

**INTERNATIONAL PUBLIC SECTOR
ACCOUNTING STANDARDS**

**IPSAS 33—FIRST-TIME ADOPTION OF ACCRUAL BASIS
INTERNATIONAL PUBLIC SECTOR ACCOUNTING
STANDARDS (IPSASS)**

IPSAS®

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History of IPSAS

This version includes amendments resulting from IPSASs issued up to January 31, 2019.

IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)* was issued in January 2015.

Since then, IPSAS 33 has been amended by the following IPSASs:

- IPSAS 42, *Social Benefits* (issued January 2019)
- *Improvements to IPSAS 2018* (issued October 2018)
- IPSAS 41, *Financial Instruments* (issued August 2018)
- IPSAS 40, *Public Sector Combinations* (issued January 2017)
- IPSAS 39, *Employee Benefits* (issued July 2016)
- *The Applicability of IPSASs* (issued April 2016)
- *Improvements to IPSASs 2015* (issued April 2016)

Table of Amended Paragraphs in IPSAS 33

| Paragraph Affected | How Affected | Affected By |
|---------------------------|---------------------|---|
| 7 | Deleted | The Applicability of IPSASs April 2016 |
| 8 | Deleted | The Applicability of IPSASs April 2016 |
| 36 | Amended | IPSAS 39 July 2016 IPSAS 41 August 2018 IPSAS 42 January 2019 |
| 39 | Amended | Improvements to IPSASs April 2016 |
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| 78 | Amended | Improvements to IPSAS October 2018 |
| 79 | Amended | Improvements to IPSAS October 2018 |
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| 102 | Amended | IPSAS 39 July 2016 |
| 104 | Amended | IPSAS 39 July 2016 |
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| 114 | Amended | IPSAS 41 August 2018 |
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| 116 | Amended | IPSAS 41 August 2018 |
| 117 | Amended | IPSAS 41 August 2018 |
| 118 | Amended | IPSAS 41 August 2018 |
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| 119B | New | IPSAS 41 August 2018 |
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| 124 | Amended | IPSAS 41 August 2018 |
| 129 | Amended | IPSAS 40 January 2017 |
| 130 | Amended | IPSAS 40 January 2017 |
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| 134A | New | IPSAS 42 January 2019 |
| 134B | New | IPSAS 42 January 2019 |
| 142 | Amended | Improvements to IPSAS October 2018 |
| 154A | New | The Applicability of IPSASs April 2016 |
| 154B | New | IPSAS 39 July 2016 |
| 154C | New | IPSAS 40 January 2017 |
| 154D | New | IPSAS 41 August 2018 |
| 154E | New | Improvements to IPSAS October 2018 |
| 154F | New | Improvements to IPSAS October 2018 |
| 154G | New | IPSAS 42 January 2019 |

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| IG68 | Amended | IPSAS 41 August 2018 |
| IG69 | Amended | IPSAS 41 August 2018 |
| IG70 | Amended | IPSAS 41 August 2018 |
| IG71 | Amended | IPSAS 41 August 2018 |
| IG74 | Amended | IPSAS 41 August 2018 |
| IG91 | Amended | IPSAS 41 August 2018 Improvements to IPSAS October 2018 IPSAS 42 January 2019 |
| Appendix | Amended | IPSAS 41 August 2018 |

**IPSAS 33—FIRST-TIME ADOPTION OF ACCRUAL BASIS
INTERNATIONAL PUBLIC SECTOR ACCOUNTING
STANDARDS (IPSASs)**

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International Public Sector Accounting Standard 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)* is set out in paragraphs 1–154. All the paragraphs have equal authority. IPSAS 33 should be read in the context of its objective, the Basis for Conclusions, the *Preface to International Public Sector Accounting Standards*, and the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*. 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.

Objective

1. The objective of this Standard is to provide guidance to a first-time adopter that prepares and presents financial statements following the adoption of accrual basis IPSASs, in order to present high quality information:
 - (a) That provides transparent reporting about a first-time adopter's transition to accrual basis IPSASs;
 - (b) That provides a suitable starting point for accounting in accordance with accrual basis IPSASs irrespective of the basis of accounting the first-time adopter has used prior to the date of adoption; and
 - (c) Where the benefits are expected to exceed the costs.

Scope

2. **An entity shall apply this IPSAS when it prepares and presents its annual financial statements on the adoption of, and during the transition to, accrual basis IPSASs.**
3. This IPSAS applies when an entity first adopts accrual basis IPSASs and during the transitional period allowed in this IPSAS. It does not apply when, for example, a first-time adopter:
 - (a) Stops presenting financial statements in accordance with prescribed requirements, having previously presented them as well as another set of financial statements that contained an explicit and unreserved statement of compliance with accrual basis IPSASs;
 - (b) Presented financial statements in the previous reporting period in accordance with prescribed requirements and those financial statements contained an explicit and unreserved statement of compliance with accrual basis IPSASs; or
 - (c) Presented financial statements in the previous reporting period that contained an explicit and unreserved statement of compliance with accrual basis IPSASs, even if the auditors modified their audit report on those financial statements.
4. This Standard shall be applied from the date on which a first-time adopter adopts accrual basis IPSASs and during the period of transition. This Standard permits a first-time adopter to apply transitional exemptions and provisions that may impact fair presentation. Where these transitional exemptions and provisions are applied, a first-time adopter is required to disclose information about the transitional exemptions and provisions adopted, and progress towards fair presentation and compliance with accrual basis IPSASs.
5. At the end of the transitional period a first-time adopter must comply with the recognition, measurement, presentation and disclosure requirements in the

other accrual basis IPSAS in order to assert compliance with accrual basis IPSASs as required in IPSAS 1, *Presentation of Financial Statements*.

6. This IPSAS does not apply to changes in accounting policies made by an entity that already applies IPSASs. Such changes are the subject of:
 - (a) Requirements on changes in accounting policies in IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*; and
 - (b) Specific transitional requirements in other IPSASs. The transitional provisions in other IPSASs apply only to changes in accounting policies made by an entity that already applies accrual basis IPSASs; they do not apply to a first-time adopter's transition to IPSASs, except as specified in this IPSAS.
7. [Deleted]
8. [Deleted]

Definitions

9. **The following terms are used in this Standard with the meanings specified:**

Date of adoption of IPSASs is the date an entity adopts accrual basis IPSASs for the first time, and is the start of the reporting period in which the first-time adopter adopts accrual basis IPSASs and for which the entity presents its first transitional IPSAS financial statements or its first IPSAS financial statements.

Deemed cost is an amount used as a surrogate for acquisition cost or depreciated cost at a given date.

First IPSAS financial statements are the first annual financial statements in which an entity complies with the accrual basis IPSASs and can make an explicit and unreserved statement of compliance with those IPSASs because it adopted one or more of the transitional exemptions in this IPSAS that do not affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis IPSASs.

First-time adopter is an entity that adopts accrual basis IPSASs for the first time and presents its first transitional IPSAS financial statements or its first IPSAS financial statements.

Opening statement of financial position is a first-time adopter's statement of financial position at the date of adoption of IPSASs.

Period of transition is the period during which a first-time adopter applies one or more of the exemptions in this IPSAS before it complies with the accrual basis IPSASs, and before it is able to make an explicit and unreserved statement of such compliance with IPSASs.

Previous basis of accounting is the basis of accounting that a first-time adopter used immediately before adopting accrual basis IPSASs.

Transitional IPSAS financial statements are the financial statements prepared in accordance with this IPSAS where a first-time adopter cannot make an explicit and unreserved statement of compliance with other IPSASs because it adopted one or more of the transitional exemptions in this IPSAS that affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis IPSASs.

Terms defined in other IPSASs are used in this Standard with the same meaning as in those Standards, and are reproduced in the *Glossary of Defined Terms* published separately.

Date of Adoption of IPSASs

10. The date of adoption of IPSASs is the date that an entity adopts accrual basis IPSASs for the first time. It is the start of the reporting period in which the first-time adopter adopts accrual basis IPSASs and for which it presents its first transitional IPSAS financial statements or its first IPSAS financial statements. If a first-time adopter takes advantage of the exemptions in this IPSASs that affect fair presentation and compliance with accrual basis IPSASs (see paragraphs 36–62) in producing its first transitional IPSAS financial statements, it can only make an explicit and unreserved statement of compliance with accrual basis IPSASs when the exemptions that provided the relief have expired, and/or when the relevant items are recognized, measured and/or the relevant information is presented and/or disclosed in the financial statements in accordance with the applicable IPSASs (whichever is earlier). Financial statements shall not be described as complying with IPSASs unless they comply with all the requirements of all the applicable IPSASs.

First IPSAS Financial Statements

11. An entity's first IPSAS financial statements are the first annual financial statements in which the first-time adopter can make an explicit and unreserved statement in those financial statements of compliance with accrual basis IPSASs. If a first-time adopter does not adopt the exemptions in this IPSAS that affect fair presentation and compliance with accrual basis IPSASs (see paragraphs 36–62), its first financial statements following the adoption of accrual basis IPSASs will also be its first IPSAS financial statements.

Previous Basis of Accounting

12. The previous basis of accounting is the basis of accounting that a first-time adopter used immediately before adopting accrual basis IPSASs. This might be a cash basis of accounting, an accrual basis of accounting, a modified version of either a cash basis or an accrual basis of accounting, or another prescribed basis.

Transitional IPSAS Financial Statements

13. An entity's transitional IPSAS financial statements are the annual financial statements in which an entity transitions to accrual basis IPSASs and adopts certain exemptions in this IPSAS that affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis IPSASs. If a first-time adopter adopts the exemptions in this IPSASs that affect fair presentation and compliance with accrual basis IPSASs (see paragraphs 36–62), it will not be able to make an explicit and unreserved statement of compliance with other accrual basis IPSASs until the exemptions that provided the relief in this IPSAS have expired and/or when the relevant items are recognized, measured and/or the relevant information has been presented and/or disclosed in accordance with the applicable IPSASs (whichever is earlier). Financial statements shall not be described as complying with IPSASs unless they comply with all the requirements of all the applicable IPSASs.
14. An entity's transitional IPSAS financial statements are those financial statements, where the entity transitions from another accounting basis such as when it:
 - (a) Prepared its most recent previous financial statements in accordance with the IPSAS, *Financial Reporting Under the Cash Basis of Accounting*;
 - (b) Presented its most recent previous financial statements:
 - (i) In accordance with prescribed requirements that are not consistent with IPSASs in all respects;
 - (ii) In conformity with IPSASs in all respects, except that the financial statements did not contain an explicit and unreserved statement that they complied with IPSASs;
 - (iii) Containing an explicit statement of compliance with some, but not all, IPSASs, including the adoption of the exemptions provided in this IPSAS that affect fair presentation and compliance with accrual basis IPSASs (see paragraphs 36–62);
 - (iv) In accordance with prescribed requirements inconsistent with IPSASs, using some individual IPSASs to account for items for which prescribed requirements did not exist; or
 - (v) In accordance with prescribed requirements, with a reconciliation of some amounts to the amounts determined in accordance with IPSASs;
 - (c) Prepared financial statements in accordance with IPSASs for internal use only, without making them available to external users;
 - (d) Prepared a reporting package in accordance with IPSASs for consolidation purposes without preparing a complete set of financial statements as defined in IPSAS 1; or

- (e) Did not present financial statements for previous periods.

Recognition and Measurement

Opening Statement of Financial Position on Adoption of IPSASs

15. **A first-time adopter shall prepare and present an opening statement of financial position at the date of adoption of IPSASs. This is the starting point for its accounting in accordance with accrual basis IPSASs.**

Accounting Policies

16. **On the date of adoption of accrual basis IPSASs, a first-time adopter shall apply the requirements of the IPSASs retrospectively except if required, or otherwise permitted, in this IPSAS.**
17. **A first-time adopter shall use the same accounting policies in its opening statement of financial position and throughout all periods presented, except as specified in paragraphs 36–134. The accounting policies shall comply with each IPSAS effective at the date of adoption of IPSASs, except as specified in paragraphs 36–134.**
18. A first-time adopter that takes advantage of the exemptions in paragraph 36–134 will be required to amend its accounting policies after the exemptions that provided the relief have expired and/or when the relevant items are recognized, measured and/or the relevant information is presented and/or disclosed in the financial statements in accordance with the applicable IPSASs (whichever is earlier).
19. A first-time adopter shall apply the versions of accrual basis IPSASs effective at the date of adoption of IPSASs. A first-time adopter may apply a new IPSAS that is not yet mandatory if that IPSAS permits early application. Any new IPSASs that become effective during the period of transition shall be applied by the first-time adopter from the date it becomes effective.
20. Except as described in paragraphs 36–134, a first-time adopter shall, in its opening statement of financial position:
- (a) Recognize all assets and liabilities whose recognition is required by IPSASs;
 - (b) Not recognize items as assets or liabilities if IPSASs do not permit such recognition;
 - (c) Reclassify items that it recognized in accordance with the previous basis of accounting as one type of asset, liability or component of net assets/equity, but are a different type of asset, liability or component of net assets/equity in accordance with IPSASs; and
 - (d) Apply IPSASs in measuring all recognized assets and liabilities.

