

## Consultation Paper Summary IPSASs and GFS Reporting Guidelines

This summary provides an overview of the Consultation Paper, *IPSASs and GFS Reporting Guidelines*.

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**Project objectives:**

The objective of this project is to further reduce the differences between International Public Sector Accounting Standards (IPSASs) and public sector government finance statistics (GFS) reporting guidelines.

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**The project and stage:**

The IPSASB issued this consultation paper (CP) in October 2012. It was developed by a Task Force which includes representation from both the IPSASB and the statistical community. The comparison of IPSASs and GFS reporting guidelines in Section 2 will also be included in the International Monetary Fund's (IMF's) GFS Manual.

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**Next steps:**

The IPSASB seeks feedback from both the accounting community and the statistical community on opportunities to (a) reduce differences between IPSASs and GFS reporting guidelines, and (b) support governments' use of integrated financial systems that will generate both IPSAS financial statements and GFS reports.

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**Comment deadline:**

The Consultation Paper is open for public comment until March 31, 2013.

## Why is the IPSASB Undertaking this Project?

The IPSASB wants to further reduce the differences between IPSASs and GFS reporting guidelines.

### **Progress with key IPSASB objective**

The convergence of accounting and statistical bases of financial reporting contributes to the IPSASB's objective of developing high quality accounting standards for public sector entities around the world. In 2005, the IPSASB issued a research report on differences between IPSASs and GFS reporting guidelines. It was important to identify the progress that had been made on the report's recommendations.

### **Benefits from using the same data**

Significant benefits can be gained from using a single integrated financial information system to generate both IPSAS financial statements and GFS reports. This will reduce GFS report preparation time, costs, and effort, while improvements can be expected in the source data for these reports, with flow-on benefits in terms of report quality, including timeliness. Improvements to the understandability and credibility of both types of reports are also likely to result.

### **Review of IPSAS 22**

IPSAS 22, *Disclosure of Financial Information about the General Government Sector*, was issued in 2006 in response to one of the 2005 research report recommendations. A review of IPSAS 22 was viewed as necessary.

The report, *International Public Sector Accounting Standards and Statistical Bases of Financial Reporting: An Analysis of Differences and Recommendations for Convergence* made recommendations applicable to both IPSASs and GFS reporting guidelines. This CP identifies the progress that has been made on those recommendations since 2005.

The CP describes the differences between IPSASs and GFS reporting guidelines, then groups them in terms of whether they can be (a) managed by preparers, (b) addressed through IPSAS developments, or (c) addressed through GFS reporting guidelines.

Since IPSAS 22's issuance, there have been significant developments, including revisions to the GFS related pronouncements referred to in IPSAS 22. This CP considers the option of revising IPSAS 22, but also proposes more fundamental changes with respect to IPSAS 22.

## Comparison of IPSASs and GFS Reporting Guidelines

IPSASs and GFS reporting guidelines have much in common.

There are also differences, some of which are fundamental and will remain, while others can be addressed.

### Common Ground

IPSAS financial statements and GFS reports both show:

- (a) Financial, accrual-based information,
- (b) A government's assets, liabilities, revenue, and expenses, and
- (c) Comprehensive information on cash flows.

The two reporting frameworks that govern this financial, accrual-based information — IPSASs and GFS reporting guidelines — have considerable overlap.

### Differences

Objectives

GFS reports evaluate a government's impact on the economy. Financial statements are used for accountability and to support decision making.

Reporting entity

GFS and IPSASs both apply the concept of control to identify subunits. Units engaged in market activities are excluded from GFS's *General Government Sector*. Financial statements report on all controlled entities.

Recognition criteria

GFS does not recognize some liabilities that IPSASs do recognize.

Valuation (measurement)

IPSASs use fair value, historic cost and other bases. GFS measurement is restricted to current values.

Revaluations and other value changes

GFS reports distinguish between value and volume changes. Financial statements tend to distinguish between realized and unrealized gains (losses).

Presentation and terminology differences

Differences with respect to: (a) statement names, (b) classification structures, (c) level of detail, (d) disclosure of additional information, and (e) key statement totals.

## Management of Differences

The CP describes ways that preparers can manage the differences between IPSAS requirements and GFS reporting guidelines.

By managing any material differences preparers can use a single, integrated financial information system to generate data for both IPSAS financial statements and GFS reports.

The CP asks whether the IPSASB, with the statistical community, should develop guidance on the development of integrated Charts of Accounts.

Type of Difference	Management of Difference
Reporting entity	<i>Chart of Accounts (CoA) design:</i> Include additional codes to identify items included in GPFRs but not in GGS (or vice versa)
Recognition criteria	<i>CoA design:</i> Include additional codes that identify items that are not recognized in GFS statements <i>Choice of accounting policy option</i> Where IPSAS allows a GFS aligned recognition option, choose that policy <sup>1</sup> <i>Produce additional data:</i> Generate the necessary data for GFS report needs
Valuation (measurement)	To address valuation differences, either use choice of accounting policy option, or produce additional data
Revaluations and other value changes & presentation and terminology differences	To address (a) revaluation and other value changes, and (b) presentation and terminology differences, use <i>CoA design</i> to include GFS code to identify items that belong in specific statements, aggregate totals and/or supplementary schedules

<sup>1</sup> In order to meet GPFRs' objectives and qualitative characteristics preparers must choose accounting policies with the aim of achieving faithful representation of the reporting entity's finances. Within these constraints, preparers can improve the support that financial statement data provides for statistical reporting (and reduce the need to collect extra data), by adopting accounting policies for their financial statements that meet both IPSAS and GFS reporting requirements.

## Opportunities to reduce differences: IPSASs

The CP describes possible ways that the IPSASB could support the reduction of differences between IPSASs and GFS reporting guidelines.

### Opportunities

Potential changes to the IPSASB's standard-setting approach

The CP lists potential changes that could mean that the IPSASB takes a more systematic approach to reducing differences. The five possible changes for consideration range from (a) a positive commitment to avoid all unnecessary differences to (e) inclusion of GFS comparisons in all IPSASs.

Possible IPSAS developments to address differences

The CP lists issues that constituents may wish the IPSASB to consider for inclusion in its work program. Issues identified include (a) reporting entity definition, (b) currency on issue (seignorage), (c) subscriptions to international organizations, (d) inventory measurement, (e) defense weapons — capitalization and classification, (f) measurement of assets, liabilities, and net assets/equity, and, (g) financial statement presentation.

IPSAS 22 Options

The CP proposes the following three IPSAS 22 options for consideration:

- (a) Revisions to improve IPSAS 22,
- (b) Withdrawal of IPSAS 22 without replacement, and
- (c) Replacement of IPSAS 22 with a new IPSAS.

Guidance on GFS-aligned accounting policy options within IPSASs

The CP includes a Preliminary View that the IPSASB should amend Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities*, to include a chapter on IPSAS options that reduce differences with GFS reporting guidelines.

## Opportunities to reduce differences: GFS Reporting Guidelines

The CP describes possible ways that the statistical community could support the reduction of differences between IPSASs and GFS reporting guidelines

### Opportunities

Use accounting data for GFS reporting

Preparers of GFS reports should start with a presumption that accounting data will be used. GFS report preparers should only consider alternative sources of data, and alternative measurement approaches if the financial reporting data has clearly failed to address GFS issues.

Measurement of assets, liabilities, and net assets/equity

There appear to be ways to address differences in how current value measurements are determined. Three areas of particular concern are the valuation of (a) assets for which there is no active and liquid market; (b) heritage assets; and (c) long-lived, specialized assets, for which market prices are unavailable. Discussions between the IPSASB, the IVSC, and representatives of the statistical community could develop a comprehensive, agreed-upon description of IPSAS/SNA valuation differences, their significance, and scope to address them. Then this could be considered for implications for IPSASs and GFS reporting guidelines.

Other specific issues

Issues raised for consideration include (a) reporting on extractive industries, (b) subscriptions to international organizations, (c) costs associated with intangibles assets.

## Next Steps:

The deadline for comments is March 31, 2013.

During the comment period, the IPSASB members are available to discuss the proposals with a wide range of parties.

### How can I comment on the proposals?

The CP requests comments on the Preliminary View of the IPSASB and the Specific Matters for Comment.

Respondents may choose to provide comments and answers on the Preliminary View and all Specific Matters for Comment or just selected views or matters for comment. They are also welcome to comment on any other matter they think the IPSASB should consider in forming its views.

Respondents are asked to submit their comments electronically through the IPSASB website, using the "[Submit a Comment](#)" link. Please submit comments in both a PDF file and a Word file. Website submission is preferred, but comments can also be sent to Stephenie Fox, IPSASB Technical Director, at [stepheniefox@ipsasb.org](mailto:stepheniefox@ipsasb.org).

Comment letters will be posted on the IPSASB website.

The IPSASB will carefully consider all feedback and discuss responses at its public meetings after the comment period has ended.

### Stay informed

The IPSASB will announce on its website the dates and locations of meetings to discuss feedback on the CP.

To stay up to date about the project, please visit: <http://www.ifac.org/public-sector/projects/alignment-ipsass-and-public-sector-statistical-reporting-guidance>