



# IPSAS in your pocket

2013 Edition

International Public Sector  
Accounting Standards (IPSAS)  
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# Contents

Why adopt IPSAS?	1
Background to IPSAS	2
Board members, governance, and due process	3
Use of IPSAS around the world	5
IPSAS workplan	13
Main differences with IFRS	14
Cash-basis IPSAS	15
IPSAS summary	16
Contacts	55

# 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.

The current economic crisis and the severe fiscal constraints being experienced by many governments has underscored the need for governments to transparently report all their assets and liabilities. 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.



# 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 standardising 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.

The IPSASB started out with the conceptual framework of the International Accounting Standards Board (IASB) and is in the process of developing its own conceptual framework to meet the financial reporting needs of entities in the public sector. The IPSASB considers the development of its own conceptual framework to underpin its standard-setting activities to be a critical step in establishing its credibility in understanding the unique aspects of the public sector. This is partly because some commentators have been sceptical about applying the IFRS to the public sector as they were not developed with the key characteristics of the public sector in mind.

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 recognised 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*.

IPSAS are aimed for application to the general-purpose financial reporting of all public sector entities other than Government Business Enterprises (GBEs). GBEs are expected to apply IFRS.

# Board members, governance, and due process

## The board and its governance

The IPSASB consists of 18 members, of which 15 are drawn from IFAC member bodies, and the remaining three are public members with expertise in public sector financial reporting. 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.

### Board members at January 1, 2013

**Andreas Bergmann**, Chair, Switzerland

**Ron Salole**, Deputy Chair, Canada

**Ian Carruthers**, United Kingdom

**Robert Dacey**, United States

**Mariano D'Amore**, Italy

**Rachid El Bejjat**, Morocco

**Sheila Fraser**, Canada

**Guohua Huang**, China

**Kenji Izawa**, Japan

**Thomas Müller-Marqués Berger**, Germany

**Masud Muzaffar**, Pakistan

**Anne Owuor**, Kenya

**Guy Piolé**, France

**Jeanine Poggiolini**, South Africa

**Datuk Wan Selamah**, Malaysia

**Adriana Tiron-Tudor**, Romania

**Ken Warren**, New Zealand

**Tim Youngberry**, Australia

The IPSASB receives support (both direct financial and in kind) from the World Bank, the Asian Development Bank, the United Nations, and the governments of Canada, China, New Zealand, and Switzerland.

## 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). Due process documents have finite comment periods.

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 *2013 Handbook of International Public Sector Accounting Pronouncements*.



# Use of IPSAS around the world

The adoption of IPSAS is being considered by a number of jurisdictions and the current period can best be described as a process of transition, and the situation continues to evolve as governments around the world make decisions about their financial reporting. The discussion below sets out the current status of IPSAS adoption by governments and intergovernmental organizations. The discussion below is not intended to be exhaustive and is based on information available on the IPSAS page in Wikipedia.

## IPSAS Adoption by intergovernmental organizations

The following intergovernmental organizations have adopted IPSAS or are in the process of adopting IPSAS:

- ASEAN (Association of South-East Asian Nations) aims to be IPSAS compliant as from 2013.
- Commonwealth Secretariat: IPSAS-compliant financial statements issued since 2008.
- Council of Europe: IPSAS-compliant financial statements issued since 2007.
- EC (European Commission): IPSAS-similar financial statements issued since 2005.
- ESA (European Space Agency): IPSAS-compliant financial statements since 2010.
- EUMETSAT (European Organisation for the Exploitation of Meteorological Satellites): Aims to be IPSAS compliant with the financial statements as from 2012.
- INTERPOL (International Criminal Police Organization): From 2007 onwards, financial statements are prepared in accordance with INTERPOL's Financial Regulations and in compliance with IPSAS. If there is a divergence between IPSAS and INTERPOL's Financial Regulations, the INTERPOL Financial Regulations have been applied. Divergences are not deemed to be significant.
- ITER Organization (International Thermonuclear Experimental Reactor): Issues IPSAS financial statements since 2008.
- NATO (North Atlantic Treaty Organization): Issues IPSAS-similar financial statements since 2008.
- OECD (Organisation for Economic Cooperation and Development): IPSAS-compliant financial statements issued since 2000, the first body in the world to do so.

## United Nations System

All United Nations System organizations have implemented or are in the process of implementing IPSAS.

- WFP (World Food Programme): WFP was the first United Nations System organization to implement IPSAS, issuing IPSAS-compliant financial statements as from 2008.

- ICAO (International Civil Aviation Organization), IMO (International Maritime Organization), ITU (International Telecommunications Union), PAHO (Pan American Health Organization), UNESCO (United Nations Educational, Scientific and Cultural Organization), UNIDO (United Nations Industrial Development Organization), WIPO (World Intellectual Property Organization), WMO (World Meteorological Organization) issue IPSAS-compliant financial statements since 2010.
- IAEA (International Atomic Energy Agency) and UPU (Union Postale Universelle) issue IPSAS-compliant financial statements since 2011.
- ILO (International Labour Organization), UNHCR (Office of the United Nations High Commissioner for Refugees), UNDP (United Nations Development Programme), UNFPA (United Nations Population Fund), UNICEF (United Nations Children's Fund), UNOPS (United Nations Office for Project Services), UNRWA (United Nations Relief and Works Agency for Palestine Refugees in the Near East), UNJSPF (United Nations Joint Staff Pension Fund), WHO (World Health Organization), UN Women (United Nations Entity for Gender Equality and the Empowerment of Women) plan implementation of IPSAS for 2012.
- UN (United Nations, including peacekeeping operations), UNWTO (World Tourism Organization), UNU (United Nations University), FAO (Food and Agriculture Organization of the United Nations) plan implementation of IPSAS for 2014.