21. The accounting policies that a first-time adopter uses in financial statements may differ from those that it used at the end of its comparative period under its previous basis of accounting. The resulting adjustments arise from transactions, other events or conditions before the date of adoption of IPSASs. Therefore, a first-time adopter shall recognize those adjustments to the opening balance of accumulated surplus or deficit in the period in which the items are recognized and/or measured (or, if appropriate, another category of net assets/equity). The first-time adopter shall recognize these adjustments in the earliest period presented.
22. The transitional exemptions and provisions in other IPSAS apply to changes in accounting policies made by an entity that already applies accrual basis IPSASs. The transitional exemptions and provisions in this IPSAS applies to a first-time adopter that prepares and presents its annual financial statements on the adoption of, and during the transition to accrual basis IPSASs.

Exceptions to the Retrospective Application of IPSASs

23. **A first-time adopter's estimates in accordance with IPSASs at the date of adoption of IPSASs, shall be consistent with estimates made in accordance with the previous basis of accounting (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were inconsistent with the requirements in IPSASs.**
24. This IPSAS prohibits retrospective application of some aspects of accrual basis IPSASs. A first-time adopter may receive information after the date of adoption of IPSASs about estimates that it had made under its previous basis of accounting. In accordance with paragraph 23, a first-time adopter shall treat the receipt of that information in the same way as non-adjusting events after the reporting period in accordance with IPSAS 14, *Events after the Reporting Period*.
25. A first-time adopter may need to make estimates in accordance with IPSASs at the date of adoption of IPSASs or during the period of transition that were not required at that date under the previous basis of accounting. To achieve consistency with IPSAS 14, those estimates in accordance with IPSASs shall reflect conditions that existed at the date of adoption of IPSASs or at the date during the period of transition. In particular, estimates determined at the date of adoption of IPSASs or during the period of transition of market prices, interest rates or foreign exchange rates shall reflect market conditions at that date. For non-financial assets, such as property, plant and equipment, estimates about the asset's useful life, residual value or condition reflect management's expectations and judgment at the date of adoption of IPSASs or the date during the period of transition.
26. Paragraphs 23–25 apply to the opening statement of financial position. They also apply to a comparative period where an entity elects to present comparative information in accordance with paragraph 78, in which case the

references to the date of adoption of IPSASs are replaced by references to the end of that comparative period.

Fair Presentation and Compliance with IPSASs

27. **A first-time adopter's first IPSAS financial statements shall fairly present the financial position, financial performance, and cash flows of the entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSASs. If a first-time adopter takes advantage of the exemptions in paragraphs 36–62, these exemptions will affect the fair presentation of the financial statements and the first-time adopter's ability to assert compliance with accrual basis IPSASs, until the exemptions that provided the relief have expired and/or when the relevant items are recognized and/or measured in accordance with the applicable IPSAS (whichever is earlier).**
28. **A first-time adopter shall claim full compliance with IPSASs only when it has complied with all the requirements of the applicable IPSASs effective at that date, subject to paragraph 11. If a first-time adopter adopts one or more of the exemptions in paragraph 36–62, the fair presentation of the financial statements and its ability to assert compliance with accrual basis IPSASs will be affected. An entity's whose financial statements comply with IPSASs shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with IPSASs unless they comply with all the requirements of IPSASs, and shall be qualified as accrual basis IPSAS complaint financial statements.**
29. In accordance with paragraph 29 of IPSAS 1 fair presentation is achieved in virtually all circumstances by compliance with applicable IPSASs. For a first-time adopter to claim full compliance with IPSASs, all the requirements of the applicable IPSASs needs to be complied with to ensure that information is presented in a manner that meets the qualitative characteristics, subject to paragraph 11.
30. The exemptions in paragraphs 36–62 provide relief from the recognition, measurement, presentation and/or disclosure requirements in IPSASs on the date of adoption of IPSASs and during the period of transition. A first-time adopter may elect to adopt these exemptions, but shall consider that applying these exemptions will affect the fair presentation of its financial statements and its ability to assert compliance with accrual basis IPSASs in accordance with paragraphs 27 and 28 until the exemptions that provided the relief have expired and/or when the relevant items are recognized, measured, and/or the relevant information is presented and/or disclosed in the financial statements in accordance with the applicable IPSASs (whichever is earlier). Before making use of such exemptions, a first-time adopter shall consider all the relevant facts and circumstances and the potential effect on its financial statements.

31. **A first-time adopter shall assess whether the transitional exemptions adopted affect the fair presentation of the financial statements and the first-time adopter's ability to assert compliance with accrual basis IPSASs.**
32. For example, a first-time adopter adopts the three year transitional relief period for the recognition and measurement of traffic fines because insufficient data is available about the value of fines issued, fines written off, the compromises reached with offenders etc. The relief period is not applied to any other class of non-exchange revenue. The revenue received from fines is not material in relation to the financial statements as a whole. The entity concludes that, by adopting the transitional exemption and provisions, fair presentation and compliance with IPSASs will not be affected. As a result, the first-time adopter will still be able to achieve fair presentation and assert compliance with accrual basis IPSASs at the date of adoption of accrual basis IPSASs or during the period of transition.

Exemptions that Affect Fair Presentation and Compliance with Accrual Basis IPSASs during the Period of Transition

33. **A first-time adopter may adopt the exemptions in paragraphs 36–62. These exemptions will affect the fair presentation of a first-time adopter's financial statements and its ability to assert compliance with accrual basis IPSASs during the period of transition in accordance with paragraphs 27 and 28 while they are applied. A first-time adopter shall not apply these exemptions by analogy to other items.**
34. **Notwithstanding the exemptions provided in paragraphs 36–62 a first-time adopter is encouraged to comply in full with all the requirements of the applicable IPSASs as soon as possible.**
35. **To the extent that a first-time adopter applies the exemptions in paragraph 36–62, it is not required to apply any associated presentation and/or disclosure requirements in the applicable IPSASs until the exemptions that provided the relief have expired or the relevant items are recognized and/or measured in the financial statements in accordance with the applicable IPSASs (whichever is earlier).**

Three Year Transitional Relief Period for the Recognition and/or Measurement of Assets and/or Liabilities

Recognition and/or Measurement of Assets and/or Liabilities

36. **Where a first-time adopter has not recognized assets and/or liabilities under its previous basis of accounting, it is not required to recognize and/or measure the following assets and/or liabilities for reporting periods beginning on a date within three years following the date of adoption of IPSASs:**

- (a) **Inventories (see IPSAS 12, *Inventories*);**
 - (b) **Investment property (see IPSAS 16, *Investment Property*);**
 - (c) **Property, plant and equipment (see IPSAS 17, *Property, Plant and Equipment*);**
 - (d) **Defined benefit plans and other long-term employee benefits (see IPSAS 39, *Employee Benefits*);**
 - (e) **Biological assets and agricultural produce (see IPSAS 27, *Agriculture*);**
 - (f) **Intangible assets (see IPSAS 31, *Intangible Assets*);**
 - (g) **Service concession assets and the related liabilities, either under the financial liability model or the grant of a right to the operator model (see IPSAS 32, *Service Concession Arrangements: Grantor*);**
 - (h) **Financial instruments (see IPSAS 41, *Financial Instruments*); and**
 - (i) **Social benefits (see IPSAS 42, *Social Benefits*).**
37. **Where a first-time adopter applies the exemption in paragraph 36(d), it shall recognize the obligation and any related plan assets at the same time.**
38. **Where a first-time adopter has recognized the assets and/or liabilities included in paragraph 36 under its previous basis of accounting, it is not required to change its accounting policy(ies) in respect of the measurement of these assets and/or liabilities for reporting periods beginning on a date within three years following the date of adoption of IPSASs.**
39. Subject to paragraphs 36 and 38, a first-time adopter is not required to change its accounting policy(ies) in respect of the recognition and/or measurement of assets and/or liabilities for reporting periods beginning on a date within three years following the date of adoption of IPSASs. The transitional exemptions in paragraphs 36 and 38 are intended to allow a first-time adopter a period to develop reliable¹ models for recognizing and/or measuring its assets and/or liabilities during the period of transition. The first-time adopter may apply accounting policies for the recognition and/or measurement of such assets and/or liabilities that do not comply with the provisions of other IPSASs.
40. **Subject to the provisions of paragraphs 36 and 38, a first-time adopter shall only change its accounting policies during the period of transition to better conform to the accounting policies in accrual basis IPSASs, and may retain its existing accounting policies until the exemptions that provided the relief**

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC16 of IPSAS 1 discusses the transitional approach to the explanation of reliability.

have expired or when the relevant items are recognized and/or measured in the financial statements in accordance with the applicable IPSASs (whichever is earlier). A first-time adopter may change its accounting policy in respect of the recognition and/or measurement of assets and/or liabilities on a class-by-class or category-by-category basis where the use of classes or categories is permitted in the applicable IPSAS.

41. **To the extent that a first-time adopter applies the exemptions in paragraphs 36 and 38 which allows a three year transitional relief period to not recognize and/or measure financial assets, it is not required to recognize and/or measure any related revenue in terms of IPSAS 9, *Revenue from Exchange Transactions*, or other receivables settled in cash or another financial asset in terms of IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*.**

Recognition and/or Measurement of Non-Exchange Revenue

42. **A first-time adopter is not required to change its accounting policy in respect of the recognition and measurement of non-exchange revenue for reporting periods beginning on a date within three years following the date of adoption of IPSASs. A first-time adopter may change its accounting policy in respect of revenue from non-exchange transactions on a class-by-class basis.**
43. The transitional provision in paragraph 42 is intended to allow a first-time adopter a period to develop reliable models for recognizing and measuring revenue from non-exchange transactions in accordance with IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)* during the period of transition. The first-time adopter may apply accounting policies for the recognition and/or measurement of revenue from non-exchange transactions that do not comply with the provisions of IPSAS 23. The transitional provision in paragraph 42 allows a first-time adopter to apply IPSAS 23 incrementally to different classes of revenue from non-exchange transactions. For example, a first-time adopter may be able to recognize and measure property taxes and some other classes of transfers in accordance with IPSAS 23 from the date of adoption of IPSASs, but may require three years to fully develop a reliable model for recognizing and measuring income tax revenue.

Other Exemptions

IPSAS 5, Borrowing Costs

44. **Where a first-time adopter applies the exemption in paragraph 36 which allows a three year transitional relief period to not recognize and/or measure assets, and elects to account for borrowing costs in terms of the allowed alternative treatment, it is not required to capitalize any borrowing costs on qualifying assets for which the commencement date for capitalization is prior to the date of adoption of accrual basis IPSASs,**

until the exemption that provided the relief has expired and/or when the relevant assets are recognized and/or measured in accordance with the applicable IPSASs (whichever is earlier).

45. Paragraph 36 allows a first-time adopter to not, recognize and/or measure assets in accordance with IPSASs 16, 17, 27, 31 and 32 for a period of up to three years from the date of adoption of IPSASs. During this period, a first-time adopter may need to consider the requirements of those IPSASs at the same time as the capitalization of borrowing costs where it applies the allowed alternative method. Where a first-time adopter takes advantage of the transitional exemption period for the recognition and/or measurement of assets in accordance with IPSASs 16, 17, 27, 31 and 32 it is not required to capitalize borrowing costs incurred on qualifying assets prior, or during the period of transition. Only when the exemptions that provided the relief have expired, and/or when the relevant assets are recognized and/or measured in accordance with the applicable IPSASs (whichever is earlier) will a first-time adopter be allowed to capitalize borrowing costs incurred on the qualifying assets in accordance with the allowed alternative treatment.

