

PROJECT HISTORY

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The IPSASB considered different approaches to overcoming the obstacles to adoption of the Cash Basis IPSAS “*Financial Reporting Under the Cash Basis of Accounting*” that arise as a result of the requirements relating to consolidation, external assistance and third party payments. Approaches considered included those proposed in the Report of the IPSASB Task Force (2010), a submission by the ICGFM, and an Issues Paper prepared by staff.

The Role of the Cash Basis IPSAS

The IPSASB confirmed that the role of the Cash Basis IPSAS in the IPSASB’s standards setting strategy is as an intermediate step on the transition to the accrual basis rather than an end in itself, and the role of the encouraged disclosures in Part 2 of the IPSAS is to support an entity’s transition to compliance with the accrual basis IPSASs.

Next IPSASB Meeting

The IPSASB agreed that for the next meeting it would consider, as a basis for its ongoing deliberations, a marked-up draft exposure draft (ED) that includes the following features:

Re Consolidation

- An encouragement, rather than requirement, that controlling entities are to prepare consolidated financial statements that encompass all controlled entities.
- A requirement that if consolidated financial statements are prepared, they are to encompass only controlled entities and are to comply with the consolidation procedures included in the Cash Basis IPSAS, updated to ensure that they are not in conflict with the procedures identified in IPSAS 35 “*Consolidated Financial Statements*”.
- Note disclosures to assist users in determining the classes (or characteristics) of entities that are included in the group financial statements, and changes therein since the last reporting date.
- An encouragement to prepare and present group financial statements that represent an inner or outer budget sector, or a GGS as reflected in the accrual IPSASs, as a useful interim step in the transition to full consolidation.

Re External Assistance

- An encouragement, rather than requirement, to disclose information about external assistance in the form of cash and third party payments. The encouraged disclosures are to be reduced to focus on information about external assistance received and used during the reporting period, and the balance of undrawn external assistance that is available to the entity at reporting date.

Some Members noted that they were not convinced that encouragements to disclose details of external assistance received in the form of cash or third party payments should be retained in the IPSAS, whether as a requirement or an encouragement. This is because information necessary to satisfy the requirements and support the encouraged disclosure is often not available to recipients of assistance on a timely basis.

As such, compliance with the IPSAS is unlikely to be possible and the usefulness of information reported is questionable. The IPSASB also noted that many of the external assistance disclosures currently required or encouraged by the IPSAS are more detailed and onerous than in the existing accrual IPSASs and are in the nature of information that might well be included in special purpose financial reports but do not sit comfortably in GPFRs. Members agreed that they would discuss further at the next meeting whether any of the encouraged disclosures included in the marked-up draft ED should be retained.

Third Party Payments

- An encouragement, rather than requirement, to disclose information about payments made by third parties which are not part of the economic entity to which the reporting entity belongs is to be recast as an encouraged disclosure. The current requirement to disclose information about payments made by third parties which are part of the economic entity to which the reporting entity belongs is to be retained.

Re “Housekeeping”

- Amendments to:
 - Reflect changes in the format and terminology of IPSASs since issue of the Cash Basis IPSAS;
 - Better reflect the role of the encouraged disclosures in Part 2 of the IPSAS as one of supporting the transition to compliance with the accrual basis IPSASs; and
 - Ensure requirements and encouragements in the Cash Basis IPSAS are not in conflict with the accrual IPSASs that deal with those matters.

The IPSASB noted that the Cash Basis IPSAS had not been updated since its issue in 2003 and identified a range of “housekeeping” type refinements that should be processed as part of this review.