International
Public Sector
Accounting
Standards Board

Exposure Draft 42
June 2009
Comments are requested by September 30, 2009

Proposed International Public Sector Accounting Standard

Improvements to IPSASs

International Federation
of Accountants

REQUEST FOR COMMENTS

The International Public Sector Accounting Standards Board, an independent standard-setting body within the International Federation of Accountants (IFAC), approved this Exposure Draft, "Improvements to IPSASs," for publication in June 2009. The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form.

Respondents are asked to submit their comments **electronically** through the IFAC website (www.ifac.org), using the "Submit a Comment" link on the Exposure Drafts and Consultation Papers page. Please note that first-time users must register to use this new feature. All comments will be considered a matter of public record and will ultimately be posted on the IFAC website Although IFAC prefers that comments be submitted electronically, e-mail may continue to be sent to edcomments@ifac.org and stepheniefox@ifac.org. Comments can also be faxed to the attention of the IPASB Technical Director at +1 (416) 977-8585, or mailed to:

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Copies of this exposure draft may be downloaded free-of-charge from the IFAC website at http://www.ifac.org.

ACKNOWLEDGMENT

This Exposure Draft of an International Public Sector Accounting Standard (IPSAS) is drawn primarily from "Improvements to IFRSs" published by the International Accounting Standards Board (IASB) in May 2008. Extracts from "Improvements to IFRSs" are reproduced in this publication of the International Public Sector Accounting Standards Board of the International Federation of Accountants with the permission of the International Accounting Standards Committee Foundation (IASCF).

The approved text of the IFRSs is that published by the IASB in the English language, and copies may be obtained directly from IASB Publications Department, 30 Cannon Street, London EC4M 6XH, United Kingdom.

E-mail: publications@iasb.org.

Internet: http://www.iasb.org.

Objective

The objective of this Exposure Draft is to propose improvements to 12 IPSASs in order to converge with amendments to International Financial Reporting Standards in the IASB's, "Improvements to IFRSs" (issued in May 2008).

Request for Comments

The IPSASB invites comments on all the changes proposed in the Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD XX (ED 42)

IMPROVEMENTS TO IPSASs

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Introduction

IN1. This document sets out amendments to International Public Sector Accounting Standards (IPSASs) and the related Bases for Conclusions and guidance. These amendments are drawn from the IASB document, "Improvements to IFRS" issued in May 2008. The IASB's rationale for its amendments is documented in the related Bases for Conclusions in that IASB document.

IN2. Part I of this document contains amendments that result in accounting changes for presentation, recognition, measurement or disclosure purposes. Part II contains amendments that relate to terminology or are editorial and which are expected to have no or minimal effect on accounting.

IN3. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IPSASs. Some amendments involve consequential amendments to other IPSASs. Those consequential amendments are set out in the IPSASs primarily affected.

IN4. In Part I the effective date of each amendment is included in the IPSASs affected. The effective date for all amendments in Part II is stated at the beginning of Part II.

IPSASs addressed

IN5. The following table shows the topics addressed by these amendments.

IPSASs	Subject of Amendment
Part I	
IPSAS 5, “Borrowing Costs”	Components of borrowing costs in definition of borrowing costs
IPSAS 7, “Investments in Associates”	Required disclosures when investments in associates are accounted for at fair value through surplus or deficit
IPSAS 8, “Interests in Joint Ventures”	Required disclosures when interests in jointly controlled entities are accounted for at fair value through surplus or deficit
IPSAS 16, “Investment Property”	Property under construction or development for future use as investment property
IPSAS 17, “Property, Plant and Equipment”	Sale of assets held for rental
IPSAS 25, “Employee Benefits”	Replacement of term “fall due”
	Curtailments and negative past service cost
	Plan administration costs
	Guidance on contingent liabilities
IPSAS 26, “Impairment of Cash-Generating Assets”	Disclosure of estimates used to determine recoverable amount
Part II	
IPSAS 1, “Presentation of Financial Statements”	Editorial changes
IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors”	Status of implementation guidance
IPSAS 6, “Consolidated and Separate Financial Statements”	Editorial changes
IPSAS 10, “Financial Reporting in Hyperinflationary Economies”	Editorial changes
IPSAS 14, “Events After the Reporting Date”	Dividends declared after the end of the reporting period
IPSAS 16, “Investment Property”	Consistency of terminology with IPSAS 3
	Investment property held under lease

PART I

Amendment to International Public Sector Accounting Standard 5, "Borrowing Costs"

Paragraph 6 is amended (new text is underlined and deleted text is struck through). Paragraph 42A is added.