IPSAS 13, Leases

46. **Where a first-time adopter takes advantage of the exemption in paragraph 36 which allows a three year transitional relief period to not recognize assets, it is not required to apply the requirements related to finance leases until the exemption that provided the relief has expired, and/or when the relevant assets are recognized in accordance with the applicable IPSASs (whichever is earlier).**
47. This IPSAS allows a first-time adopter a period of up to three years from the date of adoption of IPSASs to not recognize assets in accordance with IPSASs 16, 17, 27, 31 and 32. During this period, a first-time adopter may need to consider the recognition requirements of those IPSASs at the same time as considering the recognition of finance leases in this IPSAS. Where a first-time adopter takes advantage of the exemption in accordance with IPSASs 16, 17, 27, 31 and 32 it is not required to recognize finance lease assets and/or liabilities until the exemptions that provided the relief have expired, and/or when the relevant assets are recognized in accordance with the applicable IPSASs (whichever is earlier).

IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets

48. **Where a first-time adopter takes advantage of the exemption in paragraph 36 which allows a three year transitional relief period to not recognize and/or measure property, plant and equipment, it is not required to recognize and/or measure the liability relating to the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located until the exemption for IPSAS 17 has expired, and/or the relevant asset is recognized and/or measured in accordance with IPSAS 17 (whichever is earlier).**

49. This IPSAS allows a first-time adopter a period of up to three years from the date of adoption of IPSASs to not recognize and/or measure property, plant and equipment. IPSAS 17 requires an entity to include as part of the cost of an item of property, plant and equipment, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Where a first-time adopter takes advantage of the exemption that allows a three year transitional relief period for the recognition and/or measurement of property, plant and equipment, a first-time adopter is not required to apply the requirements related to the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located until the exemption that provided the relief has expired, and/or when the relevant asset is recognized and/or measured in accordance with IPSAS 17 (whichever is earlier). The liability shall be measured as at the date of adoption of IPSASs, or where a first-time adopter has taken advantage of the exemption that allows a three year transitional relief period for the recognition and/or measurement of an asset, the date on which the exemption that provides the relief has expired and/or the asset has been recognized and/or measured in accordance with the applicable IPSASs.
50. **Where a first-time adopter takes advantage of the exemption in paragraph 48, it shall recognize and/or measure the obligation and any related asset at the same time.**

IPSAS 20, Related Party Disclosures

51. **A first-time adopter is not required to disclose related party relationships, related party transactions and information about key management personnel for reporting periods beginning on a date within three years following the date of adoption of IPSASs.**
52. **Notwithstanding the transitional provision in paragraph 51, a first-time adopter is encouraged to disclose information about related party relationships, related party transactions and information about key management personnel that is known at the date of adoption of IPSAS.**

IPSAS 34, Separate Financial Statements, IPSAS 35, Consolidated Financial Statements and IPSAS 36, Investments in Associates and Joint Ventures

53. **Where a first-time adopter has not recognized its interests in controlled entities, associates or joint ventures under its previous basis of accounting, it is not required to recognize and/or measure its interests in other entities as a controlled entity, associate or joint venture for reporting periods beginning on a date within three years following the date of adoption of accrual basis IPSAS.**
54. Subject to paragraph 53, a first-time adopter is not required to change its accounting policy in respect of the recognition and/or measurement of its interests in controlled entities, associates or joint ventures for reporting periods beginning on a date within three years following the date of adoption of IPSASs. The

transitional exemption in paragraph 53 is intended to allow a first-time adopter a period to identify and appropriately classify its interests in other entities as either controlled entities, associates or joint ventures during the period of transition. The first-time adopter may apply accounting policies for the recognition and/or measurement of its interests in controlled entities, associates or joint ventures that do not comply with the provisions of other IPSASs.

IPSAS 35, Consolidated Financial Statements

55. **Subject to paragraph 53, a first-time adopter shall present consolidated financial statements following the adoption of accrual basis IPSASs. A first-time adopter presenting consolidated financial statements is, however, not required to eliminate all balances, transactions, revenue and expenses between entities within the economic entity for reporting periods beginning on a date within three years following the date of adoption of IPSASs.**
56. On adoption of IPSASs, an entity may have controlled entities with a significant number of transactions between controlled entities. Accordingly, it may be difficult to identify some transactions and balances that need to be eliminated for the purpose of preparing the consolidated financial statements of the economic entity. For this reason, paragraph 55 provides relief for a period of up to three years to fully eliminate balances, transactions, revenue and expenses between entities within the economic entity.
57. **Notwithstanding the transitional exemption in paragraph 55, a first-time adopter is encouraged to eliminate those balances, transactions, revenue and expenses that are known on the date of adoption of IPSASs to comply in full with the provisions of IPSAS 35 as soon as possible.**
58. **Where a first-time adopter has taken advantage of the transitional exemption in paragraph 53 and/or paragraph 55, it shall not present financial statements as consolidated financial statements until:**
- (a) **The exemptions that provided the relief have expired; and**
 - (b) **Its interests in other entities have been appropriately recognized and/or measured as controlled entities, associates or joint ventures; or**
 - (c) **Inter-entity balances, transactions, revenue and expenses between entities within the economic entity are eliminated (whichever is earlier).**

IPSAS 36, Investments in Associates and Joint Ventures

59. **When a first-time adopter applies the equity method on adoption of IPSAS 36, the investor is not required to eliminate its share in the surplus and deficit resulting from upstream and downstream transactions between the investor and its associate or joint venture for reporting periods beginning on a date within three years following the date of adoption of IPSASs.**

60. On adoption of IPSASs, a first-time adopter may be an investor in one or more associates or joint ventures with a significant number of upstream and downstream transactions between the investor and the investee. Accordingly, it may be difficult to identify some upstream and/or downstream transactions in which the investor's share in the associate's or joint venture's surplus or deficit needs to be eliminated in applying the equity method. For this reason, paragraph 59 provides the investor relief with a period of up to three years to fully eliminate its share in the associate's or joint venture's surplus or deficit resulting from upstream and/or downstream transactions.
61. **Notwithstanding the transitional exemption in paragraph 59, a first-time adopter is encouraged to eliminate its share in the associate's and joint venture's surplus and deficit resulting from upstream and downstream transactions that are known on the date of adoption of IPSASs, to comply in full with the provisions of IPSAS 36 as soon as possible.**
62. **Where a first-time adopter has taken advantage of the transitional exemption in paragraph 53 and/or paragraph 59, it shall not present financial statements in which investments in associates or joint ventures are accounted for using the equity method until:**
- (a) **The exemptions that provided the relief have expired; and**
 - (b) **The interest in other entities have been appropriately recognized and/or measured as an associate or joint venture; or**
 - (c) **Its share in the associate's surplus and deficit resulting from upstream and downstream transactions between the investor and the investee are eliminated (whichever is earlier).**

IPSAS 40, Public Sector Combinations

- 62A. **Where a first-time adopter applies the exemption in paragraph 36 which allows a three year transitional relief period to not recognize and/or measure assets and/or liabilities, the first-time adopter may be a party to a public sector combination during that three year transitional relief period. The first-time adopter is not required to recognize and/or measure the assets and/or liabilities associated with the public sector combination, until the exemption that provided the relief has expired and/or when the relevant assets and/or liabilities are recognized and/or measured in accordance with the applicable IPSASs (whichever is earlier).**
- 62B. **Where a first-time adopter applies the exemption in paragraph 62A it shall not recognize goodwill in respect of an acquisition. The first-time adopter shall recognize the difference between (a) and (b) below in net assets/equity:**
- (a) **The aggregate of:**
 - (i) **Any consideration transferred;**

- (ii) **Any non-controlling interests in an acquired operation; and**
 - (iii) **Any previously held equity interests in an acquired operation.**
- (b) **The net amounts of any identifiable assets acquired and the liabilities assumed.**

62C. IPSAS 40 is applied prospectively. Consequently, a first-time adopter does not adjust any amounts of goodwill recognized as a result of a public sector combination that occurred prior to the application of IPSAS 40.

Exemptions that Do Not Affect Fair Presentation and Compliance with Accrual Basis IPSASs During the Period of Adoption

63. **A first-time adopter is required, or may elect, to adopt the exemptions in paragraphs 64–134. These exemptions will not affect the fair presentation of a first-time adopter’s financial statements and its ability to assert compliance with accrual basis IPSASs during the period of transition in accordance with paragraphs 27 and 28 while they are applied. A first-time adopter shall not apply these exemptions by analogy to other items.**

Using Deemed Cost to Measure Assets and/or Liabilities

64. **A first-time adopter may elect to measure the following assets and/or liabilities at their fair value when reliable cost information about the assets and liabilities is not available, and use that fair value as the deemed cost for:**

- (a) **Inventory (see IPSAS 12);**
- (b) **Investment property, if the first-time adopter elects to use the cost model in IPSAS 16;**
- (c) **Property, plant and equipment (see IPSAS 17);**
- (d) **Intangible assets, other than internally generated intangible assets (see IPSAS 31) that meets:**
 - (i) **The recognition criteria in IPSAS 31 (excluding the reliable measurement criterion); and**
 - (ii) **The criteria in IPSAS 31 for revaluation (including the existence of an active market);**
- (e) **Financial Instruments (see IPSAS 41); or**
- (f) **Service concession assets (see IPSAS 32).**

65. Deemed cost can only be determined where the acquisition cost of the asset and/or the liability is not available. Deemed cost assumes that the entity had initially recognized the asset and/or the liability at the given date. Subsequent depreciation or amortization is based on that deemed cost on the premise that the acquisition

cost is equal to the deemed cost. For example, a first-time adopter may elect to measure property, plant and equipment at deemed cost at the date of adoption of IPSASs because cost information about the item of property, plant and equipment was not available on that date, and use fair value as its deemed cost at that date. Any subsequent depreciation is based on the fair value determined at that date and starts from the date that the deemed cost has been determined.

66. The use of deemed cost is not considered a revaluation or the application of the fair value model for subsequent measurement in accordance with other IPSASs.
67. **A first-time adopter may elect to use the revaluation amount of property, plant and equipment under its previous basis of accounting as deemed cost if the revaluation was, at the date of the revaluation, broadly comparable to:**
- (a) **Fair value; or**
 - (b) **Cost or depreciated cost, where appropriate, in accordance with IPSASs adjusted to reflect, for example, changes in a general or specific price index.**
68. A first-time adopter may have established a deemed cost in accordance with its previous basis of accounting for property, plant and equipment by measuring it at fair value at one particular date because of a specific event:
- (a) If the measurement date is at or before the date of adoption of IPSASs, a first-time adopter may use such event-driven fair value measurements as deemed cost for IPSASs at the date of that measurement.
 - (b) If the measurement date is after the date of adoption of IPSASs, but during the period of transition where the first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets, the event-driven fair value measurements may be used as deemed cost when the event occurs. A first-time adopter shall recognize the resulting adjustments directly in accumulated surplus or deficit when the asset is recognized and/or measured.
69. In determining the fair value in accordance with paragraph 67, the first-time adopter shall apply the definition of fair value and guidance in other applicable IPSASs in determining the fair value of the asset in question. The fair value shall reflect conditions that existed at the date on which it was determined.
70. **If reliable market-based evidence of fair value is not available for inventory, or investment property that is of a specialized nature, a first-time adopter may consider the following measurement alternatives in determining a deemed cost:**
- (a) **For inventory, current replacement cost; and**
 - (b) **For investment property of a specialized nature, depreciated replacement cost.**

Using Deemed Cost to Measure Assets Acquired Through a Non-Exchange Transaction

71. **A first-time adopter may elect to measure an asset acquired through a non-exchange transaction at its fair value when reliable cost information about the asset is not available, and use that fair value as its deemed cost.**

Using Deemed Cost for Investments in Controlled Entities, Joint Ventures and Associates (IPSAS 34)

72. **Where a first-time adopter measures an investment in a controlled entity, joint venture or associate at cost in its separate financial statements, it may, on the date of adoption of IPSASs, elect to measure that investment at one of the following amounts in its separate opening statement of financial position:**
- (a) **Cost; or**
 - (b) **Deemed cost. The deemed cost of such an investment shall be its fair value (determined in accordance with IPSAS 41) at the first-time adopter's date of adoption of IPSASs in its separate financial statements.**
73. A first-time adopter may have established a deemed cost in accordance with its previous basis of accounting for an investment in a controlled entity, joint venture or associate by measuring it at its fair value at one particular date because of a specific event. In such instances, a first-time adopter applies paragraph 72(a) and (b).

