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IFAC COMMITTEE APPROVES NEW STANDARDS AND EDs

(New York /July 18, 2001) --The International Federation of Accountants (IFAC) Public

Sector Committee (PSC) has released four new International Public Sector Accounting

Standards (IPSASs) and two new exposure drafts. The IPSASs and exposure drafts are

part of the PSC's ongoing project to develop a comprehensive body of international

accounting standards for governments and other public sector entities around the world.

These IPSASs and exposure drafts are based on International Accounting Standards

(IASs) issued at August 1997 to the extent that the provisions of the IASs are appropriate

for application to the public sector. Titles of the IPSASs and the exposure drafts are as

follows:

- **IPSAS 9 *Revenue from Exchange Transactions*** establishes requirements for the accounting treatment of revenue from exchange transactions. Non-exchange revenue, such as taxation, is not addressed in this standard. Non-exchange revenue is to be dealt with as a separate project.
- **IPSAS 10 *Financial Reporting in Hyperinflationary Economies*** describes characteristics of an economy that indicate whether it is experiencing a period of

hyperinflation and provides guidance on restating the financial statements in a hyperinflationary environment to ensure useful information is provided.

- **IPSAS 11 *Construction Contracts*** deals with both commercial and non-commercial contracts and provides guidance on the allocation of contract costs and, where applicable, contract revenue to the reporting periods in which construction work is performed.
- **IPSAS 12 *Inventories*** establishes the accounting treatment of inventories held by public sector entities and deals with inventories held for sale in an exchange transaction and certain inventories held for distribution at no or nominal charge. The IPSAS excludes from its scope work-in progress of services to be provided at no or nominal charge from recipients - because they are not dealt with by IAS 2 *Inventories* and because they involve public sector specific issues which require further consideration.
- **ED 20 *Related Party Disclosures*** is based on International Accounting Standard (IAS) 24 – *Related Party Disclosures*. However, the ED explains that in the public sector the incidence and consequences of certain related party relationships and transactions differs from the private sector. Consequently, the ED includes additional guidance on the nature of related party relationships that arise in the public sector, the identity of key management personnel of public sector entities, and the information about related party relationships and transactions that should be disclosed for accountability purposes.
- **ED 21 *Provisions, Contingent Liabilities and Contingent Assets*** is based on IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. IAS 37 does not deal

with provisions and contingent liabilities arising from a range of “social benefits” that governments provide to constituents for no or nominal charge. Accounting for these “social benefits” raise a number of public sector specific issues, the resolution of which can have a significant impact on the financial statements of governments and their agencies. The ED proposes that this issue be dealt with as a separate public sector project.

Comments on the exposure drafts are to be submitted by November 30 to EDComments@ifac.org or faxed to the IFAC Secretariat (1-212-286-9570):

“The Public Sector Committee’s goal is to have substantially completed the core set of accounting standards for the public sector by the end of 2001. The availability of a set of public sector standards is central to initiatives directed at strengthening transparency and accountability of governments and their agencies. We strongly encourage public sector entities to adopt the IPSASs and actively participate in their development through the due process” comments Ian Mackintosh, PSC chairman.

The IPSASs and the exposure drafts are posted on the IFAC Web site (www.ifac.org). Visitors to IFAC’s Web site may also download International Public Sector Accounting Standards (IPSASs) 1-8, Study 11, *Governmental Financial Reporting: Accounting Issues and Practices*, and other recent exposure drafts issued by the PSC, including ED 9, *Financial Reporting Under the Cash Basis of Accounting*.

IFAC is the worldwide organization for the accountancy profession. Its mission is to develop and enhance the profession to enable it to provide services of consistently high

quality in the public interest. Its current membership consists of 153 professional accountancy bodies in 113 countries, representing more than two million accountants in public practice, education, government service, industry and commerce.

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