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## Media Center

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## IFAC'S International Public Sector Accounting Standards Board Advances Convergence Strategy

(New York/February 11, 2008)  
- The International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting board within the International Federation of Accountants (IFAC), has issued two new standards to further convergence with International Financial Reporting Standards (IFRSs) developed by the International Accounting Standards Board (IASB). The two standards - International Public Sector Accounting Standard (IPSAS) 25, *Employee Benefits* and IPSAS 26, *Impairment of Cash-Generating Assets* - will improve the consistency and transparency of financial

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- [IFAC Newsletter](#)
- [Rebuilding Public Confidence in Financial Reporting: An International Perspective \(Credibility Report\)](#)
- [Challenges and Successes In Implementing International Standards: Achieving Convergence To IFRSs and ISAs](#)
- [Enterprise Governance - Getting the Balance Right](#)

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reporting by public sector entities. They can be downloaded free-of-charge from the IFAC online bookstore (<http://www.ifac.org/store>).

## Employee Benefits

For most public sector entities, employee benefits have a major impact on financial performance and financial position. IPSAS 25 sets out the reporting requirements for the four categories of employee benefits dealt with in the IASB's International Accounting Standard (IAS) 19, *Employee Benefits*. These are short-term employee benefits, such as wages and social security contributions; post-employment benefits, including pensions and other retirement benefits; other long-term employee benefits; and termination benefits. The new IPSAS also deals with specific issues for the public sector, including the discount rate related to post-employment benefits, treatment of post-employment benefits provided through composite social security programs, and long-term disability benefits.

IPSAS 25 is effective for reporting periods beginning on or after January 1, 2011.

"The significance of reporting employee benefits fully and consistently cannot be overemphasized," states

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IPSASB Chair Mike Hathorn.  
"Not recognizing the costs and liabilities related to such obligations can severely undermine the reliability of a public sector entity's financial statements."

### **Impairment of Cash-Generating Assets**

The role of most public sector entities is to provide services to citizens. However, some public sector entities (other than government business enterprises) may operate assets with the main purpose of generating a commercial return. IPSAS 26, which is based on IAS 36, *Impairment of Assets*, sets out the procedures for a public sector entity to determine whether a cash-generating asset has lost future economic benefit or service potential and to ensure that impairment losses are recognized in its financial reports. Non cash-generating assets, those used primarily for service delivery, are addressed separately in IPSAS 21, *Impairment of Non-Cash-Generating Assets*.

"In developing IPSAS 26, the IPSASB is responding to constituents who wanted guidance in dealing with the impairment of assets held by public sector entities for commercial purposes," notes Mr. Hathorn, adding, "The issuance of these two

standards represents a further important step in the IPSASB's goal of convergence with IFRSs."

IPSAS 26 is effective for reporting periods beginning on or after April 1 2009.

### **About IFAC**

IFAC is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of 157 members and associates in 123 countries, representing more than 2.5 million accountants in public practice, education, government service, industry and commerce. In addition to setting international public sector financial reporting standards through the IPSASB, IFAC, through its independent standard-setting boards, sets ethics, auditing and assurance, and education standards. It also issues guidance to encourage high quality performance by professional accountants in business.

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