IPSAS 43	Leases	IFRS 16
IPSAS 44	Non-current Assets Held for Sale and Discontinued Operations	IFRS 5
IPSAS 45	Property, Plant and Equipment	IAS 16
IPSAS 46	Measurement	IFRS 13
IPSAS 47	Revenue	IFRS 15
IPSAS 48	Transfer Expenses	
IPSAS 49	Retirement Benefit Plans	IAS 26
RPG 1	Reporting on the Long-Term Sustainability of an Entity’s Finances	N/A
RPG 2	Financial Statement Discussion and Analysis	N/A
RPG 3	Reporting Service Performance Information	N/A
	The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities	N/A
	Financial Reporting under the Cash Basis of Accounting	N/A

IPSAS 1 Presentation of Financial Statements

Effective date

Annual periods beginning on or after January 1, 2008.

Objective

To set out how general-purpose financial statements shall be prepared under the accrual basis of accounting, including guidance for their structure and the minimum requirements for content.

Summary

- Fundamental principles underlying the preparation of financial statements, including going-concern assumption, consistency of presentation and classification, accrual basis of accounting, and aggregation and materiality.
- A complete set of financial statements comprises:
  - Statement of financial position
  - Statement of financial performance
  - Statement of changes in net assets/equity
  - Cash flow statement
  - When the entity makes its approved budget publicly available, a comparison of budget and accrual amounts
  - Notes comprising a summary of significant accounting policies and other explanatory notes
- An entity whose financial statements comply with IPSAS shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with IPSAS unless they comply with all the requirements of IPSAS.
- Assets and liabilities, as well as revenue and expenses, may not be offset unless offsetting is permitted or required by another IPSAS.
- Comparative prior-period information shall be presented for all amounts shown in the financial statements and notes. Comparative information shall be included when it is relevant to an understanding of the current period's financial statements. In the case presentation or classification is amended, comparative amounts shall be reclassified, and the nature, amount of, and reason for any reclassification shall be disclosed.
- The statement of changes in net assets/equity shows all changes in net assets/equity.
- Financial statements are generally to be prepared annually. If the date of the year-end changes and financial statements are presented for a period other than one year, disclosure thereof is required.
- Current/noncurrent distinction for assets and liabilities is normally required. In general, subsequent events are not considered in classifying items as current or noncurrent. An entity shall disclose for each asset and liability item that combines amounts expected to be recovered or settled both before and after 12 months from the reporting date, the amount to be recovered or settled after more than 12 months.

- IPSAS 1 specifies minimum line items to be presented on the face of the statement of financial position, statement of financial performance, and statement of changes in net assets/equity and includes guidance for identifying additional line items, headings, and subtotals.
- Analysis of expenses in the statement of financial performance may be given by nature or by function. If presented by function, classification of expenses by nature shall be provided additionally.
- IPSAS 1 specifies minimum disclosure requirements for the notes. These shall include information about:
  - Accounting policies followed
  - The judgments that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognized in the financial statements
  - The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year
  - The domicile and legal form of the entity
  - A description of the nature of the entity's operations
  - A reference to the relevant legislation
  - The name of the controlling entity and the ultimate controlling entity of the economic entity
- An appendix to IPSAS 1 provides illustrative statements of financial position, statements of financial performance, and statements of changes in net assets/equity.

IPSAS 2 Cash Flow Statements

Effective date

Periods beginning on or after July 1, 2001.

Objective

To require the presentation of information about historical changes in a public sector entity's cash and cash equivalents by means of a cash flow statement that classifies cash flows during the period according to operating, investing, and financing activities.

Summary

- A cash flow statement must analyze changes in cash and cash equivalents during a period, classified by operating, investing, and financing activities.
- Cash equivalents include investments that are short-term (less than three months from the date of acquisition), readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value. Generally, they exclude equity investments.
- Cash flows for operating activities are reported using either the direct (recommended) or the indirect method.

- Public sector entities reporting cash flows from operating activities using the direct method are encouraged to provide a reconciliation of the surplus/deficit from ordinary activities with the net cash flow from operating activities.
- Cash flows from interest and dividends received and paid shall each be disclosed separately and classified as either operating, investing, or financing activities.
- Cash flows arising from taxes on net surplus are classified as operating unless they can be specifically identified with financing or investing activities.
- The exchange rate used for the translation of cash flows arising from transactions denominated in a foreign currency shall be the rate in effect at the date of the cash flows.
- Aggregate cash flows related to acquisitions and disposals of controlled entities and other operating units shall be presented separately and classified as investing activities, with specified additional disclosures.
- Investing and financing transactions that do not require the use of cash shall be excluded from the cash flow statement, but they shall be separately disclosed.
- Illustrative cash flow statements are included in appendices to IPSAS 2.

IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors

Effective date

Annual periods beginning on or after January 1, 2008.

Objective

To prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and corrections of errors.

Summary

- In the absence of an IPSAS that specifically applies to a transaction, other event, or condition, management shall use judgment in developing and applying an accounting policy that results in information that is:
  - Relevant to the decision-making needs of users
  - Reliable, in that the financial statements:
    - Represent faithfully the financial position, financial performance, and cash flows of the entity
    - Reflect the economic substance of transactions, other events, and conditions, and not merely the legal form
    - Are neutral, i.e., free from bias
    - Are prudent
    - Are complete in all material aspects
- IPSAS 3 prescribes a hierarchy for choosing accounting policies:

  - IPSAS, taking into account any relevant implementation guidance.
  - In the absence of a directly applicable IPSAS, look at the requirements and guidance in IPSAS dealing with similar and related issues and the definitions, recognition, and measurement criteria for assets, liabilities, revenue, and expenses described in other IPSASs.
  - Management may also consider the most recent pronouncements of other standard-setting bodies and accepted public and private sector practices.
- Apply accounting policies consistently to similar transactions.
- Make a change in accounting policy only if an IPSAS requires it, or it results in reliable and more relevant information.
- If a change in accounting policy is required by an IPSAS, follow that pronouncement's transition requirements. If none are specified, or if the change is voluntary, apply the new accounting policy retrospectively by restating prior periods. If restatement is impracticable, include the cumulative effect of the change in net assets/equity. If the cumulative effect cannot be determined, the new policy should be applied prospectively.
- Changes in accounting estimates (for example, change in the useful life of an asset) are accounted for in the current period or the current and future periods (no restatement).
- If a distinction between a change in accounting policy and a change in accounting estimate is unclear, the change is treated as a change in an accounting estimate.
- All material prior-period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by restating comparative prior-period amounts or, if the error occurred before the earliest period presented, by restating the opening statement of financial position.

IPSAS 4 The Effects of Changes in Foreign Exchange Rates

Effective date

Annual periods beginning on or after January 1, 2010.

Objective

To prescribe the accounting treatment for an entity's foreign currency transactions and foreign operations.

Summary

- First, determine the reporting entity's functional currency — the currency of the primary economic environment in which the entity operates.
- Next, translate all foreign currency items into the functional currency:
  - At the date of transaction, record using the spot exchange rate for initial recognition and measurement.
  - At subsequent reporting dates:
    - Use closing rate for monetary items
    - Use transaction-date exchange rates for nonmonetary items carried at historical cost
    - Use valuation-date exchange rates for nonmonetary items that are carried at fair value

- Exchange differences arising on settlement of monetary items and on translation of monetary items at a rate different from when initially recognized are included in surplus or deficit, with one exception: exchange differences arising from monetary items that form part of the reporting entity's net investment in a foreign operation are recognized in the consolidated financial statements that include the foreign operation in a separate component of net assets/equity; these differences will be recognized in the surplus or deficit on disposal of the net investment.

- The results and financial position of an entity's foreign operations whose functional currency is not the currency of a hyperinflationary economy are translated into a different presentation currency using the following procedures:
  - Assets and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the date of that statement of financial position.
  - Revenue and expenses of each statement of financial performance (including comparatives) are translated at exchange rates at the dates of the transactions.
  - All resulting exchange differences are recognized as a separate component of net assets/equity.
- Special rules apply for translating into a presentation currency the financial performance and financial position of an entity whose functional currency is hyperinflationary.

IPSAS 5 Borrowing Costs

Effective date

Periods beginning on or after July 1, 2001.

Objective

To prescribe the accounting treatment for borrowing costs.

Summary

- Borrowing costs include interest, amortization of discounts or premiums on borrowings, and amortization of ancillary costs incurred in the arrangement of borrowings.
- Two accounting treatments are allowed:
  - Expense model: Charge all borrowing costs to expenses in the period when they are incurred;
  - Capitalization model: Capitalize borrowing costs which are directly attributable to the acquisition or construction of a qualifying asset, but only when it is probable that these costs will result in future economic benefits or service potential to the entity, and the costs can be measured reliably. All other borrowing costs that do not satisfy the conditions for capitalization are to be expensed when incurred.

    Where an entity adopts the capitalization model, that model shall be applied consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the entity. Investment income from temporary investment shall be deducted from the actual borrowing costs.
- A qualifying asset is an asset that requires a substantial period of time to make it ready for its intended use or sale. Examples include office buildings, hospitals, infrastructure assets such as roads, bridges, and power-generation facilities, and some inventories.

- If funds are borrowed generally and used for the purpose of obtaining the qualifying asset, apply a capitalization rate (weighted average of borrowing costs applicable to the general outstanding borrowings during the period) to outlays incurred during the period to determine the amount of borrowing costs eligible for capitalization.

IPSAS 9 Revenue from Exchange Transactions

Effective date

Periods beginning on or after July 1, 2002.

Objective

To prescribe the accounting treatment for revenue arising from exchange transactions and events.

Summary

- IPSAS 9 applies to revenue arising from the following exchange transactions and events:
  - The rendering of services
  - The sale of goods
  - The use of others of entity assets yielding interest, royalties, and dividends
- Revenue shall be measured at the fair value of the consideration received or receivable.
- Recognition:
  - From sale of goods: When significant risks and rewards have been transferred to purchaser, loss of effective control by seller, amount of revenue can be reliably measured, it is likely that the economic benefits or service potential associated with the transaction will flow to the entity, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.
  - From rendering of services: Reference to the stage of completion of the transaction at the reporting date, provided the outcome of the transaction can be estimated reliably. If the outcome of the transaction cannot be estimated reliably, revenue must be recognized only to the extent of the expenses recognized that are recoverable.
  - For interest, royalties, and dividends: Recognized when it is probable that economic benefits or service potential will flow to the entity, and the amount of the revenue can be measured reliably.
    - Interest — on a time proportion basis that takes into account the effective yield on the asset.
    - Royalties — as they are earned in accordance with the substance of the relevant agreement.
    - Dividends or their equivalents — when the shareholder's or the entity's right to receive payment is established.

IPSAS 10 Financial Reporting in Hyperinflationary Economies

Effective date

Periods beginning on or after July 1, 2002.

Objective

To prescribe specific standards for entities reporting in the currency of a hyperinflationary economy, so that the financial information (including the consolidated financial information) provided is meaningful.

Summary

- The financial statements of an entity that reports in the currency of a hyperinflationary economy shall be stated in terms of the measuring unit current at the reporting date.
- Comparative figures for prior period(s) and any information in respect of earlier periods shall be stated into the same measuring unit current at the reporting date.
- The surplus or deficit on the net monetary position shall be separately disclosed in the statement of financial performance.
- When entities in the public sector include in their financial statements the related budgetary information, the budgetary information shall also be restated into the same current measuring unit.
- Generally, an economy is hyperinflationary when there is a 100% cumulative rate of inflation over three years.

IPSAS 11 Construction Contracts

Effective date

Periods beginning on or after July 1, 2002.

Objective

To prescribe the accounting treatment for revenue and costs associated with construction contracts in the financial statements of the contractor.

Summary

- Contract revenue shall comprise the initial amount agreed in the contract together with variations in contract work, claims, and incentive payments to the extent that it is probable that they will result in revenues and can be measured reliably.
- Contract revenue is measured at the fair value of the consideration received or receivable.
- Contract costs shall comprise costs that relate directly to the specific contract, costs that are attributable to general contract activity and that can be allocated to the contract on a systematic and rational basis, together with such other costs as are directly attributable to the customer under the terms of the contract.