### IPSAS adoption by country

- **Afghanistan** — Process in place to adopt IPSAS, first cash basis then accrual basis. Legislation passed.
- **Abu Dhabi** — Prepared 2010 financial statements in accordance with accrual accounting IPSAS for some departments and municipalities.
- **Albania** — Applies cash basis of accounting. Law requires modified cash basis of accounting (including accounts payable). Plans to adopt cash-basis IPSAS with the possibility of applying accrual accounting IPSAS subsequently.
- **Algeria** — World Bank project for accounting and other reform includes IPSAS.
- **Argentina** — Process in place to develop public sector accounting standards that are harmonised with accrual accounting IPSAS.
- **Armenia** — In the process of gradual transition towards accrual-basis IPSAS. Draft law on public sector accounting and draft accounting standards, policies, manual, and chart of accounts has been designed.
- **Australia** — Adopted full accrual accounting standards, consistent with IPSAS. The Australian Accounting Standards Board (AASB) has issued 'Australian equivalents to IFRS' (A-IFRS). The AASB has made certain amendments to the IASB pronouncements in making A-IFRS; however, these generally have the effect of eliminating an option under IFRS, introducing additional disclosures or implementing requirements for public sector entities, rather than departing from IFRS for Australian entities. Because of these amendments, the final standards, as they apply to public sector entities, are very similar to IPSAS.
- **Austria** — Process in place to issue accrual accounting IPSAS financial statements as from 2014.
- **Azerbaijan** — The 2004 Law on Accounting requires the adoption of national public sector accounting standards based on IPSAS by public sector effective January 1, 2009. Applicable to municipalities, budget organizations, and off-budget state funds, i.e., the State Oil Fund and the Social Security Fund.
- **Bangladesh** — The government of Bangladesh has expressed both commitment and willingness to adopt the cash-basis IPSAS and has taken an initiative to prepare the financial statements in accordance with them. The first set of IPSAS-based statements for the core ministries (excluding specialized organizations) and the specialized organizations were planned to be produced by the fiscal year 2007-2008 and 2009-2010, respectively. The government considers the adoption of the cash-basis IPSAS a point of departure towards implementing the accrual basis of accounting in the long run.
- **Barbados** — Process in place to adopt accrual-basis IPSAS.
- **Belarus** — Applies modified cash basis. No plans to adopt IPSAS.



- **Bhutan** — The department of public accounts has notified that it will develop Royal Government of Bhutan Accounting Standards by referring to the cash-basis IPSAS. The government of Bhutan has expressed a commitment to adopting the cash-basis IPSAS and studying the feasibility of gradually moving to accrual-basis accounting.
- **Bosnia and Herzegovina** — Reports on the cash basis of accounting. No plans to adopt IPSAS.
- **Botswana** — Member of ESAAG (East and Southern African Association of Accountants General). The aims of ESAAG member states include the adoption of the cash-basis IPSAS.
- **Brazil** — The Federal Government of Brazil has announced plans to fully implement IPSAS by 2012.
- **Bulgaria** — Applies modified cash basis. Some initiatives to adopt IPSAS, but no firm plans as yet.
- **Cambodia** — Process in place to adopt accrual-basis IPSAS.
- **Canada** — Applies accounting standards that are broadly consistent with IPSAS.
- **Cayman Islands** — Government has adopted accrual-basis IPSAS. However, this was associated with major problems and a delay of publishing government financial statements of over five years and very critical reports from the Auditor General.
- **Chile** — For several years, the Chilean Public Sector has used accrual accounting, and “Contraloría General de la República” is leading a process to converge to IPSAS.
- **China** — Project in place to adopt IPSAS. Currently, no formal decision has been made to adopt IPSAS.
- **Cyprus** — Has adopted the cash-basis IPSAS.
- **Colombia** — The government of Colombia has made a commitment to IPSAS and is working on the convergence of its national accounting standards with international standards.
- **Costa Rica** — Government of Costa Rica mandated the use of IPSAS on October 11, 2007, by publishing Decree No. 34029-H. The process of adopting and implementing IPSAS has been undertaken by the preparation of the Official Accounting Framework for the financial and nonfinancial sectors of the public sector in Costa Rica.
- **Croatia** — Applies modified cash basis. No plans to adopt IPSAS.
- **Cyprus** — Process in place to adopt cash-basis IPSAS.
- **East and Southern Africa** — The ESAAG (East & Southern African Association of Accountant-Generals) member states' aim to adopt IPSAS. The association's member states are Botswana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Rwanda, South Africa, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe. Funding support is provided by the Swedish International Development Cooperation Agency.
- **East Timor** — Has adopted the cash-basis IPSAS.
- **El Salvador** — World Bank project has IPSAS adoption as one objective.
- **Estonia** — Process in place to adopt accrual-basis IPSAS.
- **Fiji** — Prepares financial statements in accordance with the cash-basis IPSAS since 2009, including a consolidated statement of cash receipts and payments.

- **France** — Government has moved to accrual accounting with the first accrual-based financial statements issued in 2006. Accounting standards are based on French GAAP for the private sector, IFRS, and IPSAS. Standards are issued by the Conseil de normalisation des comptes publics (advisory council on public sector accounting standards).
- **Gambia** — In the process of adopting the cash-basis IPSAS, will then move to adopt accrual-basis IPSAS.
- **Georgia** — Central government currently prepares budget execution reports in accordance with the cash basis of accounting. In 2007, the minister of finance decided to adopt IPSAS for central and subnational governments, starting with the cash-basis IPSAS, gradually adding disclosures about assets and liabilities in order to subsequently arrive at accrual accounting IPSAS.
- **Germany** — The federal government of Germany reports under the cash-basis of accounting (Haushaltsrechnung des Bundes) and also issues a statement of financial position for the federal government (Vermögensrechnung des Bundes). The federal government does not plan to adopt IPSAS.
- **Ghana** — Has not adopted the cash-basis IPSAS. Government business enterprises are not consolidated and there are no definite plans for adopting the accrual basis.
- **Guatemala** — Process in place to adopt accrual-basis IPSAS.
- **Honduras** — Process in place to adopt accrual-basis IPSAS.
- **Hungary** — European Union project for accounting and other reform includes IPSAS.
- **India** — The Government Accounting Standards Advisory Board is in favour of limited adoption of cash-basis IPSAS for cash transactions and corresponding accrual IPSAS for those transactions recorded on other than the cash basis. A road map has been prepared for transition from the cash to accrual accounting system and an operational framework for its implementation. The possible transition towards accrual accounting has been planned incremental and in phases spanning from 10–12 years. The central government and the majority of Indian state governments have accepted the idea of accrual accounting. The Committee on Accounting Standards for Local Bodies is reviewing IPSAS with a view to their adoption.
- **Indonesia** — IPSAS-compliant government accounting standards are in the process of being developed.
- **Israel** — On August 5, 2004, Government Resolution Number 2375 was passed as to the adoption and implementation of IPSAS by government ministries and by noncommercial statutory corporations. The Accountant General is currently leading a reform in the administration of state assets and liabilities involving the gradual adoption and implementation of IPSAS. A significant part of the data in the financial statements is presented according to Israeli Government Accounting Standards and IPSAS, but the statement of assets does not represent all the assets held by the State of Israel.
- **Italy** — Cash-basis system as well as modified accrual system. Process in place to adopt accrual-basis IPSAS.
- **Jamaica** — Commitment to adopt accrual-basis IPSAS and change is in process.
- **Japan** — The government in Japan adopted full accrual accounting, which is in line with IPSAS. Tokyo municipal government has started the preparation of accrual-based financial statements applying IPSAS similar accounting policies. The financial statements of Tokyo are available from: [http://www.kaikeikanri.metro.tokyo.jp/kessan\(english\).htm](http://www.kaikeikanri.metro.tokyo.jp/kessan(english).htm).
- **Kazakhstan** — The Government of Kazakhstan has announced that from January 1, 2013, the Republic of Kazakhstan will prepare and present public sector financial statements that comply in all material respects, with accrual-basis IPSAS. Current financial reporting practice in the public sector is based on various decrees issued by the government, and the current proposal is to migrate directly to the IPSAS from the current basis. The migration process has been initiated by the Ministry of Finance with input from the National Bank.