Date at which Deemed Cost can be Determined

74. **The date at which deemed cost is determined may vary depending on whether the first-time adopter takes advantage of the exemptions that provides a three year transitional relief period to not recognize and/or measure certain assets and/or liabilities. When the first-time adopter takes advantage of the exemption, deemed cost can be determined at any date during this period, or on the date that the exemption expires (whichever is earlier), and shall be recognized in accordance with paragraph 76. If a first-time adopter does not adopt the exemption, deemed cost shall be determined at the beginning of the earliest period for which the first-time adopter presents IPSAS financial statements.**
75. Where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets and/or liabilities, it may determine a deemed cost for that asset and/or liability at any point of time within the three year transitional relief period.
76. **When a deemed cost is determined during the period in which a first-time adopter takes advantage of the exemption that provides a three year transitional exemption not to recognize and/or measure an asset and/or**

liability, a first-time adopter shall recognize the adjustment against the opening accumulated surplus or deficit in the year in which the deemed cost of the asset and/or liability is recognized and/or measured.

IPSAS 1, Presentation of Financial Statements

Comparative Information

77. **A first-time adopter is encouraged, but not required, to present comparative information in its first transitional IPSAS financial statements or its first IPSAS financial statements presented in accordance with this IPSAS. When a first-time adopter presents comparative information, it shall be presented in accordance with the requirements of IPSAS 1.**
78. **Where a first-time adopter elects to present comparative information, the first transitional IPSAS financial statements or the first IPSAS financial statements presented in accordance with this IPSAS shall include:**
- (a) **One statement of financial position with comparative information for the preceding period, and an opening statement of financial position as at the beginning of the reporting period prior to the date of adoption of accrual basis IPSAS;**
 - (b) **One statement of financial performance with comparative information for the preceding period;**
 - (c) **One statement of changes in net assets/equity with comparative information for the preceding period;**
 - (d) **One cash flow statement with comparative information for the preceding period;**
 - (e) **A comparison of budget and actual amounts for the current year as a separate additional financial statement or as a budget column in the financial statements if the first-time adopter makes its approved budget publicly available; and**
 - (f) **Related notes including comparative information, and the disclosure of narrative information about material adjustments as required by paragraph 142.**
79. **Where a first-time adopter elects to not present comparative information, its first transitional IPSAS financial statements following the adoption of accrual basis IPSASs or its first IPSAS financial statements presented in accordance with this IPSASs shall include:**
- (a) **One statement of financial position, and an opening statement of financial position at the date of adoption of accrual basis IPSAS;**
 - (b) **One statement of financial performance;**
 - (c) **One statement of changes in net assets/equity;**

- (d) **One cash flow statement;**
 - (e) **A comparison of budget and actual amounts for the current year as a separate additional financial statement or as a budget column in the financial statements if the first-time adopter makes its approved budget publicly available; and**
 - (f) **Related notes and the disclosure of narrative information about material adjustments as required by paragraph 142.**
80. **Where a first-time adopter takes advantage of the exemptions in paragraphs 36–62 which allow a three year transitional relief period to not recognize and/or measure an item, comparative information for the year following the date of adoption of IPSASs shall be adjusted only when information is available about the items following their recognition and/or measurement during the relief period.**
81. IPSAS 1 requires an entity to present comparative information in respect of the previous period for all amounts reported in the financial statements. Where a first-time adopter takes advantage of the exemption that provides a three year transitional exemption to not recognize and/or measure an item, it shall, during the period of transition present comparative information for an item recognized and/or measured during that period only, if information is available about the item for the comparative period. The first-time adopter shall apply the requirements in IPSAS 1 after it has adjusted its first IPSAS financial statements.

Non-IPSAS Comparative Information

82. A first-time adopter may present comparative information in accordance with its previous basis of accounting. In any financial statements containing comparative information in accordance with the previous basis of accounting, the first-time adopter shall label the information prepared using the previous basis of accounting information as not being prepared in accordance with IPSASs, and disclose the nature of the main adjustments that would be required to comply with IPSASs.
83. Where a first-time adopter presents non-IPSAS comparative information in its first IPSAS or first transitional IPSAS financial statements following its adoption of accrual basis IPSASs, the transitional exemptions and provisions provided in this Standard shall not be applied to the non-IPSAS comparative information presented in the first IPSAS financial statements or first transitional IPSAS financial statements.

Non-IPSAS Historical Summaries

84. A first-time adopter may elect to present historical summaries of selected data for periods before the first period for which it presents financial statements in accordance with IPSASs. This IPSAS does not require such summaries to comply with the recognition and measurement requirements of IPSASs.

In any financial statements containing historical summaries in accordance with the previous basis of accounting, the first-time adopter shall label the previous basis of accounting information prominently as not being prepared in accordance with IPSASs, and disclose the nature of the main adjustments that would be required to comply with IPSASs. The first-time adopter need not quantify those adjustments.

IPSAS 4, The Effects of Changes in Foreign Exchange Rates

85. **On the date of adoption of IPSASs a first-time adopter need not comply with the requirements for cumulative translation differences that exist at that date. If a first-time adopter uses this exemption:**
- (a) **The cumulative translation differences for all foreign operations are deemed to be zero at the date of adoption of IPSASs; and**
 - (b) **The gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of adoption of IPSASs and shall include later translation differences.**
- 85A. **A first-time adopter need not apply Appendix A of IPSAS 4 to assets, expenses and revenue in the scope of Appendix A initially recognized before the date of adoption of IPSASs.**
86. **A first-time adopter shall apply the requirement to treat any goodwill (see IPSAS 40) arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation, as assets and liabilities of the foreign operation, prospectively on the date of adoption of IPSASs.**
87. In applying the transitional exemption in paragraph 85, a first-time adopter shall not restate prior years for the acquisition of a foreign operation acquired prior to the date of adoption of IPSASs, and accordingly shall, where appropriate, treat goodwill and fair value adjustments arising on acquisition as assets and liabilities of the entity rather than as assets and liabilities of the foreign operation. Therefore, those goodwill and fair value adjustments either are already expressed in the entity's functional currency or are non-monetary foreign currency items, which are reported using the exchange rate at the date of the acquisition.

IPSAS 5, Borrowing Costs

88. **A first-time adopter is encouraged, but not required, to apply the requirements of IPSAS 5 retrospectively where it adopts or changes its accounting policy to the benchmark treatment.**
89. **Where a first-time adopter adopts or changes its accounting policy to the benchmark treatment it is allowed to designate any date before the date of adoption of IPSASs and apply IPSAS 5 prospectively on or after that designated date.**

90. **Where a first-time adopter changes its accounting policy to the allowed alternative treatment, any borrowing costs incurred both before and after date of adoption of IPSASs on qualifying assets for which the commencement date for the capitalization is prior to the date of adoption of IPSASs, shall be recognized retrospectively in accordance with the allowed alternative treatment.**

IPSAS 10, Financial Reporting in Hyperinflationary Economies

Severe Hyperinflation

91. **If a first-time adopter has a functional currency that was, or is, the currency of a hyperinflationary economy, it shall determine whether it was subject to severe hyperinflation before the date of adoption of IPSASs.**
92. The currency of a hyperinflationary economy is subject to severe hyperinflation if it has both of the following characteristics:
- (a) A reliable general price index is not available to all entities with transactions and balances in the currency; and
 - (b) Exchangeability between the currency and a relatively stable foreign currency does not exist.
93. The functional currency of a first-time adopter ceases to be subject to severe hyperinflation on the functional currency normalization date. That is the date when the functional currency no longer has either, or both, of the characteristics in paragraph 92 or when there is a change in the first-time adopter's functional currency to a currency that is not subject to severe hyperinflation.
94. **When a first-time adopter's date of adoption of IPSASs is on, or after, the functional currency normalization date, the first-time adopter may elect to measure all assets and liabilities held before the functional currency normalization date at fair value on the date of adoption to IPSASs. The first-time adopter may use that fair value as the deemed cost of those assets and liabilities in the opening statement of financial position.**

IPSAS 13, Leases

95. **A first-time adopter shall on the date of adoption of IPSAS, classify all existing leases as operating or finance leases on the basis of circumstances existing at the inception of the lease, to the extent that these are known on the date of adoption of IPSASs.**
96. **If, however, the lessee and the lessor have agreed to change the provisions of the lease between the date of inception of the lease and the date of adoption of accrual basis IPSASs in a manner that would have resulted in a different classification of the lease at the date of adoption, the revised agreement shall**

be regarded as a new agreement. A first-time adopter shall consider the provisions of the new agreement at the date of adoption of accrual basis IPSASs in classifying the lease as an operating or finance lease.

IPSAS 18, Segment Reporting

97. **A first-time adopter is not required to present segment information for reporting periods beginning on a date within three years following the date of adoption of IPSASs.**

IPSAS 21, Impairment of Non-Cash-Generating Assets

98. **A first-time adopter shall apply the requirements in IPSAS 21 prospectively from the date of adoption of IPSASs, except in relation to those assets where a first-time adopter takes advantage of the exemption in paragraph 36 which allows a three year transitional relief period to not recognize and/or measure assets. When a first-time adopter takes advantage of the exemption that provides a three year transitional relief period in IPSAS 16, 17, 27, 31 and 32, it applies IPSAS 21 when the exemption that provided the relief has expired, and/or the relevant assets are recognized and/or measured in accordance with the applicable IPSASs (whichever is earlier).**
99. **On the date that the transitional exemption that provided the relief has expired, and/or when the relevant assets are recognized and/or measured in the financial statements (whichever is earlier), a first-time adopter shall assess whether there is any indication that the non-cash-generating assets recognized and/or measured are impaired. Any impairment loss shall be recognized in opening accumulated surplus or deficit on the date of adoption of IPSASs, or in opening accumulated surplus or deficit in the reporting period in which the transitional exemption expires, and/or the relevant assets are recognized and/or measured (whichever is earlier).**
100. **A first-time adopter shall apply the requirements of IPSAS 21 prospectively. This means that on the date of adoption of accrual basis IPSASs, or if the first-time adopter has adopted transitional relief relating to the recognition and/or measurement of assets, only when the three year transitional exemption expires, and/or when the relevant assets are recognized and/or measured in the financial statements (whichever is earlier), will a first-time adopter be required to assess whether there is an indication that any non-cash-generating assets included in the opening statement of financial position, are impaired.**

IPSAS 39, Employee Benefits

101. **A first-time adopter shall recognize and/or measure all employee benefits on the date of adoption of IPSASs, except for defined benefit plans and other long-term employee benefits where it takes advantage of the exemption in paragraph 36.**

Defined Benefit Plans and Other Long-Term Employee Benefits

102. **On the date of adoption of IPSASs, or where a first-time adopter takes advantage of the three year transitional exemption, the date on which the exemption expires, or when the relevant liabilities are recognized and/or measured in the financial statements (whichever is earlier), a first-time adopter shall determine its initial liability for defined benefit plans and other long-term employee benefits at that date as:**
- (a) **The present value of the obligation at the date of adoption of IPSASs, or where a first-time adopter takes advantage of the three year transitional relief period, the date on which the exemption expires, or when the relevant liabilities are recognized and/or measured in the financial statements (whichever is earlier), by using the Projected Unit Credit Method; and**
 - (b) **Minus the fair value, at the date of adoption of IPSASs, or where a first-time adopter takes advantage of the three year transitional relief period, the date on which the exemption expires, or when the relevant liabilities are recognized and/or measured in the financial statements (whichever is earlier) of plan assets (if any) out of which the obligations are to be settled directly.**
 - (c) [Deleted]
103. **If the initial liability in accordance with paragraph 102 is more or less than the liability that was recognized and/or measured at the end of the comparative period under the first-time adopter's previous basis of accounting, the first-time adopter shall recognize that increase/decrease in opening accumulated surplus or deficit in the period in which the items are recognized and/or measured.**
104. The effect of the change in the accounting policy to IPSAS 39 includes any remeasurements that arose, if any, in earlier periods. Under its previous basis of accounting, a first-time adopter may not have recognized and/or measured any liability, in which case the increase in the liability will represent the full amount of the liability minus the fair value, at the date of adoption of IPSASs or where a first-time adopter takes advantage of the three year transitional relief period, the date on which the exemption expires, or when the relevant liabilities are recognized and/or measured in the financial statements (whichever is earlier), of any plan assets in accordance with paragraph 102(b). This increased liability is recognized in opening accumulated surplus or deficit in the period in which the items are recognized and/or measured.
105. **A first-time adopter shall recognize all cumulative remeasurements in opening accumulated surplus or deficit in the period in which the items are recognized and/or measured.**
106. [Deleted]

107. [Deleted]

IPSAS 26, Impairment of Cash-Generating Assets

108. **A first-time adopter shall apply the requirements in IPSAS 26 prospectively from the date of adoption of IPSASs, except in relation to those assets where a first-time adopter takes advantage of the exemption in paragraph 36 which allows a three year transitional relief period to not recognize and/or measure assets. When a first-time adopter takes advantage of the exemption that provides a three year transitional relief period in IPSASs 16, 17, 27, 31 and 32, it applies IPSAS 26 when the exemption that provided the relief has expired, and/or the relevant assets are recognized and/or measured in accordance with the applicable IPSASs (whichever is earlier).**
109. **On the date that the transitional exemption that provided the relief has expired, and/or when the relevant assets are recognized and/or measured in the financial statements (whichever is earlier), a first-time adopter shall assess whether there is any indication that the cash-generating assets recognized and/or measured are impaired. Any impairment loss shall be recognized in opening accumulated surplus or deficit on the date of adoption of IPSASs, or in opening accumulated surplus or deficit in the reporting period in which the transitional exemption expires, and/or the relevant assets are recognized and/or measured (whichever is earlier).**
110. A first-time adopter shall apply the requirements of IPSAS 26 prospectively. This means that on the date of adoption of accrual basis IPSASs, or if the first-time adopter has adopted the transitional relief relating to the recognition and/or measurement of assets, only when the three year transitional exemption expires, and/or when the relevant assets are recognized and/or measured in the financial statements (whichever is earlier), will a first-time adopter be required to assess whether there is an indication that any cash-generating assets included in the opening statement of financial position, are impaired.