Definitions

6. Borrowing costs may include:

   (a) Interest expense calculated using the effective interest rate method as described in IPSAS XX (ED 38), "Financial Instruments: Recognition and Measurement" ~~on bank overdrafts and short-term and long-term borrowings~~;

   (b) [deleted] ~~Amortization of discounts or premiums relating to borrowings;~~

   (c) [deleted] ~~Amortization of ancillary costs incurred in connection with the arrangement of borrowings;~~

   (d) ...

Effective Date

42A. Paragraph 6 was amended by "Improvements to IPSASs" issued in Month 20XX. An entity shall apply that amendment for annual periods beginning on or after Month XX, 20XX. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

Amendment to International Public Sector Accounting Standard 7, "Investments in Associates"

Paragraph 1 and the heading above paragraph 47 are amended (new text is underlined and deleted text is struck through). Paragraphs 47A and BC7 are added. (The amendment to paragraph 39 which is the equivalent of the IASB's amendment to paragraph 33 of IAS 28 is addressed in ED 41, "Entity Combinations from Exchange Transactions").

Scope

1. **An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting by an investor for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other formal equity structure. However, it does not apply to investments in associates held by:**

   (a) **Venture capital organizations, or**

   (b) **Mutual funds, unit trusts and similar entities including investment-linked insurance funds.**

   that are measured at fair value, with changes in fair value recognized in surplus or deficit in the period of the change in accordance with relevant international or national accounting standard dealing with the recognition and measurement of financial instruments. An entity holding such an investment shall make the disclosures required by paragraph 43(f).

Effective Date and Transition

47A. Paragraph 1 was amended by "Improvements to IPSASs" issued in Month 20XX. An entity shall apply those amendments for annual periods beginning on or after Month XX, 20XX. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact and apply for that earlier period paragraph 3 of IPSAS XX (ED 37), "Financial Instruments: Presentation" paragraph 1 of IPSAS 8, "Interests in Joint Ventures" and paragraph 3 of IPSAS XX (ED 39), "Financial Instruments: Disclosures". An entity is permitted to apply the amendments prospectively.

Basis for Conclusions

BC7. IPSAS 7 has been amended as a result of the IPSASB's consideration of "Improvements to IFRSs" issued by the IASB in May 2008.

Amendment to International Public Sector Accounting Standard 8, "Interests in Joint Ventures"

Paragraph 1 is amended (new text is underlined). Paragraphs 69A and BC7 are added.

Scope

1. **An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, revenue and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place. However, it does not apply to venturers' interests in jointly controlled entities held by:**

    (a) **Venture capital organizations; or**

    (b) **Mutual funds, unit trusts and similar entities including investment linked insurance funds**

    that are measured at fair value, with changes in fair value recognized in surplus or deficit in the period of the change in accordance with the relevant international or national accounting standard dealing with the recognition and measurement of financial instruments. A venturer holding such an interest shall make the disclosures required by paragraphs 62 and 63.

Effective Date

69A. Paragraph 1 was amended by "Improvements to IPSASs" issued in Month 20XX. An entity shall apply that amendment for annual periods beginning on or after Month XX, 20XX. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact and apply for that earlier period paragraph 3 of IPSAS XX (ED 37), "Financial Instruments: Presentation", paragraph 1 of IPSAS 7, "Investments in Associates" and paragraph 3 of IPSAS XX (ED 39), "Financial Instruments: Disclosures". An entity is permitted to apply the amendments prospectively.

Basis for Conclusions

BC7. IPSAS 8 has been amended as a result of the IPSASB's consideration of "Improvements to IFRSs" issued by the IASB in May 2008.

Amendments to International Public Sector Accounting Standard 16, "Investment Property"

Paragraphs 12, 13, 57, 62, 63 and 66 are amended (new text is underlined and deleted text is struck through). Paragraph 29 is deleted and new paragraphs 62A, 62B, 101A and BC7 are added. The Illustrative Decision Tree is amended.

Definitions

12. The following are examples of investment property:

(a) …

(e) Property that is being constructed or developed for future use as investment property.