- Where the outcome of a construction contract can be estimated reliably, revenue and costs shall be recognized by reference to the stage of completion of contract activity at the reporting date (the percentage of completion method of accounting).
- If the outcome cannot be estimated reliably, no surplus shall be recognized. Instead, contract revenue shall be recognized only to the extent that contract costs incurred are expected to be recovered, and contract costs shall be expensed as incurred.
- In respect of construction contracts in which it is intended at inception of the contract that contract costs are to be fully recovered from the parties to the construction contract: if it is probable that total contract costs will exceed total contract revenue, the expected deficit shall be recognized immediately.

IPSAS 12 Inventories

Effective date

Annual periods beginning on or after January 1, 2008.

Objective

To prescribe the accounting treatment of inventories, including cost determination and expense recognition, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

Summary

- Inventories are required to be measured at the lower of cost and net realizable value. Where inventories are acquired through a nonexchange transaction, their cost shall be measured as their fair value as at the date of acquisition. However, inventories are required to be measured at the lower of cost and current replacement cost where they are held for:
  - Distribution at no charge or for a nominal charge
  - Consumption in the production process of goods to be distributed at no charge or for a nominal charge
- Costs include all purchase cost, conversion cost (materials, labor, and overhead), and other costs to bring inventory to its present location and condition, but not foreign exchange differences and selling costs. Trade discounts, rebates, and other similar items are deducted in determining the costs of purchase.
- For inventory items that are not interchangeable, specific costs are attributed to the specific individual items of inventory.
- An entity shall apply the same cost formula for all inventories having similar nature and use to the entity; a difference in geographical location of inventories by itself is not sufficient to justify the use of different cost formulas.
- For interchangeable items, cost is determined on either a first-in, first-out or weighted-average basis. Last-in, first-out is not permitted.
- For inventories with a different nature or use, different cost formulas may be justified.
- When inventories are sold, exchanged, or distributed, the carrying amount shall be recognized as an expense in the period in which the related revenue is recognized. If there is no related revenue, the expense is recognized when the goods are distributed or related services have been rendered.

- Write-downs to net realizable value are recognized as an expense in the period the loss or the write-down occurs. Reversals arising from an increase in net realizable value are recognized as a reduction of the inventory expense in the period in which they occur.

IPSAS 13 Leases

Effective date

Annual periods beginning on or after January 1, 2008.

Objective

To prescribe, for lessees and lessors, the appropriate accounting policies and disclosures to apply in relation to finance and operating leases.

Summary

- A lease is classified as a finance lease if it transfers substantially all risks and rewards incidental to ownership of an asset. The title may or may not be eventually transferred. Examples:
  - Lease covers substantially all of the asset's life and/or
  - Present value of lease payments is substantially equal to the asset's fair value
- All other leases are classified as operating lease. The land and building elements of a lease are considered separately for the purposes of lease classification.
- Finance leases — lessee's accounting:
  - Recognize asset and liability at the lower of the present value of minimum lease payments and the fair value of the asset, determined at the inception of the lease. The discount rate applicable for calculating the present value shall be the interest rate implicit in the lease or the incremental borrowing rate.
  - Depreciation policy — as for owned assets.
  - Finance lease payment — apportioned between interest and reduction in outstanding liability.
- Finance leases — lessor's accounting:
  - Recognize as a receivable in the statement of financial position at an amount equal to the net investment in the lease
  - Recognize finance revenue based on a pattern reflecting a constant periodic rate of return on the lessor's net investment
- Operating leases — lessee's accounting:
  - Recognize lease payments as an expense in the statement of financial performance on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the user's benefit.
- Operating leases — lessor's accounting:
  - Assets held for operating leases shall be presented in the lessor's statement of financial position according to the nature of the asset.

   - Lease revenue shall be recognized on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the benefits.
- Lessors of operating leases shall add initial direct costs incurred in negotiating and arranging an operating lease to the carrying amount of the leased asset and recognize them as an expense over the lease term on the same basis as the lease revenue.
- Accounting treatment of sale and leaseback transactions depends on whether these are essentially finance or operating leases.

IPSAS 14 Events After the Reporting Date

Effective date

Annual periods beginning on or after January 1, 2008.

Objective

To prescribe:

- When an entity shall adjust its financial statements for events after the reporting date
- Disclosures that an entity should give about the date when the financial statements were authorized for issue, and about events after the reporting date

Summary

- Events after the reporting date are those events, both favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue.
- Adjusting events after the reporting date, those that provide evidence of conditions that existed at the reporting date — adjust the financial statements to reflect those events that provide evidence of conditions that existed at the reporting date (e.g., settlement of a court case after the reporting date, which confirms that the entity had an obligation at the reporting date).
- Nonadjusting events after the reporting date, those that are indicative of conditions that arose after the reporting date — do not adjust the financial statements to reflect events that arose after the reporting date (e.g., a decline in the fair value of property after year-end, which does not change the valuation of the property at the reporting date).
- Dividends proposed or declared after the reporting date shall not be recognized as a liability at the reporting date. Disclosure is required.
- An entity shall not prepare its financial statements on a going-concern basis if events after the reporting date indicate that the going-concern assumption is not appropriate (e.g., if there is an intention to liquidate the entity or cease operations after the reporting date, or that there is no realistic alternative but to do so).
- An entity shall disclose the date its financial statements were authorized for issue and who gave that authorization. If another body has the power to amend the financial statements after issuance, the entity shall disclose that fact.
- If an entity obtains information after the reporting date, but before the financial statements are authorized for issue, about conditions that existed at the reporting date, the entity shall update disclosures that relate to these conditions in light of the new information.

- An entity shall disclose the following for each material category of nonadjusting event after the reporting date:
  - The nature of the event.
  - An estimate of its financial effect, or a statement that such an estimate cannot be made.

IPSAS 16 Investment Property

Effective date

Annual periods beginning on or after January 1, 2008.

Objective

To prescribe the accounting treatment for investment property and related disclosures.

Summary

- Investment property is land or buildings held (whether by the owner or under a finance lease) to earn rentals or for capital appreciation or both, rather than for:
  - Use in the production or supply of goods or services or for administrative purposes
  - Sale in the ordinary course of operations
- Investment property shall be recognized as an asset when, and only when:
  - It is likely that the future economic benefits or service potential that are associated with the investment property will flow to the entity.
  - The cost or fair value of the investment property can be measured reliably.
- IPSAS 16 does not apply to owner-occupied property or property that is being constructed or developed on behalf of third parties or property held for sale in the ordinary course of business, or property that is leased to another entity under a finance lease.
- Investment property shall be measured initially at its cost. Transaction costs shall be included in this initial measurement. Where an investment is acquired through a nonexchange transaction at no cost, or for a nominal charge, its cost shall be measured at its fair value as at the date of acquisition.
- After recognition, an entity shall choose as its accounting policy either the fair value model or cost model:
  - Fair value model: Investment property is measured at fair value, and changes in fair value are recognized in surplus or deficit for the period in which it arises.
  - Cost model: Investment property is measured at depreciated cost, less any accumulated impairment losses. Fair value of the investment property shall still be disclosed.
- The chosen measurement model shall be applied to all of the entity's investment property.
- If an entity uses the fair value model but, when a particular property is acquired, there is clear evidence that the entity will not be able to determine fair value on a continuing basis, the cost model is used for that property — and it shall continue to be used until disposal of the property. In that case, the residual value of the investment property shall be assumed to be zero.

- Change from one model to the other shall be made only if the change will result in a more appropriate presentation (highly unlikely for change from fair value to cost model).
  - A property interest held by a lessee under an operating lease can qualify as investment property provided that the lessee uses the fair value model of IPSAS 16. In this case, the lessee accounts for the lease as if it were a finance lease.

IPSAS 17 Property, Plant and Equipment

Effective date

Annual periods beginning on or after January 1, 2008.

Objective

To prescribe the principles for the initial recognition and subsequent accounting (determination carrying amount and the depreciation charges and impairment losses) for property, plant and equipment so that users of financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment.

Summary

- Items of property, plant and equipment shall be recognized as assets if, and only if, it is probable that the future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably.
- IPSAS 17 does not require or prohibit the recognition of heritage assets. An entity which recognizes heritage assets is required to comply with the disclosure requirements of IPSAS 17 with respect to those heritage assets that have been recognized and may, but is not required to, comply with other requirements of IPSAS 17 in respect of those heritage assets.
- Special military equipment will normally meet the definition of property, plant and equipment and shall be recognized as an asset. Infrastructure assets, such as road networks, sewer systems, and communication networks, shall be accounted for in accordance with this IPSAS.
- Initial recognition at cost, which includes all costs necessary to get the asset ready for its intended use. Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition. If payment is deferred, interest shall be recognized.
- Subsequent to acquisition, IPSAS 17 allows a choice of accounting model for an entire class of property, plant and equipment:
  - Cost model: The asset is carried at cost, less accumulated depreciation and impairment losses.
  - Revaluation model: The asset is carried at revalued amount, which is fair value at revaluation date, less subsequent depreciation and impairment losses.
- Under the revaluation model, revaluations shall be carried out regularly. All items of a given class shall be revalued. Revaluation increases shall be credited directly to revaluation surplus. However, the increase shall be recognized as revenue in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of assets previously recognized as an expense in surplus or deficit. Revaluation decreases are debited first against the revaluation surplus related to the same class of assets and any excess against surplus or deficit. When the revalued asset is disposed of, the revaluation surplus is transferred directly to accumulated surpluses or deficits and is not recycled through surplus or deficit.

- Revaluation increases and decreases related to individual assets within a class of property, plant and equipment must be offset against one another within that class but must not be offset in respect of assets in different classes.
- Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.
- Depreciation is charged systematically over the asset's useful life. The depreciation method must reflect the pattern in which the asset's future economic benefits or service potential is expected to be consumed by the entity. The residual value must be reviewed at least annually and shall equal the amount the entity would receive currently if the asset were already of the age and condition expected at the end of its useful life. If operation of an item of property, plant and equipment (for example, an aircraft) requires regular major inspections, when each major inspection is performed, its cost is recognized in the carrying amount of the asset as a replacement, if the recognition criteria are satisfied. If expectations differ from previous estimates, the change must be accounted for as a change in an accounting estimate in accordance with IPSAS 3.
- Land and buildings are separable assets and are accounted for separately, even when they are acquired together. Land normally has an unlimited useful life, and therefore is not depreciated.
- To determine whether an item of property, plant and equipment is impaired, an entity applies IPSAS 21 or IPSAS 26, as appropriate.
- All exchanges of property, plant and equipment shall be measured at fair value, including exchanges of similar items, unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable.
- The carrying amount of an item of property, plant and equipment must be derecognized:
  - On disposal
  - When no future economic benefits or service potential is expected from its use or disposal
- The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in surplus or deficit when the item is derecognized. Gains shall not be classified as revenue; the gain or loss arising from the derecognition of an item of property, plant and equipment must be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.
- The transitional provisions allow entities to recognize property, plant and equipment at cost or fair value on first adopting this standard.

IPSAS 18 Segment Reporting

Effective date

Periods beginning on or after July 1, 2003.

Objective

To establish principles for reporting financial information by segments to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity, and enhance the transparency of financial reporting and enable the entity to better discharge its accountability obligations.

Summary

- An entity which prepares and presents financial statements under the accrual basis of accounting shall apply IPSAS 18 in the presentation of segment information.

- If both consolidated financial statements of a government or other economic entity and the separate financial statements of the controlling entity are presented together, segment information need be presented only on the basis of the consolidated financial statements.
- Requires entities to report on segments on a basis appropriate for assessing the entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.
- An entity normally looks to its organizational structure and internal reporting system for the purpose of identifying its service segments and geographical segments.
- Government departments and agencies are usually managed and report internally along service lines because this reflects the way in which major outputs are identified, their achievements monitored, and their resource needs identified and budgeted. Where this occurs, the internal reporting system reflects a service segment structure.
- An entity may be organized and reports internally to the governing body and the senior manager on a regional basis — whether within or across national, state, local, or other jurisdictional boundaries. Where this occurs, the internal reporting system reflects a geographical segment structure.
- Segments will usually be based on the major goods and services the entity provides, the programs it operates, or the activities it undertakes.
- Guidance is provided on which segments are reportable, but IPSAS 18 does not specify quantitative thresholds that must be applied in identifying reportable segments.
- A primary and secondary segment reporting structure may be adopted with only limited disclosures made about secondary segments.
- Segment information shall be based on the same accounting policies as the consolidated group or entity.
- Assets that are jointly used by two or more segments must be allocated to segments if, and only if, their related revenues and expenses are also allocated to those segments.
- If a segment is identified as a segment for the first time, prior-period segment data that is presented for comparative purposes shall be restated to reflect the newly reported segment as a separate segment.

IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets

Effective date

Periods beginning on or after January 1, 2004.

Objective

To prescribe appropriate recognition criteria and measurement bases for provisions, contingent liabilities and contingent assets, and to ensure that sufficient information is disclosed in the notes to the financial statements to enable users to understand their nature, timing, and amount. IPSAS 19 thus aims to ensure that only genuine obligations are dealt within the financial statements. Planned future expenditure, even where authorized by management, is excluded from recognition, as are accruals for self-insured losses, general uncertainties, and other events that have not yet taken place.

Summary

- Recognize a provision only when:

  - A past event has created a present legal or constructive obligation
  - An outflow of resources embodying economic benefits or service potential required to settle the obligation is probable
  - And the amount of the obligation can be estimated reliably
- Amount recognized as a provision is the best estimate of settlement amount of the expenditure required to settle the obligation at reporting date.
- Requires a review of provisions at each reporting date to adjust for changes to reflect the current best estimate.
- If it is no longer probable that an outflow of resources embodying economic benefits or service potential is required to settle the obligation, the provision shall be reversed.
- Utilize provisions only for the purposes for which they were originally intended.
- Examples of provisions may include onerous contracts, restructuring provisions, warranties, refunds, and site restoration.
- A restructuring provision shall include only the direct expenditures arising from the restructuring, which are those that are both:
  - Necessarily entailed by the restructuring
  - Not associated with the ongoing activities of the entity
- Contingent liability arises when:
  - There is a possible obligation to be confirmed by a future event that is outside the control of the entity
  - A present obligation may, but probably will not, require an outflow of resources embodying economic benefits or service potential
  - A sufficiently reliable estimate of the amount of a present obligation cannot be made (this is rare)
- Contingent liabilities require disclosure only (no recognition). If the possibility of outflow is remote, then no disclosure.
- Contingent asset arises when the inflow of economic benefits or service potential is probable, but not virtually certain, and occurrence depends on an event outside the control of the entity.
- Contingent assets require disclosure only (no recognition). If the realization of revenue is virtually certain, the related asset is not a contingent asset and recognition of the asset and related revenue is appropriate.
- If an entity has an onerous contract, the present obligation (net of recoveries) under the contract shall be recognized and measured as a provision.

IPSAS 20 Related Party Disclosures

Effective date

Annual periods beginning on or after January 1, 2004.

Objective

To ensure that financial statements disclose the existence of related-party relationships and transactions between the entity and its related parties. This information is required for accountability purposes and to facilitate a better understanding of the financial position and performance of the reporting entity.

Summary

- Related parties are parties that control or have significant influence over the reporting entity (including controlling entities, owners and their families, major investors, and key management personnel) and parties that are controlled or significantly influenced by the reporting entity (including controlled entities, joint ventures, associates, and postemployment benefit plans). If the reporting entity and another entity are subject to common control, these entities are also considered related parties.
- Requires disclosure of:
  - Relationships involving control, even when there have been no transactions in between
  - Related-party transactions
  - Management compensation (including an analysis by type of compensation)
- For related-party transactions, disclosure is required of the nature of the relationship, the types of transactions that have occurred, and the elements of the transactions necessary to clarify the significance of these transactions to its operations and sufficient to enable the financial statements to provide relevant and reliable information for decision making and accountability purposes.
- Examples of related-party transactions that may lead to disclosures by a reporting entity:
  - Purchases or transfers/sales of goods (finished or unfinished)
  - Purchases or transfers/sales of property and other assets
  - Rendering or receiving of services
  - Agency arrangements
  - Leases
  - Transfers of research and development
  - Transfers under license agreements
  - Transfers under finance arrangements (including loans and equity contributions)
  - Provision of guarantees or collateral

IPSAS 21 Impairment of Non-Cash-Generating Assets

Effective date

Annual periods beginning on or after January 1, 2006.

Objective

To ensure that noncash-generating assets are carried at no more than their recoverable service amount, and to prescribe how recoverable service amount is calculated.

Summary

- IPSAS 21 applies to all non-cash-generating assets, except assets arising from construction contracts (see IPSAS 11), inventories (see IPSAS 12), financial assets that are included in the scope of IPSAS 41, investment property measured at fair value (see IPSAS 16), and other assets in respect of which accounting requirements for impairment are included in another IPSAS.
- Public sector entities that hold cash-generating assets shall apply IPSAS 26 to such assets.
- An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.
- An impairment loss shall be recognized immediately in surplus or deficit.
- After the recognition of an impairment loss, the depreciation (amortization) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.
- Recoverable service amount is the higher of a non-cash-generating asset's fair value, less costs to sell and its value in use. Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following three approaches, and depends on the availability of data and the nature of the impairment:
  - Depreciated replacement cost approach: The present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
  - Restoration cost approach: The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset whichever is lower.
  - Service units approach: The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower

- At each reporting date, review assets to assess for any indication that an asset may be impaired. If impairment is indicated, the entity shall estimate recoverable service amount. Reversal of prior years' impairment losses allowed in certain instances.

IPSAS 22 Disclosure of Financial Information About the General Government Sector

Effective date

Annual periods beginning on or after April 1, 2009.

Objective

To prescribe disclosure requirements for governments which elect to present information about the GGS in their consolidated financial statements. The disclosure of appropriate information about the GGS of a government can provide a better understanding of the relationship between the market and nonmarket activities of the government and between financial statements and statistical bases of financial reporting.

Summary

- Financial information about the GGS shall be disclosed in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the government, with two exceptions:
  - The GGS shall not apply the requirements of IPSAS 35 Consolidated Financial Statements in respect of entities in the public financial corporations and public nonfinancial corporations sectors.
  - The GGS shall recognize its investment in the public financial corporations and public nonfinancial corporations sectors as an asset and shall account for that asset at the carrying amount of the net assets of its investees.
- Disclosures made in respect of the GGS shall include at least of the following:
  - Assets by major class, showing separately the investment in other sectors
  - Liabilities by major class
  - Net assets/equity
  - Total revaluation increments and decrements and other items of revenue and expense recognized directly in net assets/equity
  - Revenue by major class
  - Expenses by major class
  - Surplus or deficit
  - Cash flows from operating activities by major class
  - Cash flows from investing activities
  - Cash flows from financing activities

- The manner of presentation of the GGS disclosures shall be no more prominent than the government's financial statements prepared in accordance with IPSAS.
- Disclosures of the significant controlled entities that are included in the GGS and any changes in those entities from the prior period must be made, together with an explanation of the reasons why any such entity that was previously included in the GGS is no longer included.
- The GGS disclosures shall be reconciled to the consolidated financial statements of the government showing separately the amount of the adjustment to each equivalent item in those financial statements.

IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)

Effective date

Annual periods beginning on or after June 30, 2008. There are several transitional provisions.

Objective

To prescribe requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to an entity combination.

Summary

- Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.
- Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.
- Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.
- Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.
- Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.
- Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.
- An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset shall be recognized as an asset when, and only when the following recognition criteria are met:
  - It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
  - The fair value of the asset can be measured reliably.
- An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

- An inflow of resources from a non-exchange transaction recognized as an asset shall be recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.
- As an entity satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it shall reduce the carrying amount of the liability recognized and recognize an amount of revenue equal to that reduction.
- Revenue from non-exchange transactions shall be measured at the amount of the increase in net assets recognized by the entity.
- A present obligation arising from a non-exchange transaction that meets the definition of a liability shall be recognized as a liability when, and only when the following recognition criteria are met:
  - It is probable that an outflow of resources embodying future economic benefits or service potential will be required to settle the obligation; and
  - A reliable estimate can be made of the amount of the obligation.
- Conditions on a transferred asset give rise to a present obligation on initial recognition that will be recognized when the recognition criteria of a liability are met.
- The amount recognized as a liability shall be the best estimate of the amount required to settle the present obligation at the reporting date.
- An entity shall recognize an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.
- Taxation revenue shall be determined at a gross amount. It shall not be reduced for expenses paid through the tax system (e.g. amounts that are available to beneficiaries regardless of whether or not they pay taxes).
- Taxation revenue shall not be grossed up for the amount of tax expenditures (e.g. preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others).
- An entity recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. However, an entity may, but is not required to, recognize services in-kind as revenue and as an asset.
- An entity shall disclose either on the face of, or in the notes to, the general-purpose financial statements:
  - The amount of revenue from non-exchange transactions recognized during the period by major classes showing separately taxes and transfers.
  - The amount of receivables recognized in respect of non-exchange revenue.
  - The amount of liabilities recognized in respect of transferred assets subject to conditions.
  - The amount of assets recognized that are subject to restrictions and the nature of those restrictions.
  - The existence and amounts of any advance receipts in respect of non-exchange transactions.
  - The amount of any liabilities forgiven.
- An entity shall disclose in the notes to the general-purpose financial statements:
  - The accounting policies adopted for the recognition of revenue from non-exchange transactions.
  - For major classes of revenue from non-exchange transactions, the basis on which the fair value of inflowing resources was measured.

- For major classes of taxation revenue which the entity cannot measure reliably during the period in which the taxable event occurs, information about the nature of the tax.
- The nature and type of major classes of bequests, gifts, donations showing separately major classes of goods in-kind received.

IPSAS 24 Presentation of Budget Information in Financial Statements

Effective date

Annual periods beginning on or after January 1, 2009.

Objective

To ensure that public sector entities discharge their accountability obligations and enhance the transparency of their financial statements by demonstrating compliance with the approved budget for which they are held publicly accountable and, where the budget and the financial statements are prepared on the same basis, their financial performance in achieving the budgeted results.

Summary

- IPSAS 24 applies to public sector entities, other than GBEs, that are required or elect to make publicly available their approved budget.
- Original budget is the initial approved budget for the budget period.
- Approved budget means the expenditure authority derived from laws, appropriation bills, government ordinances, and other decisions related to the anticipated revenue or receipts for the budgetary period.
- Final budget is the original budget adjusted for all reserves, carry over amounts, transfers, allocations, supplemental appropriations, and other authorized legislative, or similar authority, changes applicable to the budget period.
- An entity shall present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis.
- An entity shall present a comparison of the budget amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with IPSAS. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:
  - The original and final budget amounts
  - The actual amounts on a comparable basis
  - By way of note disclosure, an explanation of material differences between the budget and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements and a cross reference to those documents is made in the notes
- An entity shall present an explanation of whether changes between the original and final budget are a consequence of reallocations within the budget, or of other factors:

- By way of note disclosure in the financial statements
- In a report issued before, at the same time as, or in conjunction with the financial statements, and shall include a cross reference to the report in the notes to the financial statements

- All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget.
- An entity shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget, the period of the approved budget, and the entities included in the approved budget.
- An entity shall identify in notes to the financial statements the entities included in the approved budget.
- The actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the following actual amounts presented in the financial statements, identifying separately any basis, timing, and entity differences:
  - If the accrual basis is adopted for the budget, total revenues, total expenses and net cash flows from operating activities, investing activities, and financing activities
  - If a basis other than the accrual basis is adopted for the budget, net cash flows from operating activities, investing activities, and financing activities

  The reconciliation shall be disclosed on the face of the statement of comparison of budget and actual amounts or in the notes to the financial statements.

IPSAS 26 Impairment of Cash-Generating Assets

Effective date

Periods beginning on or after April 1, 2009. Earlier application is encouraged.

Objective

To prescribe the procedures that an entity applies to determine whether a cash-generating asset is impaired and to ensure that impairment losses are recognized. IPSAS 26 also specifies when an entity shall reverse an impairment loss and prescribes disclosures.

Summary

- IPSAS 26 applies to the accounting for the impairment of all cash-generating assets except inventories (see IPSAS 12), assets arising from construction contracts (see IPSAS 11), financial assets that are within the scope of IPSAS 41, investment property measured at fair value (see IPSAS 16), deferred tax assets, assets arising from employee benefits (see IPSAS 25), intangible assets that are regularly revalued to fair value, goodwill, biological assets related to agricultural activity measured at fair value less estimated point-of-sale costs, deferred acquisition costs and intangible assets arising from an insurer’s contractual rights under insurance contracts, noncurrent assets classified as held for sale and discontinued operations, and other cash-generating assets in respect of which accounting requirements for impairment are included in another IPSAS.
- An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation.
- The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

- An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.
- An entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.
- An entity shall test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test may be performed at any time during the reporting period, provided it is performed at the same time every year.
- If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.
- An impairment loss shall be recognized immediately in surplus or deficit. When the amount estimated for an impairment loss exceeds the carrying amount of the asset to which it relates, an entity shall recognize a liability if, and only if, that is required by another IPSAS.
- After the recognition of an impairment loss, the depreciation (amortization) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.
- Value in use of a cash-generating asset is the present value of estimated future cash flows expected to be derived from the continuing use of an asset, and from its disposal at the end of its useful life.
- Discount rate is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The discount rate shall not reflect risks for which future cash flows have been adjusted and shall equal the rate of return that investors would require if they were to choose an investment that would generate cash flows equivalent to those expected from the asset.
- If it is not possible to determine the recoverable amount for the individual cash-generating asset, then determine recoverable amount for the asset's cash-generating unit.
- If an active market exists for the output produced by an asset or group of assets, that asset or group of assets shall be identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by an asset or cash-generating unit are affected by internal transfer pricing, an entity shall use management's best estimate of future prices that could be achieved in arm's length transactions in estimating:
  - The future cash inflows used to determine the asset's or cash-generating unit's value in use
  - The future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing
- In allocating an impairment loss, an entity shall not reduce the carrying amount of an asset below the highest of:
  - Its fair value less costs to sell (if determinable)
  - Its fair value in use (if determinable)
  - Zero
- Where a non-cash-generating asset contributes to a cash-generating unit a proportion of the carrying amount of that non-cash-generating asset shall be allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit. The carrying amount of the non-cash-generating asset shall reflect any impairment losses at the reporting date which have been determined under the requirements of IPSAS 21.

- An impairment loss recognized in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.
- The redesignation of an asset from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a redesignation is appropriate. A redesignation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the listed indications applicable to the asset after redesignation.
- An entity shall disclose the criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets. Other disclosure requirements are applicable.

IPSAS 27 Agriculture

Effective Date

Periods beginning on or after April 1, 2011.

Objective

To prescribe the accounting treatment and disclosures for agricultural activity.

Summary

- Agricultural activity is the management by an entity of the biological transformation of living animals or plants (biological assets) for sale, or for distribution at no charge, or for a nominal charge, or for conversion into agricultural produce, or into additional biological assets.
- All biological assets (including those acquired biological assets through a nonexchange transaction) are measured at fair value less costs to sell, unless fair value cannot be measured reliably.
- Agricultural produce is measured at fair value at the point of harvest less costs to sell. Because harvested produce is a marketable commodity, there is no 'measurement reliability' exception for produce.
- Any change in the fair value of biological assets during a period is reported in surplus or deficit.
- Exception to fair value model for biological assets: If there is no active market at the time of recognition in the financial statements, and no other reliable measurement method, then the cost model is used for the specific biological asset only. The biological asset is measured at depreciated cost less any accumulated impairment losses.
- Quoted market price in an active market generally represents the best measure of the fair value of a biological asset or agricultural produce. If an active market does not exist, IPSAS 27 provides guidance for choosing another measurement basis.
- Fair value measurement stops at harvest. IPSAS 12 applies after harvest.

IPSAS 28 Financial Instruments: Presentation

Effective date

Periods beginning on or after January 1, 2013. An entity shall apply amendments to IPSAS 28 for annual financial statements covering periods beginning on or after 1 January 2022. Earlier application is encouraged. If an entity applies the amendments for a period beginning before 1 January 2022, it shall disclose that fact and apply IPSAS 41 at the same time.

Objective

To prescribe principles for classifying and presenting financial instruments as liabilities or net assets/equity and for offsetting financial assets and liabilities.

Summary

- Classification of an instrument, either as a liability or an equity instrument, is based on the substance rather than the form of the instrument. Classification is made at the time of issue and is generally not subsequently altered.
- An instrument is a financial liability if, for instance, the issuer may be obligated to deliver cash or another financial asset or the holder has a right to demand cash or another financial asset. An example is mandatorily redeemable preference shares. An equity instrument is an instrument that evidences a residual interest in the assets of the entity after deducting all of its liabilities.
- Interest, dividends, gains, and losses relating to an instrument classified as a liability are reported as income or expense as appropriate.
- Puttable instruments and instruments that impose on the entity an obligation to deliver a pro-rata share of net assets only on liquidation that (a) are subordinate to all other classes of instruments and (b) meet additional criteria, are classified as equity instruments even though they would otherwise meet the definition of a liability.
- At the time of issue, an issuer classifies separately the debt and equity components of a single compound instrument such as convertible debt.
- A financial asset and a financial liability are offset and the net amount reported when, and only when, an entity has a legally enforceable right to set off the amounts, and intends either to settle on a net basis or simultaneously.
- The cost of treasury shares is deducted from equity and resales of treasury shares are accounted for as equity issuances.
- Costs of issuing or reacquiring equity instruments are accounted for as a deduction from net assets/equity, net of any related income tax benefit.

IPSAS 30 Financial Instruments: Disclosures

Effective date

Periods beginning on or after January 1, 2013. An entity shall apply amendments to this standard for annual financial statements covering periods beginning on or after 1 January 2022. Earlier application is encouraged. If an entity applies the amendments for a period beginning before 1 January 2022 it shall disclose that fact and apply IPSAS 41 at the same time.

Objective

To prescribe disclosures that enable financial statement users to evaluate the significance of financial instruments to an entity, the nature and extent of their risks, and how the entity manages those risks.

Summary

Requires disclosure of information about:

- the significance of financial instruments for an entity's financial position and performance. These include disclosures relating to:
  a) the entity's financial position - including information about financial assets and financial liabilities by category; special disclosures when the fair value option is used; reclassifications; derecognition; pledges of assets; embedded derivatives; breaches of terms of agreements and offsetting of financial assets and liabilities;
  b) the entity's performance in the period, including information about recognized revenues, expenses, gains and losses; interest revenues and expenses; fee income; and impairment losses;
  c) accounting policies, hedge accounting, and the fair values of each class of financial asset and financial liability;
- the nature and extent of risks arising from financial instruments. These include disclosures relating to:
  a) qualitative information about exposures to each class of risk and how those risks are managed;
  b) quantitative information about exposures to each class of risk, separately for credit risk, market risk (including sensitivity for market risk); and
- special disclosures for concessionary loans.

IPSAS 31 Intangible Assets

Effective date

Periods beginning on or after April 1, 2011.

Objective

To prescribe the accounting treatment for intangible assets that are not dealt with specifically in another IPSAS.

Summary

- IPSAS 31 does not apply to intangible assets acquired in an entity combination from a nonexchange transaction, and to powers and rights conferred by legislation, a constitution, or by equivalent means, such as the power to tax.
- An intangible asset, whether purchased or self-created, is recognized if:
  – It is probable that the future economic benefits or service potential that are attributable to the asset will flow to the entity
  – The cost or fair value of the asset can be measured reliably

- Additional recognition criteria for internally generated intangible assets. Internally generated goodwill shall not be recognized as an asset.
- All research costs are charged to expense when incurred.
- Development costs are capitalized only after technical and commercial feasibility of the resulting product or service have been established.
- Internally generated brands, mastheads, publishing titles, lists of customers, or users of services and items similar in substance shall not be recognized as intangible assets.
- If an intangible item does not meet both the definition and the recognition criteria for an intangible asset, expenditure on the item is recognized as an expense when it is incurred, except if the cost is incurred as part of an entity combination, in which case it forms part of the amount recognized as purchase premium/goodwill at the acquisition date.
- For the purpose of accounting subsequent to initial acquisition, intangible assets are classified as:
  - Indefinite life: No foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. (Note — 'indefinite' does not mean 'infinite')
  - Finite life: A limited period of benefit to the entity
- Intangible assets may be accounted for using a cost model or a revaluation model (permitted only in limited circumstances — see below). Under the cost model, assets are carried at cost less any accumulated amortization and any accumulated impairment losses.
- If an intangible asset has a quoted market price in an active market (which is uncommon), an accounting policy choice of a revaluation model is permitted. Under the revaluation model, the asset is carried at a revalued amount, which is fair value at revaluation date less any subsequent depreciation and any subsequent impairment losses.
- To determine whether an intangible asset is impaired, an entity applies IPSAS 21 or IPSAS 26, as appropriate.
- An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount, which is the higher of a cash-generating asset's fair value less costs to sell and its value in use.
- An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount, which is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.
- Intangible assets with indefinite useful lives are not amortized but are tested for impairment on an annual basis. If recoverable amount of a cash-generating asset or recoverable service amount of a non-cash-generating asset is lower than the carrying amount, an impairment loss is recognized. The entity also considers whether the intangible continues to have an indefinite life.
- Under the revaluation model, revaluations are carried out regularly. All items of a given class are revalued (unless there is no active market for a particular asset). Revaluation increases are credited directly to revaluation surplus. Revaluation decreases are charged first against the revaluation surplus related to the specific asset, and any excess against surplus or deficit. When the revalued asset is disposed of, the revaluation surplus is transferred directly to accumulated surpluses or deficit and is not reclassified to surplus or deficit.
- Normally, subsequent expenditure on an intangible asset after its purchase or completion is recognized as an expense. Only rarely are the asset recognition criteria met.

IPSAS 32 Service Concession Arrangements: Grantor

Effective date

Periods beginning on or after January 1, 2014.

Objective

To prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

Summary

- IPSAS 32 does not address the accounting for the operator side of such arrangements. The standard provides a mirror image of IFRIC 12 Service concession arrangements, which addresses the accounting for the operator side.
- The grantor recognizes a service concession asset if:
  a. The grantor controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price
  b. The grantor controls — through ownership, beneficial entitlement, or otherwise — any significant residual interest in the asset at the end of the term of the arrangement
- For a 'whole-of-life' asset, only the conditions under (a) need to be met.
- The grantor recognizes assets provided by the operator; existing assets of the grantor are reclassified as service concession assets.
- The grantor recognizes a liability, depending on the way the grantor compensates the operator:
  – Financial liability model: The grantor compensates the operator for the construction, development, acquisition, or upgrade of a service concession asset by making a predetermined series of payments. The IPSAS standards relating to financial instruments (IPSAS 28, 29 and 30) apply to this financial liability.
  – Grant of a right to the operator model: The grantor compensates the operator for the construction, development, acquisition, or upgrade of a service concession asset and related services by granting the operator the right to earn revenue from third-party users of the service concession asset or another revenue-generating asset. The grantor accounts for this liability as the unearned portion of the revenue arising from the exchange of assets between the grantor (a service concession asset) and the operator (an intangible asset).
- The grantor's treatment of revenues and expenses depends on these models:
  – Financial liability model: The grantor allocates payments to the operator according to their substance as a reduction in the liability, a finance charge, and charges for services provided by the operator.
  – Grant of a right to the operator model: The grantor earns the benefit associated with the assets received in the service concession arrangement in exchange for the right granted to the operator over the period of the arrangement. The grantor recognizes revenue and reduces the liability according to the economic substance of the service concession arrangement.

IPSAS 33 First-time Adoption of Accrual Basis IPSASs

Effective date

Annual periods beginning on or after 1 January 2017. Earlier application permitted.

Objective

To provide guidance to a first-time adopter that prepares and presents financial statements following the adoption of accrual basis IPSASs.

Summary

- IPSAS 33 allows a first-time adopter to take advantage of certain exemptions that affect fair presentation and compliance with accrual basis IPSASs. If a first-time adopter takes advantage of the exemptions that affect the fair presentation and its ability to assert compliance with accrual basis IPSASs, it will not be able to make an explicit and unreserved statement of compliance with other IPSASs, during the period of transition.
- An entity will present its first IPSAS financial statements when it can make an explicit and unreserved statement of compliance with accrual basis IPSASs.
- A first-time adopter shall apply the requirements of the IPSASs retrospectively on the date of adoption of accrual basis IPSASs. An entity shall use the same accounting policies in its opening statement of financial position and throughout all periods presented, except as specified in IPSAS 33.
- While applying exemptions that affect the fair presentation and the first-time adopter's ability to assert compliance with accrual basis IPSASs during the period of transition to accrual basis IPSASs, a first-time adopter will prepare transitional IPSAS financial statements.
- Exemptions that affect the fair presentation include a three year transitional relief period to, amongst others, the:
  - recognition and measurement of a wide range of assets and liabilities, including property, plant and equipment;
  - elimination of balances, transactions, revenue and expenses between entities within the economic entity in its consolidated financial statements;
  - disclosure of related party relationships, related party transactions and information about key management.
- Exemptions that do not affect fair presentation of a first-time adopter's financial statements and compliance with accrual basis IPSASs include, amongst others:
  - determining a surrogate for acquisition cost or depreciated cost when reliable cost information about the historical cost of an asset is not available on the date of adoption of accrual basis IPSASs. The asset's fair value will be its deemed cost as determined on the specific date;
  - not presenting comparative information in its first transitional IPSAS financial statements or its first IPSAS financial statements;
  - not presenting segment information during a three year relief period.
- Disclosures should be made in the financial statements to assist users in tracking adoption progress and confirming a first-time adopter's accounting policies against the requirements in the applicable accrual basis IPSASs during the period of transition.
- A first-time adopter shall present a reconciliation of its net assets/equity, surplus or deficit in accordance with its previous basis of accounting to its opening balance at the date of adoption of IPSASs. The reconciliation explains the adjustments to the previously reported financial statements in each period when new items are recognized and/or measured in accordance with IPSAS 33.

IPSAS 34 Separate Financial Statements

Effective date

Annual periods beginning on or after 1 January 2017. IPSAS 34-38 have superseded IPSAS 6-8.

Objective

To prescribe how to account for investments in controlled entities, joint ventures and associates in separate financial statements.

Summary

- In the controlling entity's separate financial statements: investments in controlled entities, associates and joint ventures are accounted for either at cost, in accordance with IPSAS 41, or using the equity method as described in IPSAS 36.
- The controlling entity has to disclose a list of significant investments in controlled entities, associates and joint ventures and to describe the method used to account for these investments.
- IPSAS 34 contains specific requirements for a controlling entity that is not itself an investment entity but which has an investment in a controlled investment entity.

IPSAS 35 Consolidated Financial Statements

Effective date

Annual periods beginning on or after 1 January 2017. IPSAS 34-38 have superseded IPSAS 6-8.

Objective

To establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

Summary

- A controlled entity is an entity controlled by another entity, the controlling entity. The controlling entity shall assess whether it controls the other entity.
- Control is based on whether an investor has 1) power over the other entity; 2) exposure, or rights, to variable benefits from its involvement with the other entity; and 3) the ability to use its power over the other entity to affect the nature or amount of the benefits.
- The entity's benefits from its involvement with the entity being assessed for control can be financial, non-financial or both. Financial benefits include returns on investment such as dividends or similar distributions. Non-financial benefits include advantages arising from scarce resources that are not measured in financial terms and economic benefits received directly by service recipients of the entity. Non-financial benefits can occur when the activities of another entity are in agreement with the objectives of the entity and support the entity in achieving its objectives.
- IPSAS 35 includes guidance on the assessment of control, including material on: protective rights; delegated power; de facto control; and de facto agency arrangements.

- Consolidated financial statements are the financial statements of an economic entity in which the assets, liabilities, net assets/equity, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.
- When a controlling entity-controlled entity relationship exists, consolidated financial statements are required (subject to certain specified exceptions).
- Consolidated financial statements include all controlled entities. There are no exemptions for 'temporary control', 'different lines of business' or 'controlled entity that operates under severe long-term funds transfer restrictions'.
- Intra-economic entity balances, revenue, expenses and cash flows are eliminated in full.
- All members of in the economic entity use the same accounting policies and, if practicable, the same reporting date. Otherwise, appropriate adjustments should be made to ensure conformity with the economic entity's accounting policies.
- Non-controlling interests are reported within net assets/equity in the consolidated statement of financial position, separately from the net assets/equity of the owners of the controlling entity.
- An entity shall attribute the surplus or deficit and each gain or loss recognized directly in net assets/equity to the owners of the controlling entity and to the non-controlling interests.
- The entity shall also attribute the total amount recognized in the statement of changes in net assets/equity to the owners of the controlling entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- Partial disposal of an investment in a controlled entity while control is retained is accounted for as a net assets/equity transaction with owners, and no gain or loss is recognized in surplus or deficit.
- Acquisition of a further ownership interest in a controlled entity after obtaining control is accounted for as a net assets/equity transaction and no gain or loss is recognized.
- Partial disposal of an investment in a controlled entity that results in loss of control triggers remeasurement of the residual holding to fair value. Any difference between fair value and carrying amount is a gain or loss on the disposal, recognized in surplus or deficit. Thereafter, IPSAS 36 or IPSAS 41 is applied, as appropriate, to the residual holding.
- IPSAS 35 does not require that a controlling entity, that is not itself an investment entity, shall consolidate all controlled entities held by a controlled investment entity. Instead it requires that such a controlling entity shall present consolidated financial statements in which it (i) measures the investments of the controlled investment entity at fair value through surplus or deficit in accordance with IPSAS 41 and (ii) consolidates the other assets and liabilities and revenue and expenses of the controlled investment entity in accordance with IPSAS 35.

IPSAS 36 Investments in Associates and Joint Ventures

Effective date

Annual periods beginning on or after 1 January 2017. IPSAS 34-38 have superseded IPSAS 6-8.

Objective

To prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

Summary

- Applies to all entities that are investors with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.
- The equity method is used for all investments in associates over which the entity has significant influence and in joint ventures, unless the investor is a venture capital organization, mutual fund, unit trust or a similar entity, and it elects to measure such investments at fair value through surplus or deficit in accordance with IPSAS 41.
- An investment in an associate or a joint venture accounted for using the equity method shall be classified as a non-current asset.
- Rebuttable presumption of significant influence is holding by an entity, directly and indirectly, 20% or more of the voting power of the investee.
- Under the equity method, the investment is initially recognized at cost. It is subsequently adjusted by the investor's share of the investee's post acquisition change in net assets.
- The investor's surplus or deficit includes its share of the investee's surplus or deficit and the investor's net assets/equity includes its share of changes in the investee's net assets/equity that have not been recognized in the investee's surplus or deficit.
- Associate's and joint venture's accounting policies shall be the same as those of the investor for like transactions and events in similar circumstances.
- The end of the reporting period of an associate or a joint venture cannot be more than three months different from the investor's end of the reporting period.
- Even if consolidated financial statements are not prepared (e.g. because the investor has no controlled entities) equity accounting is used. However, when presenting 'separate financial statements' as defined in IPSAS 34, the investor accounts for the investment either at cost, in accordance with IPSAS 29, or using the equity method as described in IPSAS 36.
- Impairment is tested in accordance with IPSAS 21 or IPSAS 26.
- The impairment indicators in IPSAS 41 apply. An investment in an associate or joint venture is treated as a single asset for impairment purposes.
- IPSAS 36 requires that an entity with an interest in an associate or a joint venture that is an investment entity, shall, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to its interest in controlled entities.

IPSAS 37 Joint Arrangements

Effective date

Annual periods beginning on or after 1 January 2017. IPSAS 34-38 have superseded IPSAS 6-8.

Objective

To introduce new accounting requirements for joint arrangements, replacing IPSAS 8 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IPSAS 37 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures.

Summary

- Applies to all entities that are a party to a joint arrangement.
- A joint arrangement is an arrangement of which two or more parties have joint control.
- Joint control is the agreed sharing of control of an arrangement by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
- A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities.
- A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets of the arrangement.
- The distinction between a joint operation and a joint venture requires assessment of the structure of the joint arrangement, the legal form of any separate vehicle, the terms of the binding arrangement and any other relevant facts and circumstances.
- Joint operations: joint operator recognizes the assets it controls, and expenses and liabilities it incurs, and its share of revenue earned, in both its separate and consolidated financial statements.
- Joint ventures: joint venture applies the equity method, as described in IPSAS 36, except joint ventures where the investor is a venture capital organization, mutual fund or unit trust, and it elects or is required to measure such investments at fair value through surplus or deficit in accordance with IPSAS 41.
- Even if consolidated financial statements are not prepared (e.g. because the venturer has no controlled entities), the equity method is used to account for joint ventures. However, in the venturer's 'separate financial statements' as defined in IPSAS 34, interests in joint ventures are accounted for either at cost, in accordance with IPSAS 41, or using the equity method as described in IPSAS 36.

IPSAS 38 Disclosure of Interests in Other Entities

Effective date

Annual periods beginning on or after 1 January 2017. IPSAS 34-38 have superseded IPSAS 6-8.

Objective

To require information to be disclosed in an entity's financial statements that will enable users of those statements to evaluate the nature of, and risks associated with, the entity's interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated, and the effects of those interests on its financial position, financial performance and cash flows.

Summary

- Requires disclosures for the following broad categories:
  - significant judgments and assumptions – such as how control, joint control, significant influence and investment entity status have been determined;
  - interests in controlled entities – including details of the structure of the economic entity, risks associated with consolidated structured entities, restrictions on use of assets and settlement of liabilities, changes in ownership levels, non-controlling interests in the economic entity;
  - interests in joint arrangements and associates – the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarized financial information) and the risks associated with such entities;
  - interests in unconsolidated structured entities – the nature and extent of interests in unconsolidated structured entities and the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities.
- A structured entity is:
  - in the case of entities where administrative arrangements or legislation are normally the dominant factors in deciding who has control of an entity, an entity that has been designed so that administrative arrangements or legislation are not the dominant factors in deciding who controls the entity; or
  - in the case of entities where voting or similar rights are normally the dominant factor in deciding who has control of an entity, an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.
- An entity shall disclose information regarding its interest in a controlled entity when the entity had the intention of disposing of that interest and, at the reporting date, it has an active intention to dispose of that interest.

IPSAS 39 Employee Benefits

Effective date

Annual periods beginning on or after 1 January 2018. IPSAS 39 has superseded IPSAS 25.

Objective

To prescribe the accounting and disclosure for employee benefits, including short-term benefits (wages, annual leave, sick leave, bonuses, profit-sharing and nonmonetary benefits); pensions; post-employment life insurance and medical benefits; termination benefits, and other long-term employee benefits (long-service leave, disability, deferred compensation, and bonuses and long-term profit-sharing), except for share-based transactions and employee retirement benefit plans.

Summary

- Underlying principle: the cost of providing employee benefits is recognized in the period in which the entity receives services from the employee, rather than when the benefits are paid or payable.
- Short-term employee benefits (expected to be settled wholly before 12 months after the annual period in which the services were rendered) are recognized as an expense in the period in which the employee renders the service. Unpaid benefit liability is measured at undiscounted amount.
- Post-employment benefit plans (such as pensions and health care) are categorized as either defined contribution plans or defined benefit plans.

- For defined contribution plans, expenses are recognized in the period in which the contribution is payable.
- For defined benefit plans, a liability (or asset) is recognized in the statement of financial position equal to the net of:
  - the present value of the defined benefit obligation (the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods); and
  - the fair value of any plan assets at the end of the reporting period.
- When calculating the present value of the defined benefit obligation, entities apply a rate that reflects the time value of money. Entities disclose the basis on which the discount rate has been determined.
- Plan assets include assets held by a long-term employee benefit fund and qualifying insurance policies.
- The defined benefit asset is limited to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
- The change in the defined benefit liability (or surplus) has the following components:
  - service cost – recognized in surplus or deficit;
  - net interest (i.e. time value) on the net defined benefit liability (asset) – recognized in surplus or deficit;
  - remeasurements of the net defined benefit liability (asset), including a) changes in fair value of plan assets that arise from factors other than time value and b) actuarial gains and losses on obligations – recognized directly in net assets/equity.
- IPSAS 39 includes a rebuttable presumption that long-term disability payments are not usually subject to the same degree of uncertainty as the measurement of post-employment benefits. Where this presumption is rebutted, the entity considers whether some or all long-term disability payments should be accounted for in the same way as for post-employment benefits.

IPSAS 40 Public Sector Combinations

Effective date

Annual periods beginning on or after 1 January 2019, with earlier application encouraged. IPSAS 40 is applied prospectively and public sector combinations occurring prior to the application of IPSAS 40 are not restated.

Objective

To establish requirements for classifying, recognizing and measuring public sector combinations.

Summary

- Applies to any transaction or other event that meets the definition of a public sector combination.

- Public sector combination is defined as the “bringing together of separate operations into one public sector entity.” Examples of public sector combinations include: (a) nationalization; (b) restructuring of central government ministries; (c) reorganization of local or regional government, for example by rearranging territorial boundaries or by combining entities; and (d) transfer of operations from one government (or governmental unit) to another.
- The following are not public sector combinations: (a) the acquisition or receipt of an asset or a group of assets (along with any related liabilities) that does not constitute an operation; and (b) the assumption of a liability or a group of liabilities that does not constitute an operation. IPSAS 40 also excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- Operation is an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for the purpose of achieving an entity’s objectives, by providing goods and/or services.
- Classification of public sector combinations:
  - Amalgamation - gives rise to a resulting entity and is either: (a) a public sector combination in which no party to the combination gains control of one or more operations; or (b) a public sector combination in which one party to the combination gains control of one or more operations, and there is evidence that the combination has the economic substance of an amalgamation.
  - Acquisition - is a public sector combination in which one party to the combination (the acquirer) gains control of one or more operations, and there is evidence that the combination is not an amalgamation.
- Where one party to a public sector combination gains control of one or more operations as a result of the combination, an entity considers the economic substance of the combination in determining the appropriate classification. In doing so, an entity considers the following indicators: (a) indicators relating to consideration; and (b) indicators relating to the decision-making process.
- Accounting for amalgamations
  - In accounting for amalgamations, the resulting entity applies the modified pooling of interest method of accounting. The resulting entity is defined as the “entity that is the result of two or more operations combining in an amalgamation”.
  - Modified pooling of interests method of accounting is a variation of the pooling of interests method of accounting (sometimes referred to as “merger accounting”) in which the amalgamation is recognized on the date it takes place.
  - The resulting entity recognizes the assets, liabilities and any non-controlling interest that are recognized in the financial statements of the combining operations as at the amalgamation date and measures them at their carrying amounts in the financial statements of the combining operations. The resulting entity recognizes the difference between the assets and liabilities assumed in an amalgamation as one or more components of net assets/equity.
- Accounting for acquisitions
  - In accounting for acquisitions, the acquirer applies the acquisition method of accounting. The acquirer is defined as “the entity that gains control of one or more operations in an acquisition.”
  - The acquirer recognizes, separately from any goodwill recognized, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired operation. This may include items not previously recognized by the acquired operation. The acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

- Goodwill is defined as “an asset representing the future economic benefits arising from other assets acquired in an acquisition that are not individually identified and separately recognized.” Goodwill is usually recognized only where consideration is transferred.
- In a bargain purchase, the net of the amounts of the identifiable assets acquired and the liabilities assumed may exceed any consideration paid. The acquirer recognizes the resulting gain in surplus or deficit.

IPSAS 41 Financial Instruments

Effective date

Annual periods beginning on or after 1 January 2023, with earlier application encouraged. IPSAS 41 replaces IPSAS 29, while providing entities a transition option to continue to apply the hedge accounting requirements of IPSAS 29.

Objective

Sets out requirements for recognition and measurement of financial instruments, including impairment, derecognition and general hedge accounting.

Summary

- IPSAS 41 generally carries forward the requirements related to the recognition and derecognition of financial assets and financial liabilities, previously included in IPSAS 29.
- Except for certain short-term receivables and payables, all financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs.
- Short-term receivables and payables shall be measured at the original invoice amount at initial recognition, if the effect of discounting is immaterial.
- IPSAS 41 classifies financial assets into two classifications: those measured at amortized cost and those measured at fair value.
- When assets are measured at fair value, gains and losses are either recognized in surplus or deficit (fair value through surplus or deficit), or recognized in net assets/equity (fair value through net assets/equity).
- Equity investments are classified as fair value through surplus or deficit. However, if an equity investment is not held for trading, an entity can make an irrevocable election at initial recognition to measure it at fair value through net assets/equity with only dividend or similar distributions recognized in surplus or deficit.
- A debt instrument that (1) is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows and (2) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost unless the asset is designated at fair value through surplus or deficit under the fair value option.
- A debt instrument that (1) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (2) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at fair value through net assets/equity, unless the asset is designated at fair value through surplus or deficit under the fair value option.
- All other debt instruments must be measured at fair value through surplus or deficit.

- IPSAS 41 does not change the basic accounting model for financial liabilities in IPSAS 29. Two measurement categories continue to exist: fair value through surplus or deficit and amortized cost. Financial liabilities held for trading are measured at fair value through surplus or deficit, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. Changes in fair value attributable to changes in credit risk of the liability are presented in net assets/equity.
- All derivatives in the scope of IPSAS 41, including those linked to unquoted equity investments, are measured at fair value. Value changes are recognized in surplus or deficit unless the entity has elected to apply hedge accounting by designating the derivative as a hedging instrument in an eligible hedging relationship.
- Embedded derivatives that under IPSAS 29 would have been separately accounted for at fair value through surplus or deficit because they were not closely related to the host financial asset will no longer be separated. Instead, the contractual cash flows of the financial asset are assessed in their entirety, and the asset as a whole is measured at fair value through surplus or deficit if the contractual cash flow characteristics test is not passed. Embedded derivatives not closely related to financial liabilities will be accounted for separately at fair value in the case of financial liabilities not designated at fair value through surplus or deficit (as in IPSAS 29).
- The hedge accounting requirements in IPSAS 41 are optional. If the eligibility and qualification criteria are met, hedge accounting allows an entity to reflect risk management activities in the financial statements by matching gains or losses on financial hedging instruments with losses or gains on the risk exposures they hedge.
- There are three types of hedging relationships: (i) fair value hedge; (ii) cash flow hedge and (iii) hedge of a net investment in a foreign operation as defined in IPSAS 4.
- A hedging relationship qualifies for hedge accounting only if all of the following criteria are met: (i) the hedging relationship consists only of eligible hedging instruments and eligible hedged items; (ii) at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity’s risk management objective and strategy for undertaking the hedge; (iii) the hedging relationship meets all of the hedge effectiveness requirements.
- In order to qualify for hedge accounting, the hedge relationship must meet the following effectiveness criteria: (i) there is an economic relationship between the hedged item and the hedging instrument; (ii) the effect of credit risk does not dominate the value changes that result from that economic relationship; and (iii) the hedge ratio of the hedging relationship is the same as that actually used in the economic hedge.
- The impairment model in IPSAS 41 is based on expected credit losses and it applies equally to debt instruments measured at amortized cost or fair value through net assets/equity, lease receivables, and certain written loan commitments and financial guarantee contracts.
- Expected credit losses (with the exception of purchased or original credit-impaired financial assets) are required to be measured through a loss allowance at an amount equal to: (i) the 12-month expected credit losses or (ii) full lifetime expected credit losses. The latter applies if credit risk has increased significantly since initial recognition of the financial instrument.
- Interest revenue is calculated by applying the effective interest rate to the amortized cost (which is the gross carrying amount minus loss allowance) for credit-impaired financial assets while for all other instruments, it is calculated based on the gross carrying amount.

IPSAS 42 Social Benefits

Effective date

Annual periods beginning on or after 1 January 2023, with earlier application encouraged.

Objective

To help users of the financial statements and general purpose financial reports assess the nature of social benefits provided by the entity, the features of the operation of social benefit schemes; and the impact of social benefits on the entity’s financial performance, financial position and cash flows.

Summary

- Social benefits are cash transfers provided to specific individuals and/or households who meet eligibility criteria; mitigate the effect of social risks, and address the needs of society as a whole. Examples include retirement benefits, unemployment benefits, and child benefits.
- Social risks are events or circumstances that relate to the characteristics of individuals and/or households (for example, age, health, poverty and employment status) and may adversely affect the welfare of individuals and/or households, either by imposing additional demands on their resources or by reducing their income.
- In accounting for social benefits, IPSAS 42 prescribes the general approach (obligating event approach), and permits in certain cases the insurance approach.
- According to the **general approach** an entity shall recognize a liability for a social benefit scheme when the entity has a present obligation for an outflow of resources that results from a past event, and the present obligation can be measured in a way that achieves the qualitative characteristics and takes account of constraints in the conceptual framework.
- An entity shall recognize an expense for a social benefit scheme at the same point that it recognizes a liability.
- The liability for a social benefit scheme is the best estimate of the social benefit payments that the entity expects to make in fulfilling the present obligations represented by the liability.
- The maximum amount to be recognized as a liability is the costs the entity expects to incur in making the next social benefit payment.
- The liability for a social benefit scheme shall be reduced as social benefit payments are made. Any difference between the cost of making the social benefit payments and the carrying amount of the liability in respect of the social benefit scheme is recognized in surplus or deficit in the period in which the liability is settled. Where a liability has yet to be settled, the liability shall be reviewed at each reporting date, and adjusted to reflect the current best estimate of the social benefit payments that the entity expects to make in fulfilling the present obligations represented by the liability.
- An entity shall disclose information that explains the characteristics of its social benefit schemes (such as nature, key features and funding), and explains the demographic, economic and other external factors that may affect its social benefit schemes.
- An entity is permitted, but not required to follow the **insurance approach** if a social benefit scheme is intended to be fully funded from contributions, and there is evidence that the entity manages the scheme in the same way as an issuer of insurance contract, including assessing the financial performance and financial position of the scheme on a regular basis. Insurance approach means recognizing and measuring the assets, liabilities, revenue and expenses associated with that social benefit scheme by applying, by analogy, the requirements of IFRS 17 Insurance Contracts or similar standard.

IPSAS 43 Leases

Effective date

Annual periods beginning on or after 1 January 2025, with earlier application encouraged.

Objective

Sets out the recognition, measurement, presentation and disclosure requirements for leases. A lessee recognizes a leased asset and lease obligation for all leases. Lessors continue to distinguish between operating and finance leases.

Summary

- A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- Control is conveyed when the customer has the right to direct the identified asset's use and to obtain substantially all its economic benefits or service potential from that use.
- IPSAS 43 has a single **lessee** accounting model, requiring lessees to recognize a right-of-use asset and a lease liability. The right-of-use asset is measured initially at the amount of the lease liability plus any initial direct costs incurred by the lessee.
- After lease commencement, the right-of-use asset is accounted for in accordance with IPSAS 17 (unless specific conditions apply).
- The lease liability is measured initially at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee uses its incremental borrowing rate. Lease payments are allocated between interest expense and repayment of the lease liability.
- When the lease payments are variable the lessee does not include those when measuring the right- of-use asset and the lease liability, but instead recognizes the amounts payable as they fall due. The exception is variable payments that depend on an index or a rate, which are included in the initial measurement of a lease liability and the right-of-use asset.
- There are optional recognition exemptions when the lease term is 12 months or less or when the underlying asset has a low value when new. If applied, the lease payments are recognized on a basis that represents the pattern of the lessee's benefit (e.g., straight-line over the lease term).
- The IPSAS 43 approach to lessor accounting is substantially unchanged from its predecessor, IPSAS 13 Leases.
- Lessors classify each lease as an operating lease or a finance lease.
- A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease.
- A lessor recognizes assets held under a finance lease as receivable at an amount equal to the net investment in the lease upon lease commencement.

IPSAS 44 Non-current Assets Held for Sale and Discontinued Operations

Effective date

Annual periods beginning on or after 1 January 2025, with earlier application encouraged.

Objective

Sets out the accounting for non-current assets held for sale and the presentation and disclosure of discontinued operations.

Summary

- Non-current assets are **'held for sale'** either individually or as part of a disposal group when the entity has the intention to sell them, they are available for immediate sale and disposal within 12 months is highly probable.

- A disposal group is a group of assets to be disposed of in a single transaction, including any related liabilities that will also be transferred.
- Assets and liabilities of a controlled entity are classified as held for sale if the controlling entity parent is committed to a plan involving loss of control of the controlled entity, regardless of whether the entity will retain a non-controlling interest after the sale.
- IPSAS 44 applies to a non-current asset (or disposal group) that is classified as held for distribution to owners.
- A **discontinued operation** is a component of an entity that has either been disposed of or is classified as held for sale. It must represent a separate major operation or geographical area of operations, be part of a single coordinated plan to dispose of a separate operation or geographical area of operations.
- Non-current assets 'held for sale' are measured at the lower of the carrying amount and fair value less costs to sell (or costs to distribute). The non-current assets are no longer depreciated.
- Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the assets (or all the assets and liabilities in the group) are measured in accordance with applicable IPSAS Standards.

IPSAS 45 Property, Plant and Equipment

Effective date

Annual periods beginning on or after 1 January 2025, with earlier application encouraged for entities that apply IPSAS 43 Leases, IPSAS 45 Non-current Assets Held for Sale and Discontinued Operations, and IPSAS 46 Measurement.

Objective

To prescribe the accounting treatment for property, plant, and equipment so that users of financial statements can discern information about an entity's investment in its property plant, and equipment.

Summary

- Items of property, plant and equipment shall be recognized as assets if, and only if, it is probable that the future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably.
- The scope of IPSAS 45 includes heritage assets. If the entity holds heritage property, plant, and equipment that meets the definition of an asset, but is not recognized in the financial statements because, at initial measurement, its cost or current value cannot be measured reliably, the entity shall disclose the difficulties in obtaining a reliable measurement that prevent recognition; and the significance of the unrecognized heritage property, plant, and equipment in relation to delivery of the entity's objectives.
- Weapon systems will normally meet the definition of property, plant and equipment and shall be recognized as an asset. Infrastructure assets, such as electricity transmission networks, road networks, and water systems shall be accounted for in accordance with IPSAS 45.
- Initial measurement shall be measured at cost, which includes all costs necessary to get the asset ready for its intended use. Where an asset is acquired through a non-exchange transaction, it shall be measured at its deemed cost. An entity shall apply IPSAS 46 when measuring deemed cost of an item of property plant, and equipment.

- Subsequent to acquisition, IPSAS 45 allows a choice of accounting model for an entire class of property, plant and equipment:
  - Historical cost model: The asset is carried at historical cost, less accumulated depreciation and impairment losses.
  - Current value model: The asset is carried at revalued amount, being its current operational value or fair value at revaluation date, less subsequent accumulated depreciation and impairment losses. An item or part of an item of property, plant, and equipment held primarily for its operational capacity is measured as current operational value, and when it is held primarily for its financial capacity is measured at fair value.
- Under the current value model, revaluations shall be carried out regularly. All items of a given class shall be revalued. Revaluation increases shall be credited directly to revaluation surplus. However, the increase shall be recognized as revenue in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of assets previously recognized as an expense in surplus or deficit. Revaluation decreases are debited first against the revaluation surplus related to the same class of assets and any excess against surplus or deficit. When the revalued asset is disposed of, the revaluation surplus is transferred directly to accumulated surpluses or deficits and is not recycled through surplus or deficit.
- Revaluation increases and decreases related to individual assets within a class of property, plant and equipment must be offset against one another within that class but must not be offset in respect of assets in different classes.
- Each part of an item of property, plant and equipment with a cost or value that is significant in relation to the total cost of the item shall be depreciated separately.
- Depreciation is charged systematically over the asset's useful life. The depreciation method must reflect the pattern in which the asset's future economic benefits or service potential is expected to be consumed by the entity. The residual value must be reviewed at least annually and shall equal the amount the entity would receive currently if the asset were already of the age and condition expected at the end of its useful life. If operation of an item of property, plant and equipment (for example, an aircraft) requires regular major inspections, when each major inspection is performed, its cost is recognized in the carrying amount of the asset as a replacement, if the recognition criteria are satisfied. If expectations differ from previous estimates, the change must be accounted for as a change in an accounting estimate in accordance with IPSAS 3.
- Land and buildings are separable assets and are accounted for separately, even when they are acquired together. Land normally has an unlimited useful life, and therefore is not depreciated.
- To determine whether an item of property, plant and equipment is impaired, an entity applies IPSAS 21 or IPSAS 26, as appropriate.
- All exchanges of property, plant and equipment shall be measured at current value, including exchanges of similar items, unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable.
- The carrying amount of an item of property, plant and equipment must be derecognized:
  - On disposal
  - When no future economic benefits or service potential is expected from its use or disposal.
- The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in surplus or deficit when the item is derecognized. Gains shall not be classified as revenue; the gain or loss arising from the derecognition of an item of property, plant and equipment must be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.
- The transitional provisions allow entities to recognize property, plant and equipment at cost or deemed cost on first adopting this standard.

IPSAS 46 Measurement

Effective date

Annual periods beginning on or after 1 January 2025, with earlier application encouraged.

Objective

To define measurement bases that assist in reflecting fairly the cost of services, operational capacity, and financial capacity of assets and liabilities.

Summary

- At initial recognition of an item, it shall be measured at its transaction price, plus transaction costs for assets or minus transaction costs for liabilities, unless the transaction price does not faithfully present relevant information of the entity in a manner that is useful in holding the entity to account, and for decision making purposes or otherwise required or permitted by another IPSAS.
- When an asset is acquired, constructed, or developed, or a liability is assumed in an orderly market, the transaction price reflects the initial value of the asset or liability negotiated between market participants at the measurement date under current market conditions.
- When an asset is acquired, constructed, or developed, or a liability is assumed, as a result of an event that is not a transaction in an orderly market, deemed cost is used to measure the initial value of the asset or liability. Any difference between deemed cost and any consideration given or received is recognized as revenue or expenses unless it is a contribution from owners.
- After initial measurement, an accounting policy choice is made to measure an asset or liability on an historical cost model or a current value model. In selecting a measurement model, an entity shall consider the characteristics of the item, the measurement objective and the monetary information being presented.
- Historical cost basis is an entry, entity-specific value and provides monetary information about assets, liabilities, and related revenue and expenses, using information derived from the price of the transaction or event that gave rise to them. Following initial measurement, the value of an asset or liability is not remeasured to reflect current conditions or increase in the value of the asset or decrease in the value of the liability.
- IPSAS 46 distinguishes between three current value bases:
  - Current operational value basis: Provides monetary information about assets and related amortization and depreciation, using information updated to reflect conditions at measurement date and reflects changes in the values of assets since the previous measurement date. Current operational value can be determined directly by observing prices in an active market, or determined indirectly through prices for similar assets adjusted to reflect the unique aspects of the entity's asset in its existing use and condition.
  - Cost of fulfilment basis: An exit, entity-specific cost that the entity will incur in fulfilling the obligations presented by the liability in the least costly manner. Cost of fulfilment is the present value of the cash, or other economic resources, that the entity expects to be obliged to transfer as it fulfills the liability.
  - Fair value basis: An exit, market-based measurement that provides monetary information about assets, liabilities, and related revenue and expenses, using information updated to reflect conditions at the measurement date and reflect changes in the values of assets and liabilities since the previous measurement date. Fair value reflects the perspective of market participants and can be determined by directly observing prices in the market or determined indirectly.
- An entity shall use measurement techniques that are appropriate in the circumstances and for which sufficient data are available to estimate the measurement basis or determine deemed cost. Three widely used measurement techniques are the market approach, the cost approach, and the income approach.

- Market approach: Uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.
- Cost approach: Reflects the amount that would be required currently to replace the service provided by an asset through acquisition, construction, or development of a substitute asset of comparable utility.
- Fair value basis: An exit, market-based measurement that provides monetary information about assets, liabilities, and related revenue and expenses, using information updated to reflect conditions at the measurement date and reflect changes in the values of assets and liabilities since the previous measurement date. Fair value reflects the perspective of market participants and can be determined by directly observing prices in the market or determined indirectly.

- Measurement techniques shall be applied consistently unless a change in a measurement technique or its application is appropriate if the change results in a measurement that is equally or more representative of the measurement basis in the circumstances. Revisions resulting from a change in the measurement technique or its application shall be accounted for as a change in accounting estimate in accordance with IPSAS 3.

IPSAS 47 Revenue

Effective date

Annual periods beginning on or after 1 January 2026, with earlier application encouraged.

Objective

To establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenueand cash flows arising from revenue transactions.

Summary

- At inception, IPSAS 47 requires an entity to first consider whether it has entered into a revenue transaction with or without a binding arrangement.
- A binding arrangement includes both rights and obligation that are enforceable for two or more of the parties in the arrangement.
- For an arrangement to be binding, it must be enforceable through legal or equivalent means, on the parties to the arrangement and can be written, oral or implied by an entity's customary practices.
- In determining whether an arrangement is enforceable, the entity considers the substance rather than the legal form of the arrangement. The assessment of whether an arrangement is enforceable is based on an entity's ability to enforce the specified terms and conditions of the arrangement and the satisfaction of the other parties' stated obligations.
- An entity's revenue transaction without a binding arrangement may confer a right or an obligation. Any entity shall determine if: (a) any of its rights in its revenue transaction without binding arrangements meet the definition of an asset; and (b) any of its obligations in its revenue transaction without binding arrangements meet the definition of a liability.
- Revenue transactions without binding arrangement:

- Recognition: When an entity recognizes an inflow or right to an inflow of resources as an asset for a revenue transaction without a binding arrangement, it recognizes revenue based on the nature of the requirements in its revenue transaction. An entity shall recognize revenue from a transaction without a binding arrangement: (a) when (or as) the entity satisfies any obligations associated with the inflow of resources that met the definition of a liability; or (b) Immediately if the entity does not have an enforceable obligation associated with the inflow of resources.
- Measurement: Revenue transaction without binding arrangement is measured at the fair value of consideration received or receivable.

- Revenue transactions with binding arrangement:
  - Recognition: An entity shall account for a binding arrangement using the binding arrangement accounting model if all of the criteria: the approval and commitment by parties to the respective obligations, identification of each party's rights and payment terms, economic substance, and probable collection of the entitled consideration. Revenue is recognized at the amount allocated to a compliance obligation when (or as) the entity satisfies that compliance obligation.
  - Measurement: An entity measures revenue by determining the transaction consideration, which is the amount of resources to which an entity expects to be entitled for satisfying a compliance obligation. The total consideration is allocated to each individual compliance obligation identified in the binding arrangement, typically based on their relative stand-alone value.
- Services in-kind are not required but permitted to be recognized.
- A capital transfer is defined as an inflow of cash or another asset that arises from a binding arrangement with a specification that the entity acquires or constructs a non-financial asset that will be controlled by the entity. Since capital transfers arise from binding arrangements, an entity shall apply the binding arrangement accounting model to recognize and measure its revenue from the transaction.

IPSAS 48 Transfer Expenses

Effective date

Annual periods beginning on or after 1 January 2026, with earlier application encouraged.

Objective

To establish the principles that a transfer provider (an entity) shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of expenses and cash flows arising from transfer expense transactions.

Summary

- An entity accounts for a transfer based on whether or not the transaction results in the recognition of an asset. When a transfer results in the recognition of an asset, the asset is derecognized when (or as) the entity's rights from the transfer arrangement are extinguished. For transfers that do not result in the recognition of an asset, a transfer expense is recognized: (a) When the entity loses control of the transferred resources or (b) When the entity has incurred an obligation to transfer resources and recognizes a liability for the obligation.
- The identification of whether the transaction arises from a binding arrangement impacts this determination, as the rights and obligations from a binding arrangement provide inputs into the assessment of the asset recognition criteria and whether an obligation to transfer resources exists.

- In determining whether an arrangement is enforceable, the entity considers the substance rather than the legal form of the arrangement. The assessment of whether an arrangement is enforceable is based on an entity's ability to enforce the satisfaction of the other parties' stated obligations and can be written, oral or implied by an entity's or a sector's customary practices.
- When the binding arrangement is wholly unsatisfied, an entity shall not recognize any asset, liability, or expense associated with the binding arrangement. The recognition of assets, liabilities, and expenses commences when one party to the binding arrangement starts to satisfy their obligations under the arrangement.
- Transfer expenses from transactions without binding arrangements:
  - Recognition: (a) The entity would need to consider whether it has a constructive or legal obligation related to the transfer. If so, the entity recognizes expense and a provision under IPSAS 19. The subsequent transfer of resources to the transfer recipient settles the provision; and (b) if there is no related constructive or legal obligation, the entity derecognizes a transfer expense when it ceases to control these resources.
  - Measurement: In situations where a constructive or legal obligation exists and a provision is recognized, the provision and expenses are measured in accordance with IPSAS 19. When a transfer expense is recognized upon the transfer of resources, the expense is measured at the carrying amount of the transferred assets.
- Transfer expenses from transactions with binding arrangements:
  - Recognition: The enforceable right from the binding arrangement meets the definition of an asset and as a result – (a) Upon transfer of the resources, the entity derecognizes the transferred asset and recognizes a transfer right asset; and (b) subsequent to the transfer, the transfer right asset is derecognized and expense when or as the transfer right is extinguished when or as the transfer recipient satisfies its obligations in the binding arrangement.
  - Measurement: When an entity transfers resources as part of a transfer expense transaction, the resulting transfer right asset is measured at the carrying amount of the transferred asset. When an entity recognizes a liability for the enforceable obligation to transfer resources, the liability is measured at the carrying amount of the resources which the entity is obligated to transfer.

IPSAS 49 Retirement Benefit Plans

Effective date

Annual periods beginning on or after 1 January 2026, with earlier application encouraged.

Objective

To prescribe the accounting and reporting requirements for public sector retirement benefit plans, which provide retirement benefits to public sector employees.

Summary

- Defined contribution plans are retirement benefit plans under which amounts to be paid as retirement benefits are determined by contributions to a fund together with investment earnings thereon.
- Defined benefit plans are retirement benefit plans other than defined contribution plans.

- For defined benefit plans, retirement benefit obligations owed to participants shall be recognized in the statement of financial position as a provision for the actuarial present value of the promised retirement benefits. The actuarial present value of the promised retirement benefit is the present value of the expected payments by a retirement benefit plan to participants attributable to their service as employees already rendered.
- For defined contribution plans, retirement benefit obligations owed to participants shall be recognized in the statement of financial position as defined contribution obligations. Defined contribution obligations are the amounts owed to participants under the terms of a defined contribution plan.
- Retirement benefit plan investments shall be measured at fair value.

RPG 1 Reporting on the Long-Term Sustainability of an Entity's Finances

Approval

Approved by IPSASB in 2013.

Status

A Recommended Practice Guideline (RPG) is not an IPSAS standard and therefore an entity is not required to comply with it in order to comply with IPSASs. However, it does represent good practice. An entity reporting on the long-term sustainability of its finances is encouraged to follow this RPG and disclose the extent to which it has been followed.

Objective

To provide guidance on how to present information on the impact of current policies and decisions made at the reporting date on future inflows and outflows and supplements information in the financial statements. The aim of such reporting is to provide an indication of the projected long-term sustainability of an entity's finances over a specified time horizon in accordance with stated assumptions.

Summary

- The relevance of reporting long-term fiscal sustainability information should be considered in the context of that entity's funding and capacity to determine service delivery levels.
- Long-term fiscal sustainability information will usually include the following components:
  - Projections of future inflows and outflows, which can be displayed in tabular statements or graphical formats, and a narrative discussion explaining the projections;
  - A narrative discussion of the dimensions of long-term fiscal sustainability including any indicators used to portray the dimensions; and
  - A narrative discussion of the principles, assumptions and methodology underlying the projections.
- While regular updates are desirable, this RPG acknowledges that annual reporting on the long-term sustainability of its finances may not be realistic for all entities. However, during periods of global financial volatility when projections may quickly become outdated and after major unexpected events such as natural disasters, an entity should consider updating its projections on a more frequent basis.
- The core information presented is the projection of inflows and outflows commencing in the current reporting period for a period selected and disclosed by the entity.

- The projections should be prepared on the basis of current policy assumptions, and assumptions about future economic and other conditions.
- An entity reporting long-term fiscal sustainability information should include a narrative discussion on the three inter-related dimensions of long-term fiscal sustainability: service, revenue, and debt.
- It is important that the basis of preparation of the projections is clear. This means that the principles, assumptions and approaches to the methodology that underpin the projections are transparent. RPG 1 includes discussion of:
  - Updating of projections and frequency of reporting;
  - Impact of legal requirements and policy frameworks;
  - Current policy, demographic and economic assumptions;
  - Reasonableness of assumptions;
  - Inflation and discount rates; and
  - Sensitivity analysis.

RPG 2 Financial Statement Discussion and Analysis

Approval

Approved by IPSASB in 2013.

Status

A Recommended Practice Guideline (RPG) is not an IPSAS standard and therefore an entity is not required to comply with it in order to comply with IPSASs. However, it does represent good practice. An entity preparing and presenting financial statement discussion and analysis is encouraged to follow this RPG.

Objective

To provide guidance for preparing and presenting financial statement discussion and analysis. Financial statement discussion and analysis assist users in understanding the financial position, financial performance and cash flows presented in the financial statements.

Summary

- Financial statement discussion and analysis should be presented at least annually and should use the same reporting period as that covered by the financial statements.
- The reporting boundary for financial statement discussion and analysis should be the same as that used for the financial statements.
- Financial statement discussion and analysis should be issued with the financial statements.
- Financial statement discussion and analysis should include the following, without merely replicating information in the financial statements:
  - An overview of the entity’s operations and the environment in which it operates;

- Information about the entity’s objectives and strategies;
- An analysis of the entity’s financial statements including significant changes and trends in an entity’s financial position, financial performance and cash flows; and
- A description of the entity’s principal risks and uncertainties that affect its financial position, financial performance and cash flows, an explanation of changes in those risks and uncertainties since the last reporting date and its strategies for bearing or mitigating those risks and uncertainties.

RPG 3 Reporting Service Performance Information

Approval

Approved by IPSASB in 2015.

Status

A Recommended Practice Guideline (RPG) is not an IPSAS standard and therefore an entity is not required to comply with it in order to comply with IPSASs. However, it does represent good practice. An entity reporting service performance information should aim to achieve the principles set out in this RPG.

Objective

To provide guidance on reporting service performance information in general purpose financial reports. Service performance information is information on the services that the entity provides, an entity’s service performance objectives and the extent of its achievement of those objectives. Service performance information assists users of general purpose financial reports to assess the entity’s service efficiency and effectiveness.

Summary

- Service performance information should be reported at least annually and should cover the same reporting period as that covered by the financial statements.
- For reporting service performance information the reporting boundary of the entity should be the same as that used for the financial statements.
- An entity may present service performance information either as part of a general purpose financial report that includes the financial statements, or in a separately issued general purpose financial report.
- When used in combination with the information in an entity’s financial statements, service performance information should enable users to assess the entity’s finances in the context of its achievement of service performance objectives and vice versa.
- A service performance objective is a description of the planned results that an entity is aiming to achieve expressed in terms of inputs, outputs, outcomes or efficiency.
- Service performance objectives may be expressed using performance indicators of inputs, outputs, outcomes or efficiency. Service performance objectives may also be expressed using a narrative description of a desired future state resulting from provision of services.
- The following information should be displayed for each relevant service:
  - Service performance objectives;
  - Performance indicators; and

  - Total costs of the services.

- Information should be disclosed so that users:
  - Understand the basis of the displayed service performance information; and
  - Receive a concise overview of the entity's service performance, which highlights the main issues relevant to their assessment of that service performance.

The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities

Approval

Approved by IPSASB in 2014.

Objective

To establish the concepts that underpin general purpose financial reporting by public sector entities that adopt the accrual basis of accounting.

Summary

- Defines the objectives of financial reporting by public sector entities. The objectives are to provide information about the entity that is useful to users of general purpose financial reports (GPFRs) for accountability purposes and for decision-making purposes.
- Identifies the qualitative characteristics that make information included in GPFR useful to users and support the achievement of the objectives of financial reporting. The qualitative characteristics of information included in GPFRs of public sector entities are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. Pervasive constraints on information included in GPFRs are materiality, cost-benefit, and achieving an appropriate balance between the qualitative characteristics.
- Defines the reporting entity. A public sector reporting entity is a government or other public sector organization, program or identifiable area of activity (referred to as an entity or public sector entity) that prepares GPFRs. A public sector reporting entity may comprise two or more separate entities that present GPFRs as if they are a single entity—such a reporting entity is referred to as a group reporting entity.
- Defines the elements used in financial statements. Elements are assets, liabilities, revenue, expense, ownership contributions, and ownership distributions.
- Identifies the criteria that must be satisfied in order for an element to be recognized in the financial statements. The recognition criteria are that an item satisfies the definition of an element and can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in GPFRs.
- Identifies the measurement concepts that guide the IPSASB in the selection of measurement bases for IPSASs and by preparers of financial statements in selecting measurement bases for assets and liabilities where there are no requirements in IPSASs. The objective of measurement is to select those measurement bases that most fairly reflect the cost of services, operational capacity and financial capacity of the entity in a manner that is useful in holding the entity to account, and for decision-making purposes.
- Sets out the concepts applicable to the presentation of information in GPFRs, including financial statements of governments and other public sector entities. Presentation is the selection, location and organization of information that is reported in the GPFRs.

Cash-Basis IPSAS — Financial Reporting under the Cash Basis of Accounting

Effective date

Effective date amendments: periods beginning on or after January 1, 2019. Earlier application is encouraged.

Objective

To prescribe the manner in which general-purpose financial statements should be presented under the cash-basis of accounting to achieve transparency in the financial reporting of the cash receipts, cash payments, and cash balances of the governments.

Summary

- The IPSAS Board encourages governments to progress to the accruals basis of accounting.
- If a government uses the cash basis, IPSAS Board suggests the adoption of the cash-basis IPSAS Standard.
- Financial statements under the cash basis show the sources of cash raised during the period, the purposes for which cash was used, and the cash balances at the reporting date.
- The Standard consists of two parts. Part 1 sets out the requirements for reporting under the cash basis. Part 2 is not mandatory. It sets out encouraged additional disclosures.
- Financial statements under the cash basis consist of the following components:
  - Statement of cash receipts and payments
  - Accounting policies and explanatory notes
  - Comparison of original budget, revised budget, and actual amounts on a comparable basis (only when the entity makes publicly available its approved budget)
- When an entity elects to disclose information prepared on a different basis (e.g., modified cash, modified accrual, or full accrual) such information should be disclosed in the notes to the financial statements.
- A statement of cash receipts and payments recognizes all cash receipts, cash payments, and cash balances controlled by the entity
- When the entity makes its approved budget publicly available, most of the requirements from IPSAS 24 apply, including an explanation of material differences between the budget and actual amounts and an explanation of whether differences between original and final budget are virements or other changes.
- The accounting policies and explanatory notes should include descriptions, detailed schedules, and analyses of amounts shown on the face of the statements.
- Transactions should generally be accounted on a gross basis.
- Accounting on a net basis is allowed for special types of transactions, like administered and agency transactions, and items in which the turnover is quick, the amounts are large, and the maturities are short.
- The standard requires disclosure of any cash balances held by the government at reporting date that are not available for use by the government or are subject to external restrictions.

- The standard requires disclosure of any undrawn borrowing and loan facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities.
- The entity should disclose external assistance received in cash during the period, both in total and by significant classes of providers of assistance, showing separately external assistance received in the form of loans and grants.
- An entity should disclose the date when the financial statements were authorized for issue (the authorization date) and who gave that authorization. If another body has the power to amend the financial statements after issuance, the entity should disclose that fact.
- Encouragements:
  - Where a third party (e.g., a donor of external assistance or a higher level of government) directly settles the obligations of an entity or purchases goods and services for the benefit of the entity, the standards encourages disclosing in the notes to the financial statements the total payments made by third parties in a sub classification appropriate to the entity's operations. Disclosure of third-party payments should only be made when the entity has been formally advised by the third party or the recipient that such payment has been made or has otherwise verified the payment.
  - The standard encourages a controlling entity to issue consolidated financial statements which consolidate all controlled entities applying most of the requirements of IPSAS 35. When the financial statements used in a consolidation are drawn up to different reporting dates, adjustments should be made for the effects of significant cash transactions that have occurred between those dates and the date of the controlling entity's financial statements.
  - The standard encourages an entity to disclose the amount of external assistance debt rescheduled or cancelled during the period, together with any related terms and conditions.
  - The standard encourages an entity to disclose significant terms and conditions of external assistance loan or grant agreements or guarantees that have not been complied with during the period when noncompliance resulted in cancellation or an obligation to return assistance previously received.
  - An entity which intends to migrate to the accrual basis of accounting is encouraged to present a statement of cash receipts and payments in the same format as that required by IPSAS 2 Cash Flow Statements.

Contacts

For more information

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