IPSAS 28, Financial Instruments: Presentation

111. **On the date of adoption of IPSASs, a first-time adopter shall evaluate the terms of the financial instrument to determine whether it contains both a liability component and a net asset/equity component. If the liability component is no longer outstanding on the date of adoption of IPSASs, the first-time adopter need not separate the compound financial instrument into a liability component and a net asset/equity component.**
112. IPSAS 28 requires an entity to split a compound financial instrument at inception into separate liability and net asset/equity components. If the liability component is no longer outstanding, retrospective application of IPSAS 28 involves separating two portions of net assets/equity. The first portion is in accumulated surplus and deficit and represents the cumulative

interest accreted on the liability component. The other portion represents the original net asset/equity component. However, this IPSASs allows a first-time adopter to not separate these two portions if the liability component is no longer outstanding at the date of adoption of IPSASs.

IPSAS 41, *Financial Instruments*

Designation of Financial Instruments on the Date of Adoption of IPSAS or During the Period of Transition

113. **A first-time adopter may designate a financial asset or financial liability as a financial asset or financial liability at fair value through surplus or deficit that meet the criteria for designation in IPSAS 41, in accordance with paragraph 114. A first-time adopter shall disclose the fair value of financial assets and financial liabilities designated into each category at the date of designation, their classification and carrying amount.**
114. **IPSAS 41 permits a financial asset to be designated on initial recognition as a financial instrument (provide it meets certain criteria) to be designated as a financial asset or financial liability at fair value through surplus or deficit. Despite this requirement, exceptions apply in the following circumstances:**
- (a) [Deleted]
 - (b) **A first-time adopter is permitted to designate, at the date of adoption of IPSASs, any financial asset or financial liability as at fair value through surplus or deficit provided the asset or liability meets the criteria in paragraph 44, 46(a) or 46(b) of IPSAS 41 at that date.**
- 114A. An entity may designate an investment in an equity instrument as at fair value through net assets/equity in accordance with paragraph 106 of IPSAS 41 on the basis of the facts and circumstances that exist at the date of adoption of IPSASs.

Derecognition of Financial Assets and Financial Liabilities

115. **Except as permitted by paragraph 116 a first-time adopter shall apply the derecognition requirements in IPSAS 41 prospectively for transactions occurring on or after the date of adoption of IPSASs, or where a first-time adopter takes advantage of the exemptions not to recognize financial instruments, the date on which the exemptions that provided the relief have expired and/or the financial instruments are recognized (whichever is earlier). For example, if a first-time adopter derecognized non-derivative financial assets or non-derivative financial liabilities in accordance with its previous basis of accounting as a result of a transaction that occurred before the date of adoption of IPSASs, it shall not recognize those assets**

and liabilities in accordance with IPSAS 41, unless they qualify for recognition as a result of a later transaction or event.

116. **Notwithstanding the provision in paragraph 115, a first-time adopter may apply the derecognition requirements in IPSAS 41 retrospectively from a date of the first-time adopter choosing, provided that the information needed to apply IPSAS 41 to financial assets and financial liabilities derecognized as a result of past transactions was obtained at the time of initially accounting for these transactions.**

Hedge Accounting

117. **As required by IPSAS 41, a first-time adopter shall at the date of adoption of IPSASs, or where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure financial instruments, the date when the exemption that provided the relief has expired and/or the relevant financial instruments are recognized and/or measured in accordance with the applicable IPSASs (whichever is earlier):**
- (a) **Measure all derivatives at fair value; and**
 - (b) **Eliminate all deferred losses and gains arising on derivatives that were reported in accordance with its previous basis of accounting as if they were assets or liabilities.**
118. **A first-time adopter shall not reflect in its opening statement of financial position a hedging relationship of a type that does not qualify for hedge accounting in accordance with IPSAS 41 (for example, many hedging relationships where the hedging instrument is a stand-alone written option; or where the hedged item is a net position in a cash flow hedge for another risk than foreign currency risk). However, if a first-time adopter designated a net position as a hedged item in accordance with its previous basis of accounting, it may designate as a hedged item in accordance with IPSASs an individual item within that net position, or a net position if that meets the requirements in paragraph 146 of IPSAS 41, provided that it does so no later than the date of adoption of IPSASs or where it takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure financial instruments, the date when the exemption that provided the relief has expired, and/or the relevant financial instruments are recognized and/or measured in accordance with the applicable IPSASs (whichever is earlier).**
119. **If, before the date of adoption of IPSASs, or where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure financial instruments the date on which the exemption that provided the relief has expired, and/or the relevant financial instruments are recognized and/or measured**

in accordance with the applicable IPSASs (whichever is earlier), a first-time adopter had designated a transaction as a hedge but the hedge does not meet the conditions for hedge accounting in IPSAS 41, the first-time adopter shall apply paragraphs 135 and 136 of IPSAS 41 to discontinue hedge accounting. Transactions entered into before the date of adoption of IPSASs, or where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure financial instruments, the date when the transitional exemption expires and/or the relevant financial instruments are recognized and/or measured in accordance with IPSAS 41 (whichever is earlier), shall not be retrospectively designated as hedges.

Classification and Measurement of Financial Instruments

- 119A. An entity shall assess whether a financial asset meets the conditions in paragraph 40 or the conditions in paragraph 41 of IPSAS 41 on the basis of the facts and circumstances that exist at the date of adoption of IPSASs.
- 119B. If it is impracticable to assess a modified time value of money element in accordance with paragraphs AG68–AG70 of IPSAS 41 on the basis of the facts and circumstances that exist at the date of transition to IPSASs, an entity shall assess the contractual cash flow characteristics of that financial asset on the basis of the facts and circumstances that existed at the date of adoption of IPSASs without taking into account the requirements related to the modification of the time value of money element in paragraphs AG68–AG70 of IPSAS 41. (In this case, the entity shall also apply paragraph 49J of IPSAS 30 but references to ‘paragraph 161 of IPSAS 41’ shall be read to mean this paragraph and references to ‘initial recognition of the financial asset’ shall be read to mean ‘at the date of adoption of IPSASs’.)
- 119C. If it is impracticable to assess whether the fair value of a prepayment feature is insignificant in accordance with paragraph AG74(c) of IPSAS 41 on the basis of the facts and circumstances that exist at the date of adoption of IPSASs, an entity shall assess the contractual cash flow characteristics of that financial asset on the basis of the facts and circumstances that existed at the date of adoption of IPSASs without taking into account the exception for prepayment features in paragraph AG74 of IPSAS 41. (In this case, the entity shall also apply paragraph 49K of IPSAS 30 but references to ‘paragraph 162 of IPSAS 41’ shall be read to mean this paragraph and references to ‘initial recognition of the financial asset’ shall be read to mean ‘at the date of adoption of IPSASs’.)
- 119D. If it is impracticable (as defined in IPSAS 3) for an entity to apply retrospectively the effective interest method in IPSAS 41, the fair value of the financial asset or the financial liability at the date of adoption of IPSASs shall be the new gross carrying amount of that financial asset or the new amortized cost of that financial liability at the date of adoption of IPSASs.

Impairment of Financial Assets

120. **A first-time adopter shall apply the impairment requirements prospectively from the date of adoption of IPSASs, except in relation to those financial assets where it takes advantage of the exemptions in paragraphs 36, 38 and 42 which allow a three year transitional relief period to not recognize and/or measure financial instruments. When a first-time adopter adopts the three year transitional relief period provided, it applies the impairment provisions when exemption that provided the relief has expired, and/or the relevant financial instruments are recognized and/or measured in accordance with IPSAS 41 (whichever is earlier).**
121. **A first-time adopter shall on the date of adoption of IPSASs, or when the exemptions that provided the relief have expired, and/or when the relevant financial instruments are recognized and/or measured and relevant information has been presented and/or disclosed in the financial statements in accordance with the applicable IPSAS (whichever is earlier), assess at that date whether there is any indication that the financial instrument recognized and/or measured in the statement of financial position, is impaired. Any impairment loss incurred shall be recognized in opening accumulated surplus or deficit in the period in which the financial instrument is recognized and/or measured.**
122. A first-time adopter shall apply the impairment requirements prospectively. This means that on the date of adoption of IPSAS 41, when the exemptions that provided the relief have expired, and/ or when the relevant financial instruments are recognized and/or measured, a first-time adopter shall be required to assess whether there is an indication that the financial instrument is impaired. Any impairment loss shall be recognized in opening accumulated surplus or deficit on the date of adoption of IPSASs, or in the opening accumulated surplus or deficit of the reporting period in which the exemptions that provided the relief have expired, and/or the relevant financial instruments are recognized and/or measured (whichever is earlier).
- 122A. At the date of adoption of IPSAS 41, when the exemptions that provided the relief have expired, and/ or when the relevant financial instruments are recognized and/or measured, a first-time adopter shall use reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial instruments were initially recognized (or for loan commitments and financial guarantee contracts the date that the entity became a party to the irrevocable commitment in accordance with paragraph 78 of IPSAS 41) and compare that to the credit risk at the date of adoption of IPSASs (also see paragraphs AG350–AG351 of IPSAS 41).
- 122B. When determining whether there has been a significant increase in credit risk since initial recognition, an entity may apply:

- (a) The requirements in paragraph 82 and AG179–AG182 of IPSAS 41; and
 - (b) The rebuttable presumption in paragraph 83 of IPSAS 41 for contractual payments that are more than 30 days past due if an entity will apply the impairment requirements by identifying significant increases in credit risk since initial recognition for those financial instruments on the basis of past due information.
- 122C. If, at the date of adoption of IPSASs, determining whether there has been a significant increase in credit risk since the initial recognition of a financial instrument would require undue cost or effort, an entity shall recognize a loss allowance at an amount equal to lifetime expected credit losses at each reporting date until that financial instrument is derecognized (unless that financial instrument is low credit risk at a reporting date, in which case paragraph 122B(a) applies).

Embedded Derivatives

- 122E. A first-time adopter shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative on the basis of the conditions that existed at the later of the date it first became a party to the contract and the date a reassessment is required by paragraph AG109 of IPSAS 41.

IPSAS 30, Financial Instruments: Disclosures

123. **Where the first-time adopter elects to present comparative information in accordance with paragraph 78, it is not required to present information about the nature and extent of risks arising from financial instruments for the comparative period in its first transitional IPSAS financial statements or its first IPSAS financial statements.**
124. **A first-time adopter shall apply the requirements in IPSAS 30 prospectively from the date of adoption of IPSASs, or when the exemptions that provided the relief have expired, and/or when the relevant financial instrument is recognized and/or measured in accordance with IPSAS 41 (whichever is earlier).**

IPSAS 31, Intangible Assets

125. **A first-time adopter shall recognize and/or measure an internally generated intangible asset if it meets the definition of an intangible asset and the recognition criteria in IPSAS 31, even if the first-time adopter has, under its previous basis of accounting, expensed such costs. A deemed cost may not be determined for internally generated intangible assets.**
126. As required by paragraph 20, a first-time adopter is required to recognize all assets for which recognition is required by IPSASs. A first-time adopter

shall therefore recognize any internally generated intangible asset if it meets the definition of an intangible asset and the recognition criteria in IPSAS 31, irrespective of whether such costs were expensed under its previous basis of accounting.

