



IPSASB Meeting Highlights

July 2008

Contact: Barry Naik, barrynaik@ifac.org

This Meeting Highlights from the International Public Sector Accounting Standards Board (IPSASB) meeting in Moscow, Russia on June 16-19, 2008 has been prepared for information purposes only.

For more detailed information on individual projects beyond that provided below, please refer to the IPSASB's project history pages:
<http://www.ifac.org/PublicSector/Projects.php#InProgress>.

Conceptual Framework

Consultation Paper - Group 1

The IPSASB reviewed an updated draft Consultation Paper and agreed both preliminary views and text dealing with the group 1 components of the project - objectives and users of general purpose financial reporting, the scope of general purpose financial reporting, qualitative characteristics of financial information, and public sector group reporting entity.

The draft paper is being revised and is anticipated to be approved in late August 2008. Publication of the paper for public comment is planned for September 2008.

Consultation Paper - Group 2

The IPSASB also considered developments on the group 2 components of the project - definition and recognition of elements.

Overall, the IPSASB considered it reasonable to take developments from the IASB/FASB conceptual framework convergence project into account, in particular, directing staff to consider the IASB/FASB's "rights and obligations" approach. However, the Board also wanted existing IPSASB definitions to be considered to determine if any improvement could be made to those.

The IPSASB is scheduled to start deliberating a draft of a Consultation Paper for the definition and recognition of elements for consideration at its next meeting in October 2008.

IFAC staff member contacts – Technical Director Stephenie Fox
stepheniefox@ifac.org or Senior Advisor Paul Sutcliffe
paulsutcliffe@ifac.org.

Financial Instruments

The IPSASB reaffirmed its intention to develop converged IPSASs with IAS 32, *Financial Instruments: Presentation*, IAS 39, *Financial Instruments: Recognition and Measurement*, and IFRS 7, *Financial Instruments: Disclosures*.

The IPSASB tentatively concluded that there is no public sector reason for adopting different provisions in relation to the classification and reclassification of financial instruments, financial guarantees, regular way purchases and sales and hedge accounting. The IPSASB agreed that concessional loans should be recognized at fair value and any difference between fair value and the amount of the loans should be treated as a subsidy.

A further issues paper is planned to be considered by the IPSASB at its October 2008 meeting.

IFAC staff member contacts – Deputy Director John Stanford johnstanford@ifac.org and Matthew Bohun-Aponte matthewbohun@ifac.org.

Entity Combinations

The IPSASB considered an issues paper and formed the preliminary view that IFRS 3, *Business Combinations* was convergent for public sector acquisitions of entities whose under-lying assets encompass predominately economic benefits. Where encompassing predominately service potential, the Board was of the preliminary view that any goodwill would have to be expensed.

The IPSASB also formed the preliminary view that a separate project should be commenced to address public sector combinations which are non-exchange transactions – either under or not under common control. Their preliminary view was that such combinations would not require the re-measurement of the effected assets and liabilities – carrying value should continue to be used.

A draft exposure draft of IFRS 3 is planned to be provided to the Board for review in October 2008 with a draft discussion paper on the separate project planned for review at the IPSASB's February 2009 meeting.

IFAC staff member contact – Barry Naik barrynaik@ifac.org

Updating IPSAS 5 Borrowing Costs

The IPSASB confirmed its decision that it will depart from the provisions of IAS 23, *Borrowing Costs*. Expensing of borrowing costs is required except where they are specifically incurred for the acquisition, construction or production of a qualifying asset. In such cases an option to capitalize borrowing costs is provided. This applies to both cash-generating and non-cash generating assets.

An exposure draft is planned to be issued in August 2008.

IFAC staff member contacts – Deputy Director John Stanford johnstanford@ifac.org and Matthew Bohun-Aponte matthewbohun@ifac.org.

Intangible Assets

The IPSASB approved a convergence project for development of an IPSAS based on IAS 38, *Intangible Assets*. In approving the project, the IPSASB noted that rights granted by statute or legislation, like the power to tax, is a very public sector specific area of intangibles which should be given further consideration as part of the group 2 phase of the IPSASB conceptual framework project (recognition and definition of elements – see above).

An exposure draft is planned for approval at the IPSASB's October 2008 meeting.

IFAC staff member contact – Technical Director Stephenie Fox stepheniefox@ifac.org

Next Meeting

The next IPSASB meeting will be held in Zurich, Switzerland on October 28-31, 2008.