- **Kenya** — Member of ESAAG. The aims of ESAAG member states include the adoption of the cash-basis IPSAS. However, like the other members of ESAAG, Kenya has not adopted the cash-basis IPSAS.
- **Kyrgyzstan** — The Kyrgyz Ministry of Finance is finalising the transition to IPSAS in line with the Kyrgyz government's approval of an action plan to reform accounting and financial reporting in the public sector
- **Kosovo** — Having adopted the cash-basis IPSAS in 2004, the Republic of Kosovo was among the first countries in the world to issue financial statements complying with the cash-basis IPSAS. However, government business enterprises are not consolidated. Many ministries show subsidies and transfers to these organizations, but they are not fully consolidated as required by the Cash IPSAS.
- **Kuwait** — The Ministry of Finance of the State of Kuwait plans to implement accrual accounting IPSAS.
- **Lao PDR** — International Monetary Fund (IMF) and World Bank are working with the government to adopt IPSAS.
- **Latvia** — Financial statements for central and local government and government-related entities are accrual IPSAS compliant with one exception: tax revenue. Budget execution reports are cash based.
- **Lesotho** — Member of ESAAG. The aims of ESAAG member states include the adoption of the cash-basis IPSAS.
- **Liberia** — Liberia prepared its first financial statements in line with the cash-basis IPSAS for the fiscal year 2009/2010. The Liberian Minister of Finance announced that the government will migrate to the accrual-basis IPSAS over a five-year period.
- **Lithuania** — Approved IPSAS accrual accounting standards and are preparing accrual accounting financial statements for 2010.
- **Republic of Macedonia (FYROM)** — In the process of adopting the cash-basis IPSAS, will then move to adopt accrual-basis IPSAS. The agency for financial support of agriculture and rural development, as well as the national fund within the Ministry of Finance use IPSAS accrual basis for the purposes of reporting to the EC on the use of the IPARD (instrument for preaccession assistance in rural development) funds.
- **Malaysia** — The Malaysian Federal Government has adopted the cash-basis IPSAS. Its financial statements for the year ended December 31, 2005, were prepared in accordance with the cash-basis IPSAS, were audited by the Supreme Audit Institution of Malaysia and received an unqualified audit opinion. However, government business enterprises are not consolidated. The New Economic Model for Malaysia, which was unveiled in two parts in 2010, has outlined a number Strategic Reform Initiatives in support of the Economic Transformation Programme, as well as various policy measures forming the bedrock of these SRIs. The adoption of accrual accounting by the public sector was listed as one of these policy measures. This recommendation has immediately prompted the Performance Management and Delivery Unit to bring on board some of the best and brightest amongst the public sector accountants and academia, as well as technical experts representing-related bodies, such as the Malaysian Institute of Accountants and the Malaysian Accounting Standards Board to draw up the transition road map through a six-week laboratory session. According to the road map, accrual accounting will be adopted in the financial reporting by the public sector with effect from January 1, 2015, using bases and policies that are consistent in all material respect with accrual-basis IPSAS.
- **Malawi** — Member of ESAAG. The aims of ESAAG member states include the adoption of the cash-basis IPSAS.
- **Maldives** — The Audit Act of the country allows the cash-basis IPSAS to be followed albeit this is not specified in the public finance law. Process in place to adopt IPSAS.
- **Mauritania** — Decision made to adopt IPSAS, implementation initiated.
- **Mauritius** — Member of ESAAG. The aims of ESAAG member states include the adoption of the cash-basis IPSAS.
- **Moldova** — Treasury reports on the cash basis of accounting. Considering to adopt cash-basis IPSAS. Budget institutions apply modified accrual basis of accounting.

- **Mongolia** — Paragraph 26.3 of the Management and Financing Law for Budget Entities specifies that state entities prepare financial statements on the accrual basis of accounting. The Ministry of Finance, Mongolia and the Mongolian Institute of Certified Public Accountants provide public sector entities with the current IPSASB handbook of pronouncements for this purpose.
- **Montenegro** — Reports on the cash basis of accounting. No plans to adopt IPSAS.
- **Morocco** — Institution building includes IPSAS.
- **Mozambique** — Member of ESAAG. The aims of ESAAG member states include the adoption of the cash-basis IPSAS.
- **Namibia** — Member of ESAAG. The aims of ESAAG member states include the adoption of the cash-basis IPSAS.
- **Nepal** — There is a general consensus among policy makers, accounting professionals, and international organizations on the need for Nepal to adopt the cash-basis IPSAS. Nepal has been developing Nepal public sector accounting standards by referring to the cash-basis IPSAS in close collaboration between the professional accountants and government officials. Attempts are being made to change the accounting regulations in order to incorporate the mandatory use of IPSAS.
- **Netherlands** — Government has experimented adoption of accrual-basis IPSAS. The minister of finance submitted an evaluation of this pilot to parliament in October 2008, arguing that accrual accounting is not more useful for ministries than the cash accounting, supplemented by information on commitments. At the request of parliament, the minister of finance prepared an analysis of experiences in accrual accounting in other countries. Accrual accounting has been adopted by agencies, quangos, and other 'business-like' organizations of government.
- **New Zealand** — At present, New Zealand public sector entities apply NZ IFRS, which include 'public benefit entity (PBE)' amendments. These PBE amendments mean that NZ IFRS, as they apply to public sector entities, are similar to IPSAS. However, New Zealand is currently considering proposals to have two sets of accounting standards: One set to be applied by entities with a for-profit objective, and another set to be applied by entities with a public benefit objective. It is proposed that this latter set of standards be based on IPSAS.
- **Nicaragua** — Adopted cash-basis IPSAS.
- **Nigeria** — In the process of adopting the cash-basis IPSAS, will then move to adopt accrual-basis IPSAS. This is to conform to international accounting standards.
- **Norway** — Central government is piloting the change to full accrual accounting. In the pilot entities, Norway applies the accrual-basis IPSAS where there is no applicable Norwegian private sector accounting standard.
- **Pakistan** — Adopting cash-basis IPSAS was one of the major achievements of World Bank-backed Project to Improve Financial Reporting and Auditing. Now, the federal government, all provincial governments, and district governments are presenting their annual financial statements on the cash-basis IPSAS. The compliance with the cash-basis IPSAS is seen as a transition path towards presenting the full accrual information. World Bank project supports this change.
- **Palestinian Authority** — The 2008 financial statements are the first financial statements similar to the cash-basis IPSAS to be issued by the Palestinian Authority. Deviations from the standard include consolidation and budget information. There is an ambition to apply accrual accounting IPSAS for the 2012 financial statements.
- **Peru** — In the process of adopting IPSAS. IPSAS 1 to 17 were implemented on January 1, 2004, and IPSAS Standards 18–21 were implemented on March 14, 2006.
- **Philippines** — Philippines has adopted accrual accounting IPSAS.
- **Romania** — Central government has adopted the accrual basis of accounting, including some of the IPSAS, notably IPSAS 1 Presentation of Financial Statements, IPSAS 2 Cash Flow Statements, IPSAS 12 Inventories, IPSAS 17 Property, Plant and Equipment, and IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets. Plans include improvement of compliance with these standards and the adoption of additional IPSAS, including IPSAS 6 Consolidated and Separate Financial Statements.