IPSAS 32, Service Concession Arrangements

Initial Measurement of Related Liability

127. **Where a first-time adopter elects to measure service concession assets using deemed cost, the related liabilities shall be measured as follows:**
- (a) **For the liability under the financial liability model, the remaining contractual cash flows specified in the binding arrangement and the rate prescribed in IPSAS 32; or**
 - (b) **For the liability under the grant of a right to the operator model, the fair value of the asset less any financial liabilities, adjusted to reflect the remaining period of the service concession arrangement.**
128. **A first-time adopter shall recognize and/or measure any difference between the value of the service concession asset and the financial liability under the financial liability model in paragraph 127 in opening accumulated surplus or deficit in the period in which the items are recognized and/or measured.**

IPSAS 34, Separate Financial Statements, IPSAS 35, Consolidated Financial Statements and IPSAS 36, Investments in Associates and Joint Ventures

129. **If a controlled entity becomes a first-time adopter later than its controlling entity, except for the controlled entity of an investment entity, the controlled entity shall, in its financial statements, measure its assets and liabilities at either:**
- (a) **The carrying amounts determined in accordance with this IPSAS that would be included in the controlling entity's consolidated financial statements, based on the controlled entity's date of adoption of IPSASs, if no adjustments were made for consolidation procedures and for the effects of the public sector combination in which the controlling entity acquired the controlled entity; or**
 - (b) **The carrying amounts required by the rest of this IPSAS, based on the controlled entity's date of adoption of IPSASs. These carrying amounts could differ from those described in (a):**
 - (i) **When the exemptions in this IPSAS result in measurements that depend on the date of adoption of IPSASs.**
 - (ii) **When the accounting policies used in the controlled entity's financial statements differ from those in the consolidated financial statements. For example, the controlled entity**

may use as its accounting policy the cost model in IPSAS 17, whereas the economic entity may use the revaluation model.

A similar election is available to an associate or joint venture that becomes a first-time adopter later than an entity that has significant influence or joint control over it.

130. However, if a controlling entity becomes a first-time adopter later than its controlled entity (or associate or joint venture) the controlling entity shall, in its consolidated financial statements, measure the assets and liabilities of the controlled entity (or associate or joint venture) at the same carrying amounts as in the financial statements of the controlled entity (or associate or joint venture), after adjusting for consolidation and equity accounting adjustments and for the effects of the public sector combination in which the controlling entity acquired the controlled entity (or associate or joint venture), subject to the exemptions that may be adopted in terms of this IPSAS. Similarly, if a controlled entity becomes a first-time adopter for its separate financial statements earlier or later than for its consolidated financial statements, it shall measure its assets and liabilities at the same amounts in both financial statements, subject to the exemptions that may be adopted in this IPSAS, except for consolidation adjustments.

IPSAS 35, Consolidated Financial Statements

131. A first-time adopter that is a controlled entity shall assess whether it is an investment entity on the basis of the facts and circumstances that exist at the date of adoption of accrual basis IPSASs, and measure its investment in each controlled entity at fair value through surplus or deficit at the date of adoption of accrual basis IPSASs.

IPSAS 37, Joint Arrangements

132. Where a first-time adopter accounted for its investment in a joint venture under its previous basis of accounting basis using proportionate consolidation, the investment in the joint venture shall be measured on the date of adoption as the aggregate of the carrying amount of the assets and liabilities that the entity previously proportionately consolidated, including any purchased goodwill arising from acquisition transactions (see IPSAS 40).
133. The opening balance of the investment determined in accordance with paragraph 132 is regarded as the deemed cost of the investment at initial recognition. A first-time adopter shall test the investment for impairment as at the date of adoption, regardless of whether there is any indication that the investment may be impaired. Any impairment loss shall be adjusted to the accumulated surplus or deficit at the date of adoption.
134. If aggregating all previously proportionately consolidated assets and liabilities results in negative net assets, the first-time adopter shall assess

whether it has legal or constructive obligations in relation to the negative net assets and, if so, the first-time adopter shall recognize a corresponding liability. If the first-time adopter concludes that it does not have legal or constructive obligations in relation to the negative net assets, it shall not recognize the corresponding liability but it shall adjust accumulated surplus or deficit at the date of adoption. The first-time adopter shall disclose this fact, along with its cumulative unrecognized share of losses of its joint ventures as at the date of adoption of accrual basis IPSASs.

IPSAS 42, *Social Benefits*

- 134A. On the date of adoption of IPSASs, or where a first-time adopter takes advantage of the three year transitional exemption, the date on which the exemption expires, or when the relevant liabilities are recognized and/or measured in the financial statements (whichever is earlier), a first-time adopter shall determine its initial liability for a social benefit scheme at that date in accordance with IPSAS 42.
- 134B. If the initial liability in accordance with paragraph 134A is more or less than the liability that was recognized and/or measured at the end of the comparative period under the first-time adopter's previous basis of accounting, the first-time adopter shall recognize that increase/decrease in opening accumulated surplus or deficit in the period in which the items are recognized and/or measured.

Disclosures

135. A first-time adopter with financial statements that comply with the requirements of this IPSAS while taking advantage of the transitional exemptions and provisions that affect fair presentation and its ability to assert compliance with accrual basis IPSASs, shall make an explicit and unreserved statement of compliance with this IPSAS in the notes to the financial statements. This statement shall be accompanied by a statement that the financial statements do not fully comply with accrual basis IPSASs.
136. Where a first-time adopter takes advantage of the transitional exemptions in this IPSAS, the first-time adopter shall disclose:
- (a) The extent to which it has taken advantage of the transitional exemptions that affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis IPSASs; and/or
 - (b) The extent to which it has taken advantage of the transitional exemptions that do not affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis IPSASs.
137. To the extent that a first-time adopter has taken advantage of the transitional exemptions and provisions in this IPSAS that affect fair

presentation and compliance with accrual basis IPSASs in relation to assets, liabilities, revenue and/or expenses, it shall disclose:

- (a) **Progress made towards recognizing, measuring, presenting and/or disclosing assets, liabilities revenue and/or expenses in accordance with the requirements of the applicable IPSAS;**
- (b) **The assets, liabilities, revenue and/or expenses that have been recognized and measured under an accounting policy that is not consistent with the requirements of applicable IPSAS;**
- (c) **The assets, liabilities, revenue and/or expenses that have not been measured, presented and/or disclosed in the previous reporting period, but which are now recognized and/or measured, and/or presented and/or disclosed;**
- (d) **The nature and amount of any adjustments recognized during the reporting period; and**
- (e) **An indication of how and by when it intends to comply in full with the requirements of the applicable IPSAS.**

138. Where a first-time adopter takes advantage of the transitional exemption to not eliminate some balances, transactions, revenue and expenses, and/or where it applies the three year transitional relief for the recognition and/or measurement of its interest in controlled entities, associates or joint ventures in paragraph 55, it shall disclose the nature of the balances, transactions, revenue and expenses and/or upstream or downstream transactions that have been eliminated during the reporting period.

139. Where a first-time adopter is not able to present consolidated financial statements because of the transitional exemptions and provisions adopted in paragraphs 58 or 62, it shall disclose:

- (a) **The reason why the financial statements, investments in associates or interests in joint ventures could not be presented as consolidated financial statements; and**
- (b) **An indication by when the first-time adopter will be able to present consolidated financial statements.**

140. The disclosure requirements of paragraphs 135 and 139 will assist users to track the progress of the first-time adopter in conforming its accounting policies to the requirements in the applicable IPSASs during the period of transition.

Explanation of Transition to IPSASs

141. A first-time adopter shall disclose:

- (a) **The date of adoption of IPSASs; and**
- (b) **Information and explanations about how the transition from the previous basis of accounting to IPSASs affected its reported financial position, and, where appropriate, its reported financial performance and cash flows.**

Reconciliations

142. **A first-time adopter shall present in the notes to its first transitional IPSAS financial statements or its first IPSAS financial statements:**

- (a) **A reconciliation of its balance of net assets/equity reported in accordance with its previous basis of accounting to its opening balance of net assets/equity at the date of adoption of IPSASs; and**
- (b) **A reconciliation of its accumulated surplus or deficit in accordance with its previous basis of accounting to its accumulated surplus or deficit at the date of adoption of IPSASs.**

A first-time adopter that has applied a cash basis of accounting in its previous financial statements is not required to present such reconciliations.

143. The reconciliation presented in accordance with paragraph 142 shall provide sufficient detail, both quantitative and qualitative, to enable users to understand the material adjustments to the opening statement of financial position and, where applicable, the restated comparative statement of financial performance presented in accordance with accrual basis IPSAS. Where narrative explanations are included in other public documents issued in conjunction with the financial statements, a cross reference to those documents shall be included in the notes.

144. If an entity becomes aware of errors made under its previous basis of accounting, the reconciliations required by paragraph 142 shall distinguish the correction of those errors from changes in accounting policies.

145. **If an entity did not present financial statements for previous periods, its transitional IPSAS financial statements or its first IPSAS financial statements shall disclose that fact.**

146. **Where a first-time adopter takes advantage of the exemptions in paragraph 36–43 which allow a three year transitional relief period to not recognize and/or measure items, it shall present as part of the notes, a reconciliation of items that have been recognized and/or measured during the reporting period when these items were not included in the previous reported financial statements. The reconciliation shall be presented in each period when new items are recognized and/or measured in accordance with this IPSAS.**

147. The reconciliation presented in accordance with paragraph 146 provides sufficient detail to enable users to understand which items have been recognized and/or measured during the reporting period where the first-time adopter adopts one or more of the exemptions that provide a three year transitional relief period to not recognize and/or measure an item. The reconciliation explains the adjustments to the previously reported statement of financial position and, where applicable, the previously reported statement of financial performance in each period when new items are recognized and/or measured in accordance with this IPSAS.

Disclosures where Deemed Cost is Used for Inventory, Investment Property, Property, Plant and Equipment, Intangible Assets, Financial Instruments or Service Concession Assets

148. **If a first-time adopter uses fair value, or the alternative in paragraphs 64, 67 or 70, as deemed cost for inventory, investment property, property, plant and equipment, intangible assets, financial instruments, or service concession assets, its financial statements shall disclose:**
- (a) **The aggregate of those fair values or other measurement alternatives that were considered in determining deemed cost;**
 - (b) **The aggregate adjustment to the carrying amounts recognized under the previous basis of accounting; and**
 - (c) **Whether the deemed cost was determined on the date of adoption of IPSASs or during the period of transition.**

Disclosures Where Deemed Cost is Used for Investments in Controlled Entities, Joint Ventures or Associates

149. **If a first-time adopter uses fair value as deemed cost in its opening statement of financial position for an investment in a controlled entity, joint venture or associate in its separate financial statements, its separate financial statements shall disclose:**
- (a) **The aggregate deemed cost of those investments for which deemed cost is fair value; and**
 - (b) **The aggregate adjustment to the carrying amounts reported under the previous basis of accounting.**
150. **The disclosure requirements required in paragraph 148 and 149 shall be disclosed in each period when new items are recognized and/or measured until the exemptions that provided the relief have expired and/or when the relevant assets are recognized and/or measured in accordance with the applicable IPSASs (whichever is earlier).**

Exemptions from Disclosure Requirements in IPSASs During the Period of Transition

151. To the extent that a first-time adopter takes advantage of the exemption that provides a three year relief period to not recognize and/or measure items, it is not required to apply any associated presentation and/or disclosure requirements related to such items as required in IPSAS 1, IPSAS 18 and/or the applicable IPSASs until such time as the exemptions that provided the relief have expired and/or when the relevant items have been recognized and/or measured in accordance with the applicable IPSASs (whichever is earlier).
152. Notwithstanding the transitional provision in paragraph 151, a first-time adopter is encouraged to disclose the information required by IPSAS 1, IPSAS 18 and/or the applicable IPSAS as soon as possible.

Transitional Provisions

153. Where a first-time adopter has adopted the existing transitional provisions in other accrual basis IPSASs, it shall continue to apply those transitional provisions until they expire and/or the relevant items are recognized and/or measured in accordance with the applicable IPSAS (whichever is earlier). If the first-time adopter elects to adopt the transitional exemptions in this IPSAS, the relief period applied in adopting accrual basis IPSASs, may not be longer than the relief period provided in this IPSAS.