13. The following are examples of items that are not investment property and are therefore outside the scope of this Standard:

(a) …

(d) [deleted] ~~Property that is being constructed or developed for future use as investment property. IPSAS 17 applies to such property until construction or development is complete, at which time the property becomes investment property and this Standard applies. However, this Standard applies to existing investment property that is being redeveloped for continued future use as investment property (see paragraph 68).~~

(e) …

Measurement at Recognition

29. [deleted] ~~The cost of a self-constructed investment property is its cost at the date when the construction or development is complete. Until that date, an entity applies IPSAS 17. At that date, the property becomes investment property and this Standard applies (see paragraphs 66(e) and 76).~~

Fair Value Model

57. In exceptional cases, there is clear evidence when an entity first acquires an investment property (or when an existing property first becomes an investment property ~~following the completion of construction or development, or~~ after a change in use) that the variability in the range of reasonable fair value estimates will be so great, and the probabilities of the various outcomes so difficult to assess, that the usefulness of a single estimate of fair value is negated. This may indicate that the fair value of the property will not be reliably determinable on a continuing basis (see paragraph 62).

Inability to Determine Fair Value Reliably

62. **There is a rebuttable presumption that an entity can reliably determine the fair value of an investment property on a continuing basis. However, in exceptional**

cases, there is clear evidence when an entity first acquires an investment property (or when an existing property first becomes investment property ~~following the completion of construction or development, or~~ after a change in use) that the fair value of the investment property is not reliably determinable on a continuing basis. This arises when, and only when, comparable market transactions are infrequent and alternative reliable estimates of fair value (for example, based on discounted cash flow projections) are not available. If an entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). ~~In such cases, an~~If an entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity shall measure that investment property using the cost model in IPSAS 17, "Property, Plant and Equipment." The residual value of the investment property shall be assumed to be zero. The entity shall apply IPSAS 17 until disposal of the investment property.

62A. Once an entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it shall measure that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, in accordance with paragraph 62, the property shall be accounted for using the cost model in accordance with IPSAS 17.

62B. The presumption that the fair value of investment property under construction can be measured reliably can be rebutted only on initial recognition. An entity that has measured an item of investment property under construction at fair value may not conclude that the fair value of the completed investment property cannot be determined reliably.

63. In the exceptional cases when an entity is compelled, for the reason given in ~~the previous~~ paragraph 62, to measure an investment property using the cost model in accordance with IPSAS 17, it measures at fair value all its other investment property, including investment property under construction ~~at fair value~~. In these cases, although an entity may use the cost model for one investment property, the entity shall continue to account for each of the remaining properties using the fair value model.

Transfers

66. **Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:**

(a) **…**

(c) **End of owner-occupation, for a transfer from owner-occupied property to investment property; or**

(d) **Commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property~~; or~~.**

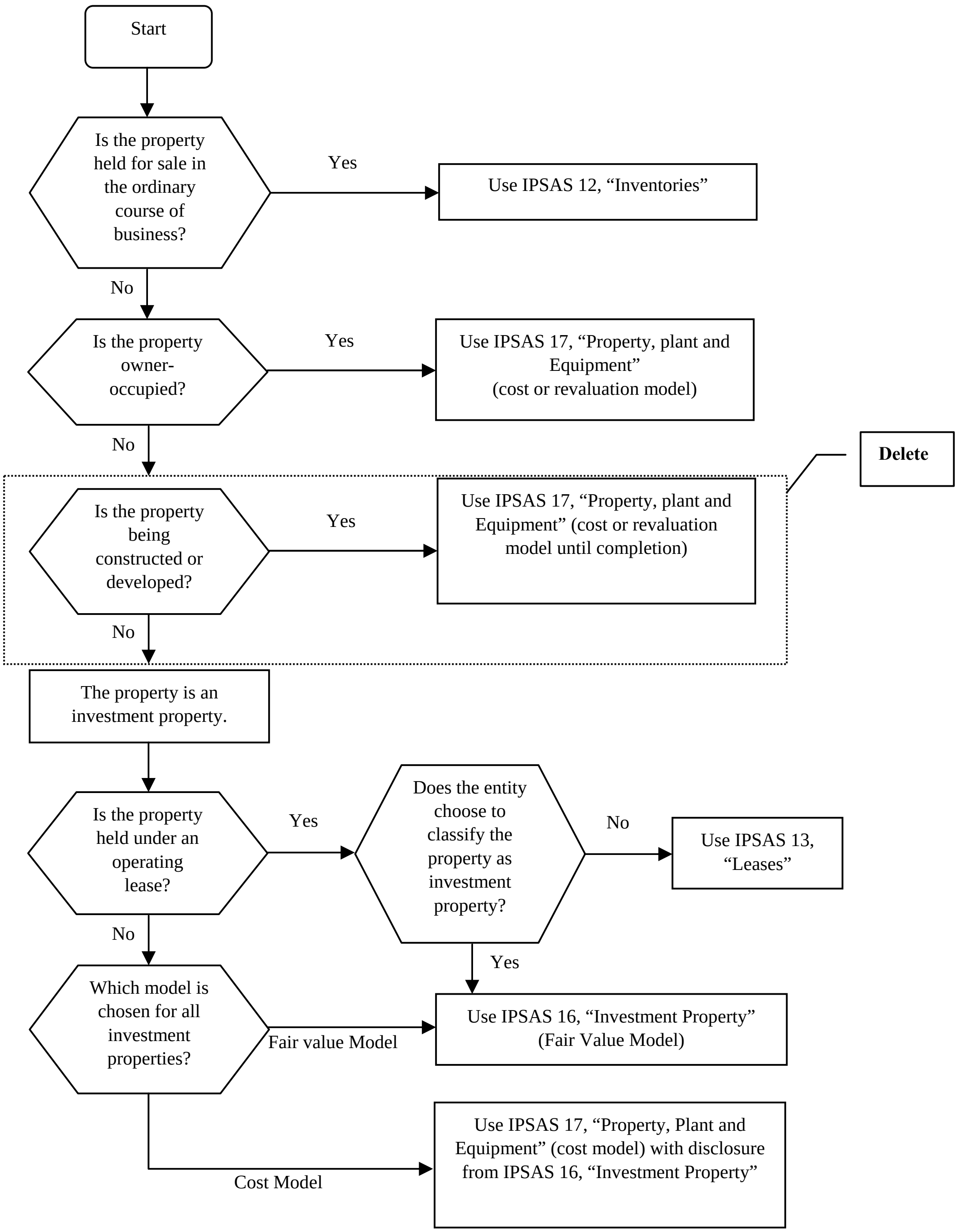
~~(e) **End of construction or development, for a transfer from property in the course of construction or development (covered by IPSAS 17) to investment property.**~~

Effective Date

101A. Paragraphs 12, 13, 57, 62, 63 and 66 were amended, paragraph 29 was deleted and paragraphs 62A and 62B were added by "Improvements to IPSASs" issued in Month 20XX. An entity shall apply those amendments prospectively for annual periods beginning on or after Month XX, 20XX. An entity is permitted to apply the amendments to investment property under construction from any date before Month XX, 20XX provided that the fair values of investment properties under construction were determined at those dates. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact and at the same time apply the amendments to paragraphs 7 of IPSAS 17, "Property, Plant and Equipment."

Illustrative Decision Tree

The decision tree accompanies, but is not part of, IPSAS 16.



Basis for Conclusions

BC7. IPSAS 16 has been amended as a result of the IPSASB's consideration of "Improvements to IFRSs" issued by the IASB in May 2008.

Appendix to Amendments to IPSAS 16

Amendment to IPSAS 17, "Property, Plant and Equipment"

Entities shall apply the amendment to IPSAS 17 in this appendix when they apply the related amendments to IPSAS 16.

Paragraph 7 is amended (new text is underlined and deleted text is struck through). Paragraph 107A is added.

Scope

7. ~~An entity shall apply this Standard to property that is being constructed or developed for future use as investment property but does not yet satisfy the definition of investment property in IPSAS 16, "Investment Property." Once the construction or development is complete, the property becomes investment property and the entity is required to apply IPSAS 16. IPSAS 16 also applies to investment property that is being redeveloped for continued future use as investment property.~~ An entity using the cost model for investment property in accordance with IPSAS 16, "Investment Property" shall use the cost model in this Standard.

Effective Date

107A. Paragraph 7 was amended by "Improvements to IPSASs" issued in Month 20XX. An entity shall apply that amendment prospectively for annual periods beginning on or after Month XX, 20XX. Earlier application is permitted if an entity also applies the amendments to paragraphs 12, 13, 29, 57, 62, 62A, 62B, 63, 66 and 101A of IPSAS 16 at the same time. If an entity applies the amendment for an earlier period it shall disclose that fact.

Appendix to Amendments to IPSAS 16

Amendments to IPSAS 26, "Impairment of Cash-Generating Assets"

Entities shall apply the amendment to IPSAS 26 in this appendix when they apply the related amendments to IPSAS 16.

Paragraphs 25(e) and 100(d) are amended (new text is underlined and deleted text is struck through). Paragraphs 25(eA), 100(dA) and 126A are added.

Identifying an Asset that may be Impaired

25. **In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:**

…

Internal sources of information

(d) **…**

(e) **Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite; ~~and~~**

<u>(eA) **A decision to halt the construction of the asset before it is complete or in a usable condition; and**</u>

Reversing an Impairment Loss

100. **In assessing whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased, an entity shall consider, as a minimum, the following indications:**

…

Internal sources of information

(d) **Significant changes with a favorable effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, the asset is used or is expected to be used. These changes include costs incurred during the period to improve or enhance the asset's performance or restructure the operation to which the asset belongs; ~~and~~**

<u>(dA) **A decision to resume construction of the asset that was previously halted before it was completed or in a usable condition; and**</u>

Effective Date

126A. Paragraphs 25(e) and 100(d) were amended and paragraphs 25(eA), 100(dA) were added by "Improvements to IPSASs" issued in Month 20XX. An entity shall apply that amendment prospectively for annual periods beginning on or after Month XX, 20XX. Earlier application is permitted if an entity also applies the amendments to paragraphs 12, 13, 29, 57, 62, 62A, 62B, 63, 66 and 101A of IPSAS 16 at the same time. If an entity applies the amendment for an earlier period it shall disclose that fact.

Amendments to International Public Sector Accounting Standard 17, "Property, Plant and Equipment"

Paragraph 84 is amended (new text is underlined and deleted text is struck through). Paragraphs 83A, 107B and BC8 are added.

Derecognition

83A. However, an entity that, in the course of its ordinary activities, routinely sells items of property, plant and equipment that it has held for rental to others shall transfer such assets to inventories at their carrying amount when they cease to be rented and become held for sale. The proceeds from the sale of such assets shall be recognized as revenue in accordance with IPSAS 9, "Revenue from Exchange Transactions."

84. The disposal of an item of property, plant and equipment may occur in a variety ways (e.g., by sale, by entering into a finance lease or by donation). In determining the date of disposal of an item, an entity applies the criteria in IPSAS 9~~, "Revenue from Exchange Transactions"~~ for recognizing revenue from the sale of goods. IPSAS 13, "Leases" applies to disposal by a sale and leaseback.

Effective Date

107B. Paragraph 83A was added and paragraph 84 was amended by "Improvements to IPSASs" issued in Month 20XX. An entity shall apply those amendments for annual periods beginning on or after Month XX, 20XX. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact and at the same time apply the related amendments to IPSAS 2, "Cash Flow Statements."

Basis for Conclusions

BC8. IPSAS 17 has been amended as a result of the IPSASB's consideration of "Improvements to IFRSs" issued by the IASB in May 2008.

Appendix to Amendments to IPSAS 17

Amendments to IPSAS 2, "Cash Flow Statements"

Entities shall apply these amendments to IPSAS 2 when they apply the related amendments to IPSAS 17.

Paragraph 22 is amended (new text is underlined and deleted text is struck through). Paragraph 63A is added.

Presentation of a Cash Flow Statement

Operating activities

22. Cash flows …

Some transactions, such as the sale of an item of plant, may give rise to a gain or loss ~~which~~ that is included in ~~the determination of~~ net surplus or deficit. ~~However, t~~The cash flows relating to such transactions are cash flows from investing activities. However, cash payments to ~~manufacture~~ construct or acquire assets held for rental to others and subsequently held for sale as described in paragraph 83A of IPSAS 17, "Property, Plant and Equipment" are cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also cash flows from operating activities.

Effective Date

63A. Paragraph 22 was amended by "Improvements to IPSASs" issued in Month 20XX. An entity shall apply that amendment for annual periods beginning on or after Month XX, 20XX. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact and apply paragraph 83A of IPSAS 17.

Amendment to International Public Sector Accounting Standard 25, "Employee Benefits"

Paragraphs 10, 11(b), 37, 113, 114 and 131 are amended (new text is underlined and deleted text is struck through). Paragraphs 131A, 178, BC21 and the heading above BC21 are added. The underlined names of defined terms in paragraph 10 are included in the original type style and have not been amended.

IPSAS 25, "Employee Benefits" is set out in paragraphs 1–17~~7~~8. All the paragraphs have equal authority except as noted otherwise. IPSAS 25 should be read in the context of its objective, the Basis for Conclusions, and the "Preface to International Public Sector Accounting Standards." IPSAS 3, "Accounting Policies, Changes in Accounting Estimates and Errors" provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Definitions

10. …

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) ~~which do not fall due wholly~~ that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

…

Past service cost is the ~~increase~~ change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (~~where~~ when benefits are introduced or ~~improved~~ changed so that the present value of the defined benefit obligation increases) or negative (~~where~~ when existing benefits are ~~reduced~~ changed so that the present value of the defined benefit obligation decreases).

…

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realized and unrealized gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

…

Short-term employee benefits are employee benefits (other than termination benefits) ~~which fall due wholly~~ that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-Term Employee Benefits

11. Short-term employee benefits include items such as:

(a) …

(b) Short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences ~~are expected to occur~~ is due to be settled within twelve months after the end of the period in which the employees render the related employee service;

(c) …

Postemployment Benefits: Distinction between Defined Contribution Plans and Defined Benefit Plans

Multi-Employer Plans

37. IPSAS 19, "Provisions, Contingent Liabilities and Contingent Assets" requires an entity to ~~recognize, or~~ disclose information about~~, certain~~ some contingent liabilities. In the context of a multi-employer plan, a contingent liability may arise from, for example:

(a) …

Postemployment Benefits—Defined Benefit Plans

Recognition and Measurement: Present Value of Defined Benefit Obligations and Current Service Cost

Past Service Cost

113. Past service cost arises when an entity introduces a defined benefit plan that attributes benefits to past service or changes the benefits payable for past service under an existing defined benefit plan. Such changes are in return for employee service over the period until the benefits concerned are vested. Therefore, the entity recognizes past service cost ~~is recognized~~ over that period, regardless of the fact that the cost refers to employee service in previous periods. The entity measures p~~P~~ast service cost ~~is measured~~ as the change in the liability resulting from the amendment (see paragraph 77). Negative past service cost arises when an entity changes the benefits attributable to past service so that the present value of the defined benefit obligation decreases.

114. Past service cost excludes:

(a) …

(b) Under and over estimates of discretionary pension increases ~~where~~ when an entity has a constructive obligation to grant such increases (there is no past service cost because actuarial assumptions allow for such increases);

(c) Estimates of benefit improvements that result from actuarial gains that have ~~already~~ been recognized in the financial statements if the entity is obliged, by either the formal terms of a plan (or a constructive obligation that goes beyond those terms) or legislation, to use any surplus in the plan for the benefit of plan participants, even if the benefit increase has not yet been formally awarded (the resulting increase in the obligation is an actuarial loss and not past service cost, see paragraph 98(b));

(d) The increase in vested benefits when, in the absence of new or improved benefits, employees complete vesting requirements (there is no past service cost because the entity recognized the estimated cost of benefits ~~was recognized~~ as current service cost as the service was rendered); and

(e) ...

Curtailments and Settlements

131. A curtailment occurs when an entity either:

(a) Is demonstrably committed to make a ~~material~~ significant reduction in the number of employees covered by a plan; or

(b) Amends the terms of a defined benefit plan ~~such~~ so that a ~~material~~ significant element of future service by current employees will no longer qualify for benefits, or will qualify only for reduced benefits.

A curtailment may arise from an isolated event, such as the closing of a plant, discontinuance of an operation or termination or suspension of a plan, or a reduction in the extent to which future salary increases are linked to the benefits payable for past service. ~~An event is material enough to qualify as a curtailment if the recognition of a curtailment gain or loss would have a material effect on the financial statements.~~ Curtailments are often linked with a restructuring. When this is the case ~~Therefore~~, an entity accounts for a curtailment at the same time as for a related restructuring.

131A. When a plan amendment reduces benefits, only the effect of the reduction for future service is a curtailment. The effect of any reduction for past service is a negative past service cost.

Effective Date

178. Paragraphs 10, 11(b), 37, 113, 114 and 131 were amended and paragraph 131A was added by “Improvements to IPSASs” issued in Month 20XX. An entity shall apply the amendments in paragraphs 10, 11(b) and 37 for annual periods beginning on or after Month XX, 20XX. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact. An entity shall apply the amendments in paragraphs 113, 114, 131 and 131A to changes in benefits that occur on or after Month XX, 20XX.

Basis for Conclusions

Improvements

BC21. IPSAS 25 has been amended as a result of the IPSASB’s consideration of “Improvements to IFRSs” issued by the IASB in May 2008.

Amendment to International Public Sector Accounting Standard 26, "Impairment of Cash-Generating Assets"

Paragraph 123(d) is amended (new text is underlined and deleted text is struck through). (Other amendments to paragraph 123 are addressed in ED 41, "Entity Combinations from Exchange Transactions"). Paragraphs 126A, BC17 and the heading above BC17 are added.

Disclosure

Disclosure of Estimates used to Measure Recoverable Amounts of Cash-Generating Units Containing Intangible Assets with Indefinite Useful Lives

123. **An entity shall disclose the information required by (a)–(e) for each cash-generating unit for which the carrying amount of intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity's total carrying amount of intangible assets with indefinite useful lives:**

(d) **If the unit's recoverable amount is based on fair value less costs to sell, the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for the unit, the following information shall also be disclosed:**

(i) **…**

(ii) **A description of management's approach to determining the value~~(s)~~ (or values) assigned to each key assumption, whether those value~~(s)~~ reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.**

If fair value less costs to sell is determined using discounted cash flow projections, the following information shall also be disclosed:

(iii) **The period over which management has projected cash flows;**

(iv) **The growth rate used to extrapolate cash flow projections; and**

(v) **The discount rate(s) applied to the cash flow projections.**

Effective Date

126A. Paragraph 123(d) was amended by "Improvements to IPSASs" issued in Month 20XX. An entity shall apply that amendment for annual periods beginning on or after Month XX, 20XX. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

Basis for Conclusions

Improvements

BC17. IPSAS 26 has been amended as a result of the IPSASB's consideration of "Improvements to IFRSs" issued by the IASB in May 2008.

PART II

The amendments in Part II shall be applied for annual periods beginning on or after Month XX, 20XX. Earlier application is permitted.

Amendments to International Public Sector Accounting Standard 1, “Presentation of Financial Statements”

Paragraphs 79 and 82 are amended (new text is underlined and deleted text is struck through). Paragraphs 153A and BC11 are added.

Statement of Financial Position

Current Assets

79. Current assets include assets (such as taxes receivable, user charges receivable, fines and regulatory fees receivable, inventories and accrued investment revenue) that are either realized, consumed or sold, as part of the normal operating cycle even when they are not expected to be realized within twelve months after the reporting date. Current assets also include assets held primarily for the purpose of ~~being traded~~ trading (examples include some financial assets classified as held for trading in accordance with IPSAS XX (ED 38), “Financial Instruments: Recognition and Measurement” ~~guidance on classification of financial assets can be found in the relevant international or national accounting standard dealing with the recognition and measurement of financial instruments~~) and the current portion of non-current financial assets.

Current Liabilities

82. Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within twelve months after the reporting date or held primarily for the purpose of being traded. Examples are some financial liabilities classified as held for trading ~~(guidance on classification of financial liabilities can be found in the relevant international or national accounting standard dealing with the recognition and measurement of financial instruments)~~ in accordance with IPSAS XX (ED 38), bank overdrafts, and the current portion of non-current financial liabilities, dividends payable, income taxes and other non-trade payables. Financial liabilities that provide financing on a long-term basis (i.e., are not part of the working capital used in the entity’s normal operating cycle) and are not due for settlement within twelve months after the reporting date are non-current liabilities, subject to paragraphs 85 and 86.

Effective Date

153A Paragraphs 79 and 82 were amended by “Improvements to IPSASs” issued in Month 20XX. An entity shall apply that amendment for annual periods beginning on or after Month XX, 20XX. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

Basis for Conclusions

BC11. IPSAS 1 has been amended as a result of the IPSASB's consideration of "Improvements to IFRSs" issued by the IASB in May 2008.

Amendments to International Public Sector Accounting Standard 3, "Accounting Policies, Changes in Accounting Estimates and Errors"

Paragraphs 9, 11 and 14 are amended (new text is underlined and deleted text is struck through). Paragraph BC7 is added.

Accounting Policies

Selection and Application of Accounting Policies

9. **When an IPSAS specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the Standard. ~~and considering any relevant Implementation Guidance issued by the IPSASB for the Standard.~~**

11. IPSASs are accompanied by guidance to assist entities in applying their requirements. All such guidance states whether it is an integral part of IPSASs. ~~Implementation~~ Guidance that is an integral part of IPSASs is mandatory. ~~for Standards issued by the IPSASB does not form part of those Standards, and therefore~~ Guidance that is not an integral part of IPSASs does not contain requirements for financial statements.

14. **In making the judgment, described in paragraph 12, management shall refer to, and consider the applicability of, the following sources in descending order:**

    (a) **The requirements ~~and guidance~~ in IPSASs dealing with similar and related issues; and**

    (b) **The definitions, recognition and measurement criteria for assets, liabilities, revenue and expenses described in other IPSASs.**

Basis for Conclusions

BC7. IPSAS 3 has been amended as a result of the IPSASB's consideration of "Improvements to IFRSs" issued by the IASB in May 2008.

Amendment to International Public Sector Accounting Standard 6, "Consolidated and Separate Financial Statements"

Paragraph 58 is amended (new text is underlined and deleted text is struck through). Paragraph BC8 is added.

Accounting for Controlled Entities, Jointly Controlled Entities and Associates in Separate Financial Statements

58. **When <u>an entity prepares</u> separate financial statements ~~are prepared~~, <u>it shall account for</u> investments in controlled entities, jointly controlled entities and associates ~~shall be accounted for~~:**

(a) **Using the equity method as described in IPSAS 7;**

(b) **At cost; or**

(c) **As financial instruments.**

The <u>entity shall apply the</u> same accounting ~~shall be applied~~ for each category of investments.

Basis for Conclusions

<u>BC8. IPSAS 6 has been amended as a result of the IPSASB's consideration of "Improvements to IFRSs" issued by the IASB in May 2008.</u>

Amendments to International Public Sector Accounting Standard 10, "Financial Reporting in Hyperinflationary Economies"

Paragraphs 17, 18 and 22 are amended (new text is underlined and deleted text is struck through).

The Restatement of Financial Statements

17. All other assets and liabilities are non-monetary. Some non-monetary items are carried at amounts current at the reporting date, such as net realizable value and ~~market~~ fair value, so they are not restated. All other non-monetary assets and liabilities are restated.

18. Most non-monetary items are carried at cost or cost less depreciation; hence they are expressed at amounts current at their date of acquisition. The restated cost, or cost less depreciation, of each item is determined by applying to its historical cost and accumulated depreciation the change in a general price index from the date of acquisition to the reporting date. ~~Hence~~For example, property, plant and equipment, ~~investments carried at cost,~~ inventories of raw materials and merchandise, goodwill, patents, trademarks and similar assets are restated from the dates of their purchase. Inventories of partly finished and finished goods are restated from the dates on which the costs of purchase and of conversion were incurred.

22. To determine whether the restated amount of a non-monetary item has become impaired and should be reduced an entity applies relevant impairment tests in international and/or national accounting standards. ~~Hence~~ For example, ~~in such cases,~~ restated amounts of property, plant and equipment, goodwill, patents and trademarks are reduced to recoverable amount or recoverable service amount~~,~~ and restated amounts of inventories are reduced to net realizable value and current replacement cost~~and restated amounts of current investments are reduced to market value~~. An investee that is accounted for under the equity method may report in the currency of a hyperinflationary economy. The statement of financial position and statement of financial performance of such an investee are restated in accordance with this Standard in order to calculate the investor's share of its net assets/equity and ~~results of operations~~ surplus or deficit. Where the restated financial statements of the investee are expressed in a foreign currency they are translated at closing rates.

Amendment to International Public Sector Accounting Standard 14, "Events After the Reporting Date"

Paragraph 16 is amended (new text is underlined and deleted text is struck through). Paragraph BC7 is added.

Recognition and Measurement

Dividends or Similar Distributions

16. If dividends or similar distributions to owners are declared (i.e., the dividends or similar distributions are appropriately authorized and no longer at the discretion of the entity) after the reporting date but before the financial statements are authorized for issue, the dividends or similar distributions are not recognized as a liability at the reporting date because no obligation exists at that time ~~they do not meet the criteria of a present obligation in IPSAS 19~~. Such dividends or similar distributions are disclosed in the notes in accordance with IPSAS 1, "Presentation of Financial Statements. Dividends and similar distributions do not include a return of capital.

Basis for Conclusions

BC7. IPSAS 14 has been amended as a result of the IPSASB's consideration of "Improvements to IFRSs" issued by the IASB in May 2008.

Amendments to International Public Sector Accounting Standard 16, "Investment Property"

Paragraphs 40 and 59 are amended (new text is underlined and deleted text is struck through).

Measurement After Recognition

Accounting Policy

40. IPSAS 3, "Accounting Policies, Changes in Accounting Estimates and Errors" states that a voluntary change in accounting policy shall be made only if the change results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows~~will result in a more appropriate presentation of transactions, other events or conditions in the entity's financial statements~~. It is highly unlikely that a change from the fair value model to the cost model will result in a more ~~appropriate~~ relevant presentation.

Fair Value Model

59. In determining the carrying amount of investment property under the fair value model~~fair value of investment property~~, an entity does not double-count assets or liabilities that are recognized as separate assets or liabilities. For example:

    (a) …

    (d) The fair value of investment property held under a lease reflects expected cash flows (including contingent rent that is expected to become payable). Accordingly, if a valuation obtained for a property is net of all payments expected to be made, it will be necessary to add back any recognized lease liability, to arrive at the ~~fair value~~ carrying amount of the investment property using the fair value model~~for accounting purposes~~.

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