

MEETING HIGHLIGHTS

June 2012

Contact: Annette Davis (annettedavis@ifac.org)

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For more detailed information about IPSASB projects, please refer to the project summaries under [Current Projects](#).

Public Sector Combinations

The IPSASB approved the Consultation Paper (CP), *Public Sector Combinations*. The CP is the first step in proposing financial reporting requirements for public sector combinations. It defines a public sector combination as “the bringing together of separate operations into one entity, either as an acquisition or an amalgamation.” The CP distinguishes between PSCs that are acquisitions and PSCs that are amalgamations. The CP then distinguishes between PSCs that are “not under common control” (NUCC) and “under common control” (UCC).

An acquisition is defined as “a transaction or other event that results in a recipient gaining control of one or more operations.” An amalgamation is defined as “a transaction or other event where (a) two or more operations combine, (b) none of the combining operations gain control of the other operations, and (c) the transaction or other event is not the formation of a joint venture.”

The CP and the At-a-Glance document, which provides a summary of the CP, will be published shortly. The CP has a response date of October 31, 2012.

IPSASB staff member contact – Annette Davis: annettedavis@ifac.org

IPSASB Work Program

The IPSASB approved a Consultation Paper (CP) on its work program for 2013–2014, *Consultation on IPSASB Work Program 2013–2014*. This is the IPSASB’s first public consultation on its work program and focuses on the period until completion of the *Public Sector Conceptual Framework* project in 2014. At that time it is planned that a public interest oversight regime will be in place for the IPSASB and related governance changes should also be in process. This consultation on the program for 2013–2014 is seen as a first step to a broader and more fundamental public consultation of the IPSASB’s broad strategic direction in 2014.

The CP confirms the IPSASB’s commitment to all projects that are currently in process or approved. It has been developed in the context of the IPSASB’s three strategic priorities for the period: (a) developing a public sector conceptual framework, (b) addressing public sector critical projects (including public sector

specific projects, IFRS convergence projects and projects to maintain existing IPSASs), and (c) communications and promoting adoption and implementation.

The CP will be published shortly with a response date of October 31, 2012. It is anticipated that the IPSASB will discuss the responses at its December 2012 meeting, with a view to finalizing a 2013–2014 work program that addresses respondents’ feedback at its March 2013 meeting.

IPSASB staff member contact – Technical Director, Stephenie Fox: stepheniefox@ifac.org

IPSASs and Government Finance Statistics Reporting Guidelines (Formerly Alignment of IPSASs and Statistical Reporting)

The IPSASB reviewed a draft Consultation Paper (CP), *IPSASs and Government Finance Statistics (GFS) Reporting Guidelines* and approved, in principle, a revised version, which was developed during the meeting in response to members’ feedback. The “in-principle approval” related to the basic structure, overall direction, and consultation focus of the draft CP.

The main changes to the draft CP identified during the meeting were to:

- Change the title to “IPSASs and Government Finance Statistics Reporting Guidelines.”
- Restructure the draft CP to focus first on scope to manage IPSAS/GFS differences and second on opportunities to reduce differences for the consideration of the IPSASB and statistical community.
- Replace the large number of views on different specific topics with (a) a small number of specific matters for comment related to proposals for the IPSASB’s consideration, (b) one preliminary IPSASB view with respect to including guidance in Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities (Third Edition)*, and (c) identification of opportunities to reduce differences that the statistical community might wish to consider.
- Revise the section on management of differences to better convey management’s judgment in (a) considering choice of accounting policies, with scope to reduce IPSAS/GFS differences as only one of the factors that could affect that choice, and (b) assessing the costs-benefits of different actions that could facilitate the production of GFS data.

A revised draft CP will be considered at the IPSASB’s September 2012 meeting, with a view to approving it for publication.

IPSASB staff member contact – Gwenda Jensen: gwendajensen@ifac.org

Conceptual Framework

Phase 2—Elements and Recognition in Financial Statements

The IPSASB considered some key issues and reviewed the substance of a preliminary draft of CF–ED2, *Elements and Recognition in Financial Statements*.

The IPSASB tentatively agreed that defining deferred inflows and deferred outflows as elements is an appropriate and transparent approach to dealing with the characteristics of certain non-exchange financial arrangements, which are either specific to the public sector, or much more prevalent than in the private sector. Such arrangements include involuntary transfers of resources, notably taxation, which may be

received prior to the period in which they are intended to finance the provision of goods and services. They also relate to transfers of resources provided in one reporting period to be used in a specified future reporting period without performance or return obligations.

Further consideration was given to whether legal or equivalent enforceability should be a characteristic of a liability. The IPSASB concluded that this was not an essential characteristic, however an explanation should be included on the meaning of “little or no realistic alternative to avoid an outflow of service potential or economic benefits.”

Since a deferred outflow is not an asset and a deferred inflow of resources is not a liability, the IPSASB tentatively agreed that “net financial position” is an appropriate title for the key residual amount at the reporting date. .

The IPSASB considered where “recognition” should be addressed in the *Public Sector Conceptual Framework*. In order to assist in arriving at a conclusion the IPSASB will review a draft table of contents of all four phases of the Framework at its next meeting.

A further draft of CF–ED2 will be considered at the IPSASB’s September 2012 meeting.

Phase 3—Measurement of Assets and Liabilities in Financial Statements

The IPSASB reviewed a first draft of CF–ED3, *Measurement of Assets and Liabilities in Financial Statements*. The IPSASB tentatively agreed with much of the content and directed that CF–ED3 should be modified to:

- Restructure the draft Exposure Draft (ED) so that one section deals with “Current Measurement Bases” and includes sub-sections on market value, net selling price, replacement cost and a new sub-section on fair value, which will involve the relocation of material currently in the Basis for Conclusions;
- Indicate that because historical cost provides a direct link to transactions actually undertaken by the entity under certain circumstances it can be used to assess whether resources have been used economically and efficiently and thereby, in particular, meet the objective of accountability;
- Clarify the relationship between the qualitative characteristics and the complexity and subjectivity involved in specific measurement bases;
- Replace the term “current exchange value” with “market value”; and
- Include a simple matrix indicating whether particular measurement bases adopt an entry or exit perspective and whether they are based on observable or non-observable market values.

A further draft of CF–ED3 will be considered at the IPSASB’s September 2012 meeting.

IPSASB staff member contact – John Stanford: johnstanford@ifac.org

First-Time Adoption of Accrual IPSASs

The IPSASB discussed issues relating to the first-time adoption of IPSASs. The IPSASB agreed to rename the title of the project to “First-Time Adoption of Accrual Basis IPSASs.” The IPSASB considered that the proposed structure of the draft Exposure Draft (ED) prepared by the Staff is appropriate.

The IPSASB tentatively agreed that an entity applying accrual IPSASs for the first time is not required to present comparative information and reconciliations in its first IPSAS financial statements. However,

entities will be encouraged to present this information. Where an entity chooses to present comparative information and reconciliations, the IPSASB tentatively agreed that the ED should adopt the approach taken in IFRS 1, *First-time Adoption of International Financial Reporting Standards*. Because entities may be transitioning from a different basis of accounting, e.g., the cash basis, the IPSASB tentatively agreed that this issue and its implications relating to the presentation of comparative information and reconciliations should be included in the application guidance section of the ED.

The IPSASB tentatively agreed that where an entity elects not to present a full set of comparative information and reconciliations, its first IPSAS financial statements will include two statements of financial position, one of them being the opening IPSAS statement of financial position.

The IPSASB considered selected proposed transitional provisions and tentatively agreed that a broader approach should be taken where a set of criteria is developed based on the user needs set out in Phase 1 of the *Public Sector Conceptual Framework* to determine proposed transitional provisions for an entity's first IPSAS financial statements. The preparer dimension will be reflected by an evaluation of the proposed transitional provisions against a cost-benefit analysis.

IPSASB staff member contact – Jens Heiling: jensheiling@ifac.org

Update of IPSASs 6–8

The IPSASB noted the requirements of the revised and amended IFRSs which will form the basis of the revisions to IPSAS 6, *Consolidated and Separate Financial Statements*, IPSAS 7, *Investments in Associates*, and IPSAS 8, *Interests in Joint Ventures*. The revised and amended IFRSs are:

- IFRS 10, *Consolidated Financial Statements*;
- IFRS 11, *Joint Arrangements*;
- IFRS 12, *Disclosure of Interests in Other Entities*;
- IAS 27, *Separate Financial Statements (2011)*; and
- IAS 28, *Investments in Associates and Joint Ventures (2011)*.

The IPSASB agreed that the IASB's project on investment entities should be monitored because it may affect this project.

The IPSASB tentatively agreed that IFRS 5, *Non-current Assets Held-for-sale and Discontinued Operations*, should remain outside the scope of the project. However, the IPSASB noted that the temporary control exemptions in existing standards would be re-examined as part of this project.

The IPSASB tentatively agreed that the public sector modifications in IPSASs 6–8, together with other issues identified would be a useful starting point for identifying possible departures from these IFRSs. The IPSASB noted the work currently being done by the Australian Accounting Standards Board (AASB) in this area and that other jurisdictions also have similar projects.

The IPSASB expressed a desire to consider opportunities for harmonization with statistical reporting and will consider an analysis of differences between an IFRS 10 approach and statistical reporting at its September 2012 meeting.

IPSASB staff member contact – Technical Director, Stephenie Fox: stepheniefox@ifac.org

Long-Term Fiscal Sustainability

The IPSASB had an initial discussion of the high level overview of responses received to Exposure Draft (ED) 46, Proposed Recommended Practice Guideline (RPG), *Reporting on the Long-Term Sustainability of a Public Sector Entity's Finances* prepared by the Staff.

ED 46 was issued in October 2011 with comments requested by February 29, 2012. The IPSASB has received 37 responses.

A detailed analysis of the responses will be discussed at the IPSASB's September 2012 meeting.

IPSASB staff member contact – John Stanford: johnstanford@ifac.org or Annette Davis: annettedavis@ifac.org

Next Meeting

The next IPSASB meeting will be held in Norwalk, USA on September 17–20, 2012.