Effective Date

154. A first-time adopter shall apply this Standard if its first IPSAS financial statements are for a period beginning on or after January 1, 2017. Earlier application is permitted.
- 154A. Paragraphs 7 and 8 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.
- 154B. Paragraphs 36, 102, 104 and 105 were amended and paragraphs 106 and 107 were deleted by IPSAS 39, *Employee Benefits*, issued in July 2016. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies these amendments for a period beginning before January 1, 2018 it shall disclose that fact and apply IPSAS 39 at the same time.

- 154C. Paragraphs 86, 129, 130 and 132 were amended and paragraphs 62A–62C were added by IPSAS 40, *Public Sector Combinations*, issued in January 2017. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2019 it shall disclose that fact and apply IPSAS 40 at the same time.
- 154D. Paragraphs 36, 64, 72, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122 and 124 were amended and paragraphs 114A, 119A, 119B, 119C, 119D, 122A, 122B, 122C, and 122D were added by IPSAS 41, issued in August 2018. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2022. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2022 it shall disclose that fact and apply IPSAS 41 at the same time.
- 154E. Paragraphs 78, 79, 123 and 142 were amended by *Improvements to IPSAS, 2018*, issued in October 2018. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is permitted.
- 154F. Paragraph 85A was added by *Improvements to IPSAS, 2018*, issued in October 2018. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is permitted. If an entity applies this amendment for a period beginning before January 1, 2019 it shall disclose that fact and apply the amendments to IPSAS 4 included in *Improvements to IPSAS, 2018* at the same time.
- 154G. Paragraph 36 was amended and paragraphs 134A and 134B were added by IPSAS 42, *Social Benefits*, issued in January 2019. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2019 it shall disclose that fact and apply IPSAS 42 at the same time.

Amendments to Other IPSASs

[Deleted]

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 33.

Background

- BC1. Prior to the development of IPSAS 33, there was no Standard that addresses issues arising from the first-time adoption of IPSASs. As a result, the IPSASB approved a project in June 2011 to develop a comprehensive set of principles to be used by entities on the adoption of accrual basis International Public Sector Accounting Standards (IPSASs).
- BC2. While this IPSAS has Implementation Guidance, it is not within the scope of this project to develop more detailed practical guidance on the first-time adoption of IPSASs. The IPSASB is of the view that because specific issues relating to first-time adoption are likely to vary from one jurisdiction to the next, and because the starting point for first-time adopters varies depending on their previous basis of accounting, individual jurisdictions need to play a role in the development of additional implementation guidance to assist first-time adopters in their transition to accrual basis IPSASs.
- BC3. This IPSAS addresses the transition from either a cash basis, or an accrual basis under another reporting framework, or a modified version of either the cash or accrual basis of accounting. Consequently, the IPSASB agreed that the project is not an IFRS convergence project.
- BC4. The IPSASB did, however, consider the transitional exemptions included in IFRS 1 *First-time Adoption of International Financial Reporting Standards*, as well as the transitional provisions included in the existing suite of IPSASs, in developing this IPSAS.
- BC5. In developing this IPSAS, the IPSASB agreed that, because this IPSAS is not a convergence project, all the transitional provisions and exemptions should be included in a single pronouncement. In comparison with IFRS 1, the IPSASB agreed that no transitional provisions and exemptions should be included as appendices, as this could be confusing to the preparers of the financial statements if the provisions and exemptions are dispersed all over the Standard.
- BC6. The transitional exemptions provided in this IPSAS will replace many of the transitional provisions in IPSASs once they are applied.
- BC7. When the IPSASB issues new pronouncements, it will consider specific transitional provisions to be included in this IPSAS that will provide relief to a first-time adopter. Transitional provisions for entities already applying accrual basis IPSASs will be included in the new pronouncements that are developed.

Scope

- BC8. This IPSAS applies when an entity first adopts accrual basis IPSASs for the first time and during the period that it transitions to accrual basis IPSASs to the extent that it has adopted one or more of the transitional exemptions and provisions in this IPSASs. This IPSAS provides relief to a first-time adopter in presenting its financial statements, and allows a first-time adopter certain voluntary exemptions during the period of transition.
- BC9. This IPSAS requires an entity to comply with each effective IPSAS on the date of adoption, but grants limited exemptions from requirements in certain areas where the benefits to users of financial statements are less than the cost of complying with those requirements. Retrospective application of some IPSASs is prohibited, particularly where they require judgment by management about past conditions.
- BC10. The exemptions provided in this IPSAS may override some of the requirements in existing accrual basis IPSASs during the transition to accrual basis IPSASs.
- BC11. The date of adoption of accrual basis IPSASs is the start of the reporting period in which the first-time adopter elects to adopt accrual basis IPSASs. If, on the date of adoption of accrual basis IPSASs the first-time adopter elects to apply one or more of the voluntary exemptions or provisions that affect fair presentation and the first-time adopter's ability to assert compliance with accrual basis IPSASs, the first-time adopter will present transitional IPSAS financial statements during the period of transition. At the end of the transitional period the first-time adopter must comply with the recognition, measurement, presentation and disclosure requirements in the other accrual basis IPSASs in order to assert compliance with accrual basis IPSASs as required in IPSAS 1, *Presentation of Financial Statements*, even though the date of adoption of accrual basis IPSAS may have been at an earlier point.
- BC12. If, however, on the date of adoption of accrual basis IPSASs the first-time adopter elects not to apply one or more of the exemptions or provisions that affect fair presentation and the ability to assert compliance with accrual basis IPSASs, the first-time adopter can present IPSAS financial statements during the period of transition. IPSAS financial statements are financial statements in which the first-time adopter can make an explicit and unreserved statement in those financial statements of compliance with accrual basis IPSASs. If a first-time adopter does not adopt the exemptions in this IPSAS that affect fair presentation and compliance with accrual basis IPSASs, its first financial statements following the adoption of accrual basis IPSASs may also be its first IPSAS financial statements.

Developing Criteria to Develop and Assess Transitional Exemptions

- BC13. In developing the transitional exemptions in this IPSAS, the IPSASB developed a set of criteria based on what user information needs are likely to be on the adoption of and transition to accrual basis IPSASs as set out in Chapter 2 of the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (the Conceptual Framework)*. These criteria were used to evaluate these transitional provisions, along with an assessment of the qualitative characteristics, and constraints on, information included in GPFs as outlined in Chapter 3 of the *Conceptual Framework*. The results of these evaluations are included in paragraphs BC14 to BC19.
- BC14. In developing requirements for the first-time adopter's opening statement of financial position and in considering the transitional exemptions, the IPSASB referred to the objective of financial statements, as set out in Chapter 2 of the *Conceptual Framework*.
- BC15. Chapter 2 of the *Conceptual Framework* states that the objective of financial statements is to provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users in providing information for accountability and decision-making purposes.
- BC16. Chapter 3 of the *Conceptual Framework* also identifies qualitative characteristics of information included in the general purpose financial reports (GPFs) of public sector entities. These qualitative characteristics are relevance, faithful representation, understandability, timeliness, comparability and verifiability. The constraints on information included in GPFs are materiality and cost-benefit.

Criteria Used to Develop the Transitional Exemptions

Fair Presentation and Compliance with IPSASs

- BC17. IPSAS 1 requires that an entity whose financial statements comply with IPSASs shall make an explicit and unreserved statement of such compliance in the notes to the financial statements. Financial statements shall not be described as complying with IPSASs unless they comply with all the requirements of IPSASs. Due to the complexity of issues relating to the first-time adoption of IPSASs, the IPSASB agreed that relief should be provided in certain instances. The IPSASB however agreed that some relief will affect the fair presentation of a first-time adopter's financial statements and the ability to assert compliance with accrual basis IPSASs.
- BC18. The IPSASB agreed that there should be a differentiation between those transitional exemptions which do not affect fair presentation of a first-time adopter's financial statements and those that do. The IPSASB also agreed that, structuring the Standard in this way will give preparers a better understanding of the affect that the various transitional provisions and exemptions will have

on their financial statements during the period of transition. Following the differentiation the IPSASB agreed that first-time adopters should be alerted to the fact that they will not be able to assert compliance with accrual basis IPSASs as required by IPSAS 1 if they adopt certain exemptions provided in this IPSAS.

- BC19. The IPSASB agreed that where a first-time adopter takes advantage of the exemptions that affect fair presentation and compliance with accrual basis IPSASs, it will not be able to make an unreserved statement of compliance with accrual basis IPSASs until such time as the exemptions that provided the relief have expired, or when the relevant items are recognized, measured and/or the relevant information has been presented and/or disclosed in the financial statements in accordance with the applicable IPSASs (whichever is earlier).
- BC20. Following comment received on the proposed IPSAS on *First-time Adoption of Accrual Basis IPSAS*, the IPSASB agreed to clarify that a first-time adopter should apply judgment in assessing to what extent the transitional exemptions and provisions adopted affect fair presentation of the financial statements and the first-time adopter's ability to assert compliance with accrual basis IPSAS. Where a first-time adopter elects to apply one or more of the transitional exemptions and provisions that affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis IPSAS, the first-time adopter may still conclude that fair presentation is achieved because the recognition and/or measurement of the item, transaction or event that are exempted is not significant in relation to the financial statements as a whole. Applying judgment to assess the significance of the transitional exemption and provision adopted in relation to the financial statements as a whole needs to be assessed based on the first-time adopter's specific circumstances.
- BC21. The IPSASB agreed that the financial statements presented at the end of the first reporting period where a first-time adopter takes advantage of one or more of the transitional exemptions that affect fair presentation and compliance with accrual basis IPSASs, should be referred to as the transitional IPSAS financial statements. This is because the first-time adopter will not be able to make an explicit and unreserved statement of compliance with IPSASs while applying the exemptions in this IPSAS that affect the fair presentation of the financial statements and a first-time adopter's ability to assert compliance with accrual basis IPSASs.
- BC22. To provide relevant information during the transition to accrual basis IPSASs disclosures to inform users about the transitional exemptions adopted by a first-time adopter, and how it transitions from its previous basis of accounting to accrual basis IPSASs.

- BC23. The IPSASB noted that, as part of a first-time adopter's transition to accrual accounting, an implementation plan should be developed so as to assess the first-time adopter's progress reporting under accrual basis IPSASs. Disclosures on the progress towards recognizing, measuring, presenting and/or disclosing assets, liabilities, revenue and/or expenses in accordance with this plan will provide useful information to the users of financial statements in understanding how and by when the first-time adopter intends to comply in full with the requirements of all the applicable IPSASs.

Presentation of Information on First-Time Adoption

Presenting Comparative Information Following the Adoption of Accrual Basis IPSASs

- BC24. The IPSASB considered whether comparative information should be required on the adoption of IPSASs, as the existing transitional provisions in IPSAS 1, *Presentation of Financial Statements* do not require comparative information in respect of the financial statements in which accrual accounting is first adopted in accordance with IPSASs.
- BC25. In considering the cost-benefit criterion, the IPSASB confirmed that the current approach in IPSAS 1 for the presentation of comparative information should be retained to promote the adoption of accrual IPSASs. This IPSAS therefore only encourages the provision of comparative information, with no requirement that a first-time adopter should provide comparative information in its first transitional IPSAS financial statements, or first IPSAS financial statements.
- BC26. Where a first-time adopter elects to not present comparative information, the IPSASB agreed that, as a minimum, a first-time adopter's first transitional IPSAS financial statements, should include one statement of financial position and an opening statement of financial position at the date of adoption of accrual basis IPSASs.
- BC27. Where an entity elects to present comparative information, the IPSASB agreed that a first-time adopter should present one statement of financial position with comparative information for the preceding period and an opening statement of financial position as at the beginning of the reporting period prior to the date of adoption of accrual basis IPSASs.
- BC28. As the adoption of the three year transitional relief period also affects the presentation of comparative information, the IPSASB agreed that where the first-time adopter takes advantage of any of the transitional relief periods permitted, it should only adjust comparative information for the year following the date of adoption of accrual basis IPSASs when information is available about the items that were recognized and/or measured during that period. Comparative information will thus only be adjusted retrospectively to the extent that the information is available.

- BC29. A first-time adopter shall apply the requirements in IPSAS 1 relating to the disclosure of comparative information after it has presented its first IPSAS financial statements.