- **Russia** — Russia has adopted the accrual accounting IPSAS and has made significant progress towards implementation.
- **Rwanda** — The financial statements and accounting policies adhere, to the extent possible, to the cash-basis IPSAS. Deviations include recognition of accounts payable (invoices for goods and services which are outstanding on the date of the closure of the fiscal year are recognised as liabilities), loans receivable and advances are recognised as assets, interest payable on public debt is accrued, and consolidation.
- **Saudi Arabia** — The Ministry of Finance of the Kingdom of Saudi Arabia and the Saudi Audit Bureau commissioned a study starting 2008 to evaluate the Saudi government's current financial reporting and to analyse the improvements IPSAS might bring.
- **Swaziland** — Member of ESAAG. The aims of ESAAG member states include the adoption of the cash-basis IPSAS.
- **Serbia** — Applies cash accounting. Law includes requirements to comply with cash-basis IPSAS.
- **Singapore** — Adopted full accrual accounting standards, consistent with IPSAS.
- **Slovak Republic** — Slovak Republic issues accrual-basis IPSAS financial statements.
- **Slovenia** — Reports on the cash basis of accounting. No plans to adopt IPSAS. In 2010, a law went into effect requiring a state balance sheet to be included in the financial statements.
- **Solomon Islands** — Prepared 2009 financial statements in accordance with the cash-basis IPSAS, including a consolidated statement of cash receipts and payments.
- **South Africa** — The Office of the Accountant General (OAG) issues a preparation guide on financial statements to be adopted by government departments per financial year. This guide prescribes the modified cash basis of accounting to be used by all departments. Public entities and trading entities use generally recognised accounting practice (GRAP), developed by the South African Accounting Standards Board based on IPSAS. Public/ widely held companies use IFRS.
- **Spain** — The Spanish Ministry of Economy and Finance is implementing accrual-basis IPSAS for public sector financial reporting. The ministry plans to have implemented accrual-basis IPSAS by 2011 at the latest. Spanish translation of IPSAS handbook is available.
- **Sri Lanka** — The state annual accounts are prepared in accordance with the cash-basis IPSAS since 2002. The incorporation of the additional accrual disclosures in the financial statements has been seen as a first step towards the accrual basis of accounting. The government has expressed its commitment towards adopting the accrual-basis IPSAS for accounting and budgeting. The Government of Sri Lanka has requested that the Institute of Chartered Accountants of Sri Lanka (ICASL) prepare suitable accrual-basis accounting standards for use by public sector entities. The ICASL's Public Sector Accounting Standards Committee has begun the process of developing Sri Lankan versions of the IPSAS, as at July 2009, five standards had been completed and forwarded to the government.
- **Switzerland** — Federal government is adopting IPSAS, effective from 2007. The government of the State/Canton of Geneva is similarly adopting IPSAS from 2008 and the State/Canton of Zurich from 2009. The governments of the States/Cantons of Lucerne and Berne have initiated projects adopting IPSAS, with effective dates 2012 and 2013, respectively. All states/cantons should adopt at least a national standard called HAM2, but are allowed to go beyond and adopt IPSAS. HAM2 is based on the accrual-basis accounting model HAM (1981), but converges with IPSAS in respect of presentation, recognition, and disclosure. However, HAM2 has lesser requirements mainly in respect of measurement.
- **Tajikistan** — The Public Financial Management Modernization Programme prepared an implementation and training strategy for Tajikistan national public sector accounting standards based on IPSAS as part of an overall public sector reform strategy by the Ministry of Finance.
- **Tanzania** — The Government of Tanzania migrated to cash-basis IPSAS in 2006. In 2008, the Accountant General started a project to ensure full compliance with Parts I and II of the cash-basis IPSAS. The financial statements since then to June 30, 2011, have been prepared under cash basis and audited by the Controller and Auditor General — National Audit Office, Tanzania. The Government of Tanzania is now planning to migrate and prepare financial statements under accrual-based

IPSAS from June 30, 2012. Local government authorities and government business enterprises are already complying with accrual-based IPSAS/IFRS. The plan is to be able to consolidate the local government authorities and government business enterprises from year 2013.

- **Turkey** — Turkish central government started moving to modified accrual-based accounting in 2003. The Public Financial Management and Control Law of 2006 require the government to adopt international accounting standards for the public sector. Based on this law, the government issued a public accounting regulation for central government entities in 2006 and established a Public Accounting Standards Board. In 2006, this board decided to adopt IPSAS 1 through IPSAS 21 in a six-year period (deadline is 2012). By 2011, 17 standards have been adopted.
- **Turkmenistan** — As part of its public administration reform project, the Ministry of Finance prepares the adoption of accrual accounting IPSAS.
- **Uganda** — Arrangements are underway to commence transition from modified cash basis of accounting to adoption of full accrual IPSAS. A phased implementation approach is planned. This will entail a phased implementation approach initially focusing on updating the legal and regulatory framework for budgeting, financial management and reporting, review of the chart of accounts, and development of comprehensive accounting policies and reporting guidelines.
- **Ukraine** — Presidential decree requires government to adopt accrual accounting, but no accrual accounting standards have been adopted yet.
- **United Arab Emirates** — Process in place to adopt accrual-basis IPSAS.
- **United Kingdom** — UK public sector applies accounting guidance that is broadly consistent with IPSAS. The accounts of the central government departments and entities in the central government and health sectors have been produced using IFRS as adopted by the EU from 2009/10 onwards. IPSAS form the second level of standards in the hierarchy used in developing the IFRS-based accounting guidance, and are relied on where they cover issues not covered by IFRS or IAS, or where they provide additional guidance on interpretations or adaptations for the public sector context. Local government bodies in the UK have adopted this framework from 2010/11 onwards.
- **United States of America** — Applies accounting standards that are broadly consistent with IPSAS.
- **Uruguay** — The government has mandated IPSAS for the national accounting entity. This is established in Clause 21 of Decree 81, dated December 17, 2002, that gives responsibility to the National Audit Office of the Republic, to record and publish the financial statements. Decree 327/997 gives responsibility to the General Accounting Office of the Nation to draw up the General Framework for Public Accounting, including the master plan of accounts, and all related standards and to draft the financial statements for the Nation's Treasury and Public Accounts. The General Accounting Office of the Nation has not yet complied with the decree, but it is making a great effort to implement the mandate and to install a reliable accounting system. It is also preparing the government staff to become proficient in the knowledge and practical use of IPSAS.
- **Uzbekistan** — The Ministry of Finance of the Republic of Uzbekistan has adopted a Public Financial Management Reform Strategy 2007–2018, which has been published on [www.adb.org](http://www.adb.org). The Strategy states, inter alia: "Accordingly, it is planned to: promulgate new Uzbekistan public sector accounting standards in line with accrual-basis IPSAS; comply with GFSM 2001; and undertake budget accounting on a cash basis reflecting the GFSM 2001 classification structure."
- **Vanuatu** — Process in place to adopt accrual-basis IPSAS.
- **Vietnam** — Process in place to adopt IPSAS with IMF and World Bank support. Translation of IPSAS in process.
- **Yemen** — Process in place to adopt cash-basis IPSAS.
- **Zambia** — Process in place to adopt cash-basis IPSAS. Member of ESAAG. The aims of ESAAG member states include the adoption of the cash-basis IPSAS.
- **Zimbabwe** — Member of ESAAG. The aims of ESAAG member states include the adoption of the cash-basis IPSAS.

# IPSAS workplan

The IPSASB's work plan at October 31, 2012, included the projects listed in the table below. In the current phase, the IPSASB considers the development of its conceptual framework to be its most important project.

Topic	Status	Expected next steps
<b>Public Sector Conceptual Framework</b>	<p><b>Phase 1</b> — The scope of financial reporting, the objectives of financial reporting and users of general-purpose financial reports (GPFRs), the qualitative characteristics of information included in GPFRs, and the reporting entity.</p> <p><b>Phase 2</b> — The definition and recognition of the “elements” of financial statements.</p> <p><b>Phase 3</b> — The measurement basis (or bases) that may validly be adopted for the elements that are recognised in the financial statements.</p> <p><b>Phase 4</b> — The concepts that should be adopted in deciding how to present financial and nonfinancial information in GPFRs.</p>	Phase 1 is expected to be finalised at the end of 2012. The remainder of the project is expected to be completed by 2014.
<b>Reporting on Long-Term Sustainability of Public Sector Finances</b>	ED (exposure draft) closed for comment in February 2012. Responses currently being reviewed.	RPG expected to be issued in the first half of 2013.
<b>Financial Statement Discussion and Analysis</b>	ED closed for comment in July 2012. Responses currently being reviewed.	Standard expected by the end of 2012.
<b>Reporting Service Performance</b>	Currently under development.	ED expected in the first half of 2013.
<b>Public Sector Combinations</b>	CP (consultation paper) closed for comment in October 2012.	Comments to be reviewed, and, depending on feedback received, an ED is planned for 2013.
<b>IPSAS and Government Finance Statistics Reporting Guidelines</b>	CP out for comment and closes on March 31, 2013.	Depending on comments, an ED is expected for later in 2013.
<b>Revision of IPSAS 6-8 (Interests in other entities)</b>	Under development.	ED expected in the first half of 2013.
<b>First Time Adoption of Accrual IPSAS</b>	Currently under development.	ED expected by the end of 2012.
<b>Government Business Enterprises (definition)</b>	Currently under development.	ED expected in the second half of 2013.
<b>Public Sector Financial Instruments</b>	Currently under development.	Consultation paper expected in the second half of 2013.
<b>Improvements (biennial)</b>	Currently under development.	ED expected in the first half of 2013.

The IPSASB issued a consultation paper, *Consultation on the IPSASB Work Program 2013–2014*, which closed for comment on October 31, 2012. The IPSASB Chairman noted in the consultation paper that it was “the first public consultation by the IPSASB on any aspect on its work program” and that it was “a first step to a broader and even more fundamental public consultation” on the future direction of the Board.

# Main differences with IFRS

IPSAS have generally been based on IFRSs which are adopted to address the needs of the public sector. Some of the key differences between the two sets of accounting standards include:

- Basis of accounting: Many governments and their agencies (other than GBEs) continue to prepare financial statements on a cash basis, in line with their fiscal budgeting.
- Recognition and measurement differences to address the absence of a profit driver for many public services where public policy objectives result in services being provided at no charge or an amount less than cost recovery. For example, nonexchange transactions are common in the public sector (e.g., transfer payments), which have no equivalent in the for-profit sector. Similarly, for the purposes of impairment, a broader notion of service potential is considered for the public sector than just considering future cash flows generated.
- Presentation and disclosures: The nature of government activities and the broader concept of accountability for outcomes demands a greater emphasis on information that is typically not found in for-profit financial statements prepared under IFRS. For example, information about the general government sector (GGS), revenue from nonexchange transactions, and the presentation of budget information.





# Cash-basis IPSAS

The IPSASB has developed standards specifically for jurisdictions that continue to prepare financial statements on a cash basis. IPSAS *Financial Reporting Under the Cash Basis of Accounting* is in two parts: Part 1 addresses mandatory reporting requirements, and Part 2 sets out encouraged disclosures to support information reported under Part 1.

The standard encourages an entity to voluntarily disclose accrual-based information. An entity in the process of moving from cash accounting to accrual accounting may wish to include particular accrual-based disclosures in the process of transition.



# IPSAS summary

In this guide, we summarise the provisions of all IPSAS outstanding at February 1, 2012. These standards are based on accrual accounting. This summary is intended as general information and is not a substitute for reading the entire standard.

IPSAS	Standard	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	IAS 27
IPSAS 7	Investments in Associates	IAS 28
IPSAS 8	Interests in Joint Ventures	IAS 31
IPSAS 9	Revenue from Exchange Transactions	IAS 18
IPSAS 10	Financial Reporting in Hyperinflationary Economies	IAS 29
IPSAS 11	Construction Contracts	IAS 11
IPSAS 12	Inventories	IAS 2
IPSAS 13	Leases	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	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 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)	N/A
IPSAS 24	Presentation of Budget Information in Financial Statements	N/A
IPSAS 25	Employee Benefits	IAS 19

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	IAS 39
IPSAS 30	Financial Instruments: Disclosures	IFRS 7
IPSAS 31	Intangible Assets	IAS 38
IPSAS 32	Service Concession Arrangements: Grantor	IFRIC 12

## IPSAS 1 Presentation of Financial Statements

### Effective date

Annual periods beginning on or after January 1, 2008.

### Objective

To set out the manner in which 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, and 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 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 recognised 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.

### 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 analyse 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 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.

### 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 it is required by an IPSAS, 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, apply the new policy prospectively.
- Changes in accounting estimates (for example, change in useful life of an asset) are accounted for in the current period, or the current and future periods (no restatement).

- In the situation 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 authorised 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 recognised 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 recognised in the consolidated financial statements that include the foreign operation in a separate component of net assets/equity; these differences will be recognised 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 recognised 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, amortisation of discounts or premiums on borrowings, and amortisation 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;
  - Capitalisation model: Capitalise 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 capitalisation are to be expensed when incurred.

Where an entity adopts the capitalisation 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 which 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 capitalisation 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 capitalisation.

## IPSAS 6 Consolidated and Separate Financial Statements

### Effective date

Annual periods beginning on or after January 1, 2008.

### Objective

To prescribe requirements for preparing and presenting consolidated financial statements for an economic entity under the accrual basis of accounting. To prescribe how to account for investments in controlled entities, jointly controlled entities, and associates in separate financial statements.



## Summary

- A controlled entity is an entity controlled by another entity, known as the controlling entity. Control is the power to govern the operating and financial policies. Consolidated financial statements are financial statements of an economic entity (controlling entity and controlled entities combined) presented as those of a single entity.
- Consolidated financial statements shall include all controlled entities, except when there is evidence that:
  - Control is intended to be temporary because the controlled entity is acquired and held exclusively with a view to its subsequent disposal within 12 months from acquisition
  - Management is actively seeking a buyerNo exemption for controlled entity that operates under severe long-term funds transfer restrictions. A controlled entity is not excluded from consolidation because its activities are dissimilar to those of the other activities within the economic entity.
- Balances, transactions, revenue, and expenses between entities within the economic entity are eliminated in full.
- Consolidated financial statements shall be prepared using uniform accounting policies for like transactions and other events in similar circumstances.
- Reporting dates of controlled entities cannot be more than three months different from reporting date of the controlling entity.
- Minority interest is reported in net assets/equity in the consolidated statement of financial position, separately from the controlling entity's net assets/equity, and is not deducted in measuring the economic entity's revenue or expense. However, surplus or deficit of the economic entity is allocated between minority and majority interest on the face of the statement of financial performance.
- In the controlling entity's separate financial statements: Account for all of its investments in controlling entities, associates, and joint ventures either using the equity method, at cost or as financial instruments.

## IPSAS 7 Investments in Associates

### Effective date

Annual periods beginning on or after January 1, 2008.

### Objective

To prescribe the investor's accounting for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other formal equity structure.

## Summary

- Applies to all investments in which an investor has significant influence unless the investor is:
  - A venture capital organisation
  - A mutual fund or unit trust or a similar entity, such as an investment-linked insurance fund

- That is measured at fair value, with changes in fair value recognised in surplus or deficit in the period of the change, in accordance with the relevant international or national accounting standard dealing with the recognition and measurement of financial instruments
- When there is evidence that the investment is acquired and held exclusively with a view to its disposal within 12 months from acquisition and that management is actively seeking a buyer, the investment shall be classified as held for trading and accounted for in accordance with the relevant international or national accounting standard dealing with the recognition and measurement of financial instruments.
- Otherwise, the equity method is used for all investments in associates over which the entity has significant influence.
- Rebuttable presumption of significant influence if investment held, directly or indirectly, is 20% or more of the voting power of the associate.
- Under the equity method, the investment is initially recorded at cost. It is subsequently adjusted by the investor's share of the investee's postacquisition change in net assets/equity. Investor's statement of financial performance reflects its share of the investee's postacquisition surplus or deficit.
- The investor's financial statements shall be prepared using uniform accounting policies for like transactions and events in similar circumstances.
- Reporting dates of associates cannot be more than three months different from the investor's reporting date.
- Even if consolidated accounts are not prepared, for example, because the investor has no controlled entities, equity accounting is required. If application of the requirements in the relevant international or national accounting standard dealing with the recognition and measurement of financial instruments indicates that the investment may be impaired, an entity applies IPSAS 21.

## IPSAS 8 Interests in Joint Ventures

### Effective date

Annual periods beginning on or after January 1, 2008.

### Objective

To prescribe the accounting treatment required for interests in joint ventures, regardless of the structures or legal forms of the joint venture activities.

### Summary

- Applies to all investments in which the investor has joint control, unless the investor is:
  - A venture capital organisation
  - A mutual fund or unit trust or a similar entity, such as an investment-linked insurance fund that is measured at fair value, with changes in fair value recognised in surplus or deficit in the period of the change, in accordance with the relevant international or national accounting standard dealing with the recognition and measurement of financial instruments

The key characteristic of a joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control. Joint ventures may be classified as jointly controlled operations, jointly controlled assets, and jointly controlled entities. Different accounting treatments apply for each type of joint venture.

- Jointly controlled operations: Venturer recognises the assets it controls, expenses and liabilities it incurs, and its share of revenue earned, in both its separate and consolidated financial statements.
- Jointly controlled assets: Venturer recognises in its financial statements its share of the jointly controlled assets, any liabilities that it has incurred, and its share of any liabilities incurred jointly with the other venturers, revenue earned from the sale or use of its share of the output of the joint venture, its share of expenses incurred by the joint venture, and expenses incurred directly in respect of its interest in the joint venture. These rules apply to both separate and consolidated financial statements.
- Jointly controlled entities: Two accounting policies are permitted:
  - Proportionate consolidation: Under this method, the venturer's statement of financial position includes its share of the assets that it controls jointly and its share of the liabilities for which it is jointly responsible. Its statement of financial performance includes its share of the revenue and expenses of the jointly controlled entity.
  - The equity method, as described in IPSAS 7.
- When there is evidence that the interest in a joint venture is acquired and held exclusively with a view to its disposal within 12 months from acquisition and that management is actively seeking a buyer, the interest shall be classified as held for trading and accounted for in accordance with the relevant international or national accounting standard dealing with the recognition and measurement of financial instruments.

## 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 recognised only to the extent of the expenses recognised that are recoverable.
- For interest, royalties, and dividends: Recognised 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 recognised 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 recognised. Instead, contract revenue shall be recognised 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 recognised 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 realisable 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 realisable 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, labour, 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 recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed or related services have been rendered.
- Write-downs to net realisable value are recognised as an expense in the period the loss or the write-down occurs. Reversals arising from an increase in net realisable value are recognised 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:
  - Recognise 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:
  - Recognise as a receivable in the statement of financial position at an amount equal to the net investment in the lease
  - Recognise finance revenue based on a pattern reflecting a constant periodic rate of return on the lessor's net investment
- Operating leases — lessee's accounting:
  - Recognise 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 recognised 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 recognise 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 authorised for issue, and about events after the reporting date

## Summary

- Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised 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, that 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 recognised 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 authorised for issue and who gave that authorisation. 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 authorised 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 recognised 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 for future use as investment property, or property held for sale in the ordinary course of business.
- 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 recognised 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 recognised 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 recognises heritage assets is required to comply with the disclosure requirements of IPSAS 17 with respect to those heritage assets that have been recognised 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 recognised 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 recognised.
- 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 recognised as revenue in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of assets previously recognised 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 recognised 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 derecognised:
  - 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 derecognised. 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.
- IPSAS 17 contains transitional provisions allowing entities to not recognise property, plant and equipment for reporting periods beginning on a date within five years following the date of first adoption of accrual accounting in accordance with International Public Sector Accounting Standards.
- The transitional provisions allow entities to recognise 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 organisational 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 organised 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 authorised 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

- Recognise 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 recognised 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.
- Utilise 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 realisation 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 recognised 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 29, investment property measured at fair value (see IPSAS 16), non-cash-generating property, plant and equipment that is measured at revalued amounts (see IPSAS 17), 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 recognised immediately in surplus or deficit.
- After the recognition of an impairment loss, the depreciation (amortisation) 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 6, "Consolidated and Separate Financial Statements" in respect of entities in the public financial corporations and public nonfinancial corporations sectors.
  - The GGS shall recognise 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 recognised 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 recognised 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 recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.
- As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it shall reduce the carrying amount of the liability recognised and recognise 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 recognised by the entity.
- A present obligation arising from a non-exchange transaction that meets the definition of a liability shall be recognised 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 recognised when the recognition criteria of a liability are met.
- The amount recognised as a liability shall be the best estimate of the amount required to settle the present obligation at the reporting date.
- An entity shall recognise 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 recognises 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, recognise 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 recognised during the period by major classes showing separately taxes and transfers.

- The amount of receivables recognised in respect of non-exchange revenue.
- The amount of liabilities recognised in respect of transferred assets subject to conditions.
- The amount of assets recognised 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 authorised 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 25 Employee Benefits

### Effective date

Periods beginning on or after January 1, 2011. Earlier application is encouraged.

### 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

- The standard requires an entity to recognise:
  - A liability when an employee has provided service in exchange for employee benefits to be paid in the future
  - An expense when the entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits
- Underlying principle: The cost of providing employee benefits shall be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable.
- Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.
- Defined benefit plans are post-employment benefit plans other than defined contribution plans.
- Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
- Short-term employee benefits (payable within 12 months) shall be recognised as an expense in the period in which the employee renders the service.
- An entity shall measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.
- Bonus payments and profit-sharing payments are to be recognised only when the entity has a legal or constructive obligation to pay them and the obligation can be reliably estimated.
- Post-employment benefit plans (such as pensions and post-employment medical care) are categorised as either defined contribution plans or defined benefit plans.
- Under defined contribution plans, expenses are recognised in the period the contribution is payable. Accrued expenses, after deducting any contribution already paid, are recognised as a liability.
- Under defined benefit plans, a liability is recognised in the statement of financial position equal to the net total 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)
  - Plus any deferred actuarial gains minus any deferred actuarial losses minus any deferred past service costs
  - Minus the fair value of any plan assets at the reporting date
- Actuarial gains and losses may be (a) recognised immediately in surplus or deficit, (b) deferred up to a maximum, with any excess amortised in surplus or deficit (the “corridor approach”), or (c) recognised immediately directly in net assets/equity (in the statement of changes in net assets/equity).
- An entity shall recognise gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. Before determining the effect of a curtailment or settlement, an entity shall remeasure the obligation using current actuarial assumptions.
- Plan assets include assets held by a long-term employee benefit fund and qualifying insurance policies.
- For group plans, the net cost is recognised in the separate financial statements of the entity that is legally the sponsoring employer unless a contractual agreement or stated policy for allocating the cost exists.

- Long-term employee benefits shall be recognised and measured the same way as post-employment benefits under a defined benefit plan. However, unlike defined benefit plans, actuarial gains or losses and past service costs must always be recognised immediately in earnings.
- Termination benefits shall be recognised as a liability and an expense when the entity is demonstrably committed to terminate the employment of one or more employees before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.
- An entity may pay insurance premiums to fund a post-employment benefit plan. The entity shall treat such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation to either:
  - Pay the employee benefits directly when they fall due
  - Pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior periods

If the entity retains such a legal or constructive obligation, the entity shall treat the plan as a defined benefit plan.

- On first adopting this IPSAS, an entity shall determine its initial liability for defined benefit plans at that date as:
  - The present value of the obligations at the date of adoption
  - Minus the fair value, at the date of adoption, of plan assets out of which the obligations are to be settled directly
  - Minus any past service cost that shall be recognised in later periods

The entity shall not split the cumulative actuarial gains and losses. All cumulative actuarial gains and losses shall be recognised in opening accumulated surpluses or deficits. Some exemptions are applicable regarding the disclosures when applying this IPSAS for the first time.

## 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 recognised. This standard 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 29, investment property measured at fair value (see IPSAS 16), cash-generating property, plant, and equipment that is measured at revalued amounts (see IPSAS 17), 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 recognised 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 recognise a liability if, and only if, that is required by another IPSAS.
- After the recognition of an impairment loss, the depreciation (amortisation) 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 recognised 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 recognised. 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.

### Objective

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

### Summary

- Financial guarantee contracts are those contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. An entity uses the application guidance in IPSAS 28 to determine whether a financial guarantee is a contract or not.
- An entity applies IPSAS 28 to financial guarantee contracts (both exchange and nonexchange), if the issuer applies IPSAS 29 in recognising and measuring the contracts, but shall apply the relevant international or national accounting standard dealing with insurance contracts if the issuer elects to apply that standard in recognising and measuring them. An entity may apply IPSAS 29 to insurance contracts which involve the transfer of financial risk.
- Assets and liabilities in the public sector arise out of both contractual and noncontractual arrangements. Assets and liabilities arising out of noncontractual arrangements are not financial instruments.
- Contractual and noncontractual arrangements may be nonexchange in nature. Assets and liabilities arising from nonexchange transactions are accounted for in accordance with IPSAS 23. If nonexchange transactions are contractual, an entity assesses if the assets or liabilities arising from such transactions are financial instruments by using IPSAS 28. An entity uses the guidance in IPSAS 28 and IPSAS 23 in assessing whether a nonexchange transaction gives rise to a liability or an equity instrument (contribution from owners).
- An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
- Issuer's classification of an instrument either as a liability or an equity instrument:
  - Based on substance, not form, of the instrument
  - Classification is made at the time of issue and is not subsequently altered
  - An instrument is a financial liability if 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 instrument that does not give rise to such a contractual obligation is an equity instrument
  - Interest, dividends or similar distributions, losses and gains relating to a financial instrument or a component that is a financial liability are reported as revenue or expense



- 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 issue, an issuer classifies separately the debt and net assets/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.
- Cost of treasury shares is deducted from net assets/equity, and resales of treasury shares are net assets/equity transactions.
- Costs of issuing or reacquiring equity instruments are accounted for as a deduction from net assets/equity, net of any related income tax benefit.
- Members' shares in co-operative entities are liabilities unless the co-op has the legal right not to redeem on demand.

## IPSAS 29 Financial Instruments: Recognition and Measurement

### Effective date

Periods beginning on or after January 1, 2013.

### Objective

To establish principles for recognising, derecognising, and measuring financial assets and financial liabilities.

### Summary

- All financial assets and financial liabilities, including all derivatives and certain embedded derivatives, are recognised in the statement of financial position.
- When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.
- An entity has an option of recognising normal purchases and sales of securities in the market place consistently either at trade date or settlement date. If settlement-date accounting is used, IPSAS 29 requires recognition of certain value changes between trade and settlement dates.
- Concessionary loans are loans granted to or received by an entity on below-market terms. Any difference between the fair value of the concessionary loan and the loan proceeds is treated as follows:
  - The entity receiving the loan considers whether the difference shall be accounted for in accordance with IPSAS 23
  - The entity granting the loan treats the difference as an expense in surplus or deficit at initial recognition
- Financial guarantee contracts provided for no consideration or for a consideration that is not a fair value are initially recognised at fair value, determined by observation of a price in an active market, a valuation technique that does not directly relate to an active market or in accordance with IPSAS 19.
- For the purpose of measuring a financial asset subsequent to initial recognition, IPSAS 29 classifies financial assets into four categories:
  1. Financial assets measured at fair value through surplus or deficit

2. Held-to-maturity (HTM) investments
  3. Loans and receivables
  4. Available-for-sale financial assets (AFS)
- After initial recognition, an entity shall measure financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for the following financial assets:
    - (a) Loans and receivables, which shall be measured at amortised cost using the effective interest method
    - (b) Held-to-maturity investments, which shall be measured at amortised cost using the effective interest method
    - (c) Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost
  - Financial assets that are designated as hedged items are subject to measurement under the hedge accounting requirements. All financial assets except those measured at fair value through profit or loss are subject to review for impairment.
  - After acquisition, most financial liabilities are measured at original recorded amount less principal repayments and amortisation. Three categories of liabilities are measured at fair value with value changes recognised in surplus or deficit:
    - Derivative liabilities (unless designated as a hedging instrument in an effective cash flow hedge)
    - Liabilities held for trading (short sales)
    - Any liabilities that the entity designates, at issuance, to be measured at fair value through surplus or deficit (the 'fair value option' — see above)
  - Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value hierarchy in IPSAS 29:
    - Best is quoted market price in an active market
    - Otherwise use a valuation technique that makes maximum use of market inputs and includes recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models
  - IPSAS 29 establishes conditions for determining when control over a financial asset or liability has been transferred to another party and, therefore, when it shall be removed from the statement of financial position (derecognised). Derecognition of a financial asset is not permitted to the extent to which the transferor has retained (1) substantially all risks and rewards of the transferred asset or part of the asset, or (2) control of an asset or part of an asset for which it has neither retained nor transferred substantially all risks and rewards.
  - Hedge accounting (recognising the offsetting effects of both the hedging instrument and the hedged item in the same period's surplus or deficit) is permitted in certain circumstances, provided that the hedging relationship is clearly designated and documented, measurable, and actually effective.
  - IPSAS 29 provides for three types of hedges:
    - Fair value hedge: If an entity hedges a change in fair value of a recognised asset or liability or firm commitment, the change in fair values of both the hedging instrument and the hedged item are recognised in surplus or deficit when they occur

- Cash flow hedge: If an entity hedges changes in the future cash flows relating to a recognised asset or liability or a highly probable forecast transaction, then the change in fair value of the hedging instrument is recognised directly in net assets/equity until such time as the hedged future cash flows occur
- Hedge of a net investment in a foreign entity: This is treated like a cash flow hedge
- A hedge of foreign currency risk in a firm commitment may be accounted for as a fair value hedge or as a cash flow hedge.
- The foreign currency risk of a highly probable intragroup transaction is permitted to qualify as the hedged item in a cash flow hedge in the consolidated financial statements, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and the foreign currency risk will affect the consolidated surplus or deficit.
- If the hedge of a forecast intragroup transaction qualifies for hedge accounting, any gain or loss that is recognised directly in net assets/equity in accordance with the hedging rules in IPSAS 29 is reclassified from net assets/equity to surplus or deficit in the same period or periods in which the foreign currency risk of the hedged transaction affects surplus or deficit.
- IPSAS 29 permits an entity to reclassify nonderivative financial assets out of the fair value through surplus or deficit and AFS categories in limited circumstances. The standard specifies criteria for reclassification, and requirements for measurement at the reclassification date and subsequently.
- IPSAS 29 prohibits reclassification out of fair value through surplus or deficit if an entity is unable to separately measure the embedded derivative on reclassification. In such circumstances the entire (combined) contract remains classified as at fair value through surplus or deficit.
- A portfolio hedge of interest rate risk (hedging an amount rather than a specific asset or liability) can qualify as a fair value hedge.

## IPSAS 30 Financial Instruments: Disclosures

### Effective date

Periods beginning on or after January 1, 2013.

### 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

- Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.
- Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.
- IPSAS 30 requires disclosure of information about the significance of financial instruments for an entity's financial position and financial performance. These include:

- Disclosures relating to 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, derecognitions, pledges of assets, embedded derivatives, and breaches of terms of agreements;
- Disclosures relating to the entity’s performance in the period — including information about recognised revenue, expenses, gains, and losses; interest revenue and expense; fee revenue; and impairment losses
- Special disclosures for concessionary loans
- Other disclosures — including information about accounting policies, hedge accounting, and the fair values of each class of financial asset and financial liability
- IPSAS 30 requires disclosure of information about the nature and extent of risks arising from financial instruments:
  - Qualitative disclosures about exposures to each class of risk and how those risks are managed
  - Quantitative disclosures about exposures to each class of risk, separately for credit risk, liquidity risk, and market risk. Disclosures about liquidity risk include maturity analyses for both non-derivative and derivative liabilities such as issued financial guarantee contracts. Disclosures about market risk include sensitivity analyses

## 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 recognised 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 recognised as an asset.
- All research costs are charged to expense when incurred.
- Development costs are capitalised 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 recognised 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 recognised 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 recognised 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 amortisation 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 amortised 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 recognised. 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 recognised as an expense. Only rarely are the asset recognition criteria met.

### 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 recognises 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 recognises assets provided by the operator; existing assets of the grantor are reclassified as service concession assets.
- The grantor recognises 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 recognises revenue and reduces the liability according to the economic substance of the service concession arrangement.

### Effective date

Periods beginning on or after January 1, 2009.

### 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 recognises all cash receipts, cash payments, and cash balances controlled by the entity
- 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 entity should disclose in a separate column on the face of the statement of cash receipts and payments total payments made by third parties in a subclassification 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.
- 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.

- A controlling entity should issue consolidated financial statements which consolidate all controlled entities applying most of the requirements of IPSAS 6. 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. In any case, the difference between the reporting dates should be no more than three months.
- 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 amount of external assistance debt rescheduled or cancelled during the period, together with any related terms and conditions.
- An entity should 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 should disclose the date when the financial statements were authorised for issue (the authorisation date) and who gave that authorisation. If another body has the power to amend the financial statements after issuance, the entity should disclose that fact.
- 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

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