Presenting a Reconciliation Following the Adoption of Accrual Basis IPSASs

- BC30. In considering what information would be useful to users of the financial statements in relation to the first-time adoption of IPSASs, the IPSASB agreed that a reconciliation should be presented in the notes to the transitional IPSAS financial statements, or first IPSAS financial statements. The presentation of a reconciliation provides an important link between the information previously presented under the first-time adopter's previous basis of accounting, and the information prepared using IPSASs. The purpose of the reconciliation is to illustrate the adjustments that are necessary to conform with the requirements of accrual basis IPSASs, and how the transition from the previous basis of accounting to IPSASs affected the first-time adopter's reported financial position, financial performance and cash flows. This information will be useful to the users of financial statements.
- BC31. The IPSASB considered two types of reconciliations that could be presented – the first one reconciling opening balances as at the date of adoption of IPSASs, and the second a reconciliation reconciling the end of the latest period presented in the first-time adopter's most recent annual financial statements in accordance with its previous basis of accounting.
- BC32. The IPSASB concluded that the latter option will be too onerous and that the cost of presenting the reconciliation, outweighs the benefit. It was also concluded that users will not likely make use of such reconciliations and that the information will not have predictive value.
- BC33. As a result, it was agreed that a first-time adopter should only present a reconciliation of its closing balances reported under its previous basis of accounting, to its net assets/equity in accordance with IPSASs for the opening statement of financial position. The information should be presented in the notes to the transitional IPSAS financial statements, or the first IPSAS financial statements.
- BC34. If a first-time adopter previously applied a cash basis of accounting it would not have presented net assets/equity. The IPSASB therefore agreed that if a first-time adopter's previous basis of accounting is cash, it is not required to present a reconciliation.
- BC35. To meet the qualitative characteristics of relevance, understandability and comparability during the period of transition where a first-time adopter takes advantage of the exemption that provides relief from the recognition and/or measurement of assets and/or liabilities, the IPSASB considered whether a first-time adopter should be required to present a reconciliation at different points during its transition to accrual basis IPSASs.

BC36. The IPSASB agreed that where a first-time adopter takes advantage of any of the transitional relief periods permitted, it should present a reconciliation of items that have been recognized and/or measured during the reporting period when these items have not been recognized and/or measured in the previous reported financial statements. This reconciliation should be presented in addition to the reconciliation that is presented to explain differences between the first-time adopter's previous basis of accounting and those items that are recognized and/or measured in accordance with IPSASs in the opening statement of financial position.

Presenting a Comparison of Budget and Actual Information in a First-time Adopter's Financial Statements

BC37. The IPSASB debated whether a first-time adopter should be required to present a comparison of budget and actual information following the adoption of accrual basis IPSASs, and whether such information is useful to the users of the financial statements.

BC38. The IPSASB considered that if a first-time adopter prepares its budget on the cash-basis of accounting after the adoption of IPSASs, presenting this comparison in its transitional IPSAS financial statements, or its first IPSAS financial statements could be onerous. The IPSASB, however, agreed that such a comparison should be included in a first-time adopter's financial statements, as the comparison is a unique feature of IPSASs and promotes accountability and decision-making.

Presenting a Cash Flow Statement in a First-time Adopter's Financial Statements

BC39. During the comment period, respondents requested the IPSASB to consider providing transitional exemptions and provisions for the preparation of the cash flow statement where a first-time adopter elects to adopt a three year relief period for the recognition and/or measurement of certain assets and/or liabilities. Respondents noted that it did not seem appropriate to present a cash flow statement when the statement of financial position is incomplete.

BC40. The IPSASB confirmed its previous decision to not provide any transitional relief as, during the transitional period, users still need cash flow information on: (a) the sources of cash inflows; (b) the items on which cash was expended during the reporting period; and (c) the cash balance as at the end of the reporting period.

Alignment of Accrual IPSASs and Government Finance Statistics Reporting

BC41. As the objective of this Standard is to provide a suitable starting point for accounting in accordance with accrual basis IPSAS it does not provide specific guidance to a first-time adopter on alignment of GFS reporting and accrual basis IPSASs. In its Consultation Paper, *Alignment of IPSASs and Government Finance Statistics Reporting Guidelines: Resolution of*

Differences through Convergence and Management, the IPSASB discusses where guidance on GFS alignment options within the suite of IPSASB's pronouncements will be best addressed. By choosing Government Finance Statistics (GFS) aligned policy options on the first-time adoption of accrual IPSASs, a first-time adopter may facilitate production of high quality and timely data for inclusion in their GFS reports.

Exemptions that Affect Fair Presentation and Compliance with Accrual Basis IPSAS

Transitional Exemptions Relating to the Recognition, Measurement and Classification of Non-Financial Assets

- BC42. When an entity first adopts IPSASs, it may not have comprehensive information about the existence of all the assets under its control, and may require a period of time to obtain and compile appropriate records to account for such assets. As this is relevant to entities that previously did not apply the accrual basis of accounting, it is likely that these entities will require considerable effort to recognize, measure and/or classify their assets in accordance with IPSASs.
- BC43. In considering the relief that should be provided to a first-time adopter for the recognition of its assets, the IPSASB considered the existing five year relief period in IPSAS 17. To encourage entities to prepare for the adoption of IPSASs in advance of the preparation of their transitional IPSAS financial statements, or their first IPSAS financial statements, the IPSASB agreed that a grace period not exceeding three years should be allowed. As entities should prepare well in advance for their transition to accrual basis IPSASs and not solely rely on the relief period provided in this IPSAS, the IPSASB is of the view that the three year transitional period is more manageable, and reduces the period over which entities will not be able to assert compliance with IPSASs.
- BC44. The IPSASB agreed that prescribing a relief period in this IPSAS, rather than allowing each jurisdiction to prescribe their own transitional period, reduces inconsistencies between jurisdictions. The credibility and comparability of financial statements during the period of transition will also be enhanced.
- BC45. The IPSASB confirmed that the relief provided in this IPSAS should not be seen as a complete roadmap for the adoption of accrual basis IPSASs, but rather the end stage of their adoption process. The relief period of three years provided in this IPSAS is aimed at providing relief to a first-time adopter to assist with the final conversion to accrual basis IPSASs. Prior to the adoption of this IPSAS, a first-time adopter should adequately prepare for its transition to accrual basis IPSASs. The complexity and length of the transition will depend on its previous basis of accounting. The three year relief period should not be seen as the entire adoption phase.

- BC46. The guidance in Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities* issued by the IPSASB may assist a first-time adopter in planning their conversion to accrual basis IPSASs, prior to adoption of this IPSAS.
- BC47. The IPSASB proposed that a relief period of three years should be provided for the following assets:
- (a) Investment property;
 - (b) Property, plant and equipment;
 - (c) Biological assets and agricultural produce;
 - (d) Intangible assets; and
 - (e) Service concession assets.
- BC48. Following comment received on this proposed IPSAS, the IPSASB agreed to also allow a relief period for the recognition and/or measurement of inventory. The IPSASB agreed that, even though inventory is a current asset which is realised, consumed, sold or used in an entity's operating cycle, a first-time adopter may need time to identify and classify its assets appropriately between inventory, investment property or property, plant and equipment, particularly in respect of land. Inventory may also comprise specialized assets or high volumes of items, e.g. medical supplies, for which additional time may be required for appropriate classification.
- BC49. In considering whether a relief period should be allowed for the recognition of biological assets and agricultural produce, the IPSASB noted that these assets and activities may be limited in some jurisdictions while they may be more significant in other jurisdictions, for example, developing countries. On balance, the IPSASB agreed that a three year relief period should be provided for the recognition of biological assets and agricultural produce to assist those jurisdictions where this is a significant issue.
- BC50. IPSAS 5 allows a first-time adopter to either adopt the benchmark treatment or the allowed alternative treatment in accounting for borrowing costs incurred on qualifying assets. When a first-time adopter elects to apply the allowed alternative treatment, there may a timing difference between the capitalization of borrowing costs on qualifying assets where the first-time adopter takes advantage of the three year transitional relief period to not recognize certain assets. To address this timing difference, and because it might not be practical to obtain information on borrowing costs incurred prior to the recognition of the asset where the first-time adopter takes advantage of the three year transitional exemption period, the IPSASB agreed that a first-time adopter should not be required to capitalize any borrowing costs on qualifying assets for which the commencement date for capitalization is prior to the date of adoption of accrual basis IPSASs. Based on comment

received from respondents on the proposed Exposure Draft, the IPSASB also agreed that any borrowing costs incurred during the period of transition should also not be capitalized until the exemptions that provided the relief have expired and/or when the relevant assets are recognized in accordance with the applicable IPSASs (whichever is earlier).

- BC51. After comment received on the proposed IPSAS, the IPSASB also agreed that a first-time adopter may change its accounting policy in respect of the recognition and/or measurement of assets and/or liabilities on a class-by-class or category-by-category basis where the use of classes or categories are permitted in the applicable IPSAS.

Transitional Exemptions relating to the Measurement of Non-Financial Assets

- BC52. The IPSASB acknowledged that some entities may have recognized non-financial assets under their previous basis of accounting. The IPSASB therefore agreed that a three year transitional relief period should be allowed for the measurement of all non-financial assets that were recognized by a first-time adopter under its previous basis of accounting. During this transitional period, a first-time adopter will be able to develop reliable models for applying the principles in the IPSASs. During the transitional period the first-time adopter will not be required to change its accounting policy in respect of the measurement of these assets.

Transitional Exemptions Relating to the Recognition of Liabilities

Interaction Between the Asset Standards and Other IPSASs

- BC53. Where a first-time adopter takes advantage of one or more of the transitional exemptions relating to the recognition of assets, it would, as part of this process, analyze title deeds, contracts and other similar arrangements, including lease arrangements, in determining what assets should be accounted for and their measurement. As a result, a first-time adopter may not be in a position to account for finance lease liabilities related to finance lease assets until such time as the transitional relief period provided has expired and/or the relevant assets are recognized in accordance with the applicable IPSASs (whichever is earlier).
- BC54. Likewise, where a first-time adopter has elected to adopt the transitional relief provided for the recognition of service concession assets in accordance with IPSAS 32, it will not be in a position to account for the related liability under either the financial liability model or the grant of a right to the operator model until such time as the transitional relief period provided has expired and/or the relevant assets are recognized and/or measured in accordance with IPSAS 32 (whichever is earlier).
- BC55. The IPSASB agreed that the recognition of finance lease liabilities and the recognition and/or measurement of liabilities related to service concession assets should also be delayed until the relief period related to the relevant

assets have expired and/or the applicable assets have been recognized and/or measured.

Recognition of Provisions Included in the Initial Cost of Property, Plant and Equipment

- BC56. The IPSASB concluded that no transitional relief period should be provided for provisions in IPSAS 19 and that a first-time adopter should account for all its liabilities on the date of adoption of IPSASs. The IPSASB, however, acknowledges that the delay in the recognition and/or measurement of property, plant and equipment affects the recognition and/or measurement of certain provisions which are included in the cost of such assets.
- BC57. IPSAS 17 requires an entity to include, as part of the cost of an item of property, plant and equipment, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. IPSAS 17 requires that the obligation for costs accounted for in accordance with IPSAS 17 is recognized and measured in accordance with IPSAS 19.
- BC58. The IPSASB agreed that it would not be possible to recognize and/or measure provisions for the initial estimate of costs to dismantle and remove the item and restore the site on which it is located until such time as the relevant item of property, plant and equipment is recognized and/or measured in accordance with IPSAS 17. A transitional relief period was therefore also provided for the recognition and/or measurement of the provision to address the timing difference.

IPSAS 39, Employee Benefits

- BC59. The IPSASB acknowledged that the recognition and/or measurement of specific liabilities in IPSAS 39, will be challenging for many public sector entities as new systems may be required and/or existing systems may need to be upgraded. The IPSASB therefore agreed that a first-time adopter should be given a three year relief period for the recognition and/or measurement of assets and liabilities related to defined benefit plans and other long-term employee benefits. To avoid a skewed statement of financial position, the IPSASB further agreed that any plan assets should be recognized and/or measured at the same time as the liabilities. All other employee benefits should be recognized and/or measured on the date of adoption of IPSASs.
- BC60. [Deleted]

IPSAS 42, *Social Benefits*

- BC60A. The IPSASB issued IPSAS 42, *Social Benefits*, in January 2019. The IPSASB acknowledged that the recognition and/or measurement of liabilities related

to social benefits may be challenging for some public sector entities. The IPSASB therefore agreed that a first-time adopter should be given a three year relief period for the recognition and/or measurement of liabilities related to social benefits.

Transitional Exemptions Relating to the Recognition and Measurement of Monetary Assets and/or Liabilities

IPSAS 41, Financial Instruments

- BC61. The existing transitional provisions in IPSAS 41 do not provide any relief to a first-time adopter for the recognition and/or measurement of financial instruments. Because many public sector entities will need some time to identify and appropriately classify their financial instruments, the IPSASB agreed that a transitional relief period should be provided to a first-time adopter for the recognition and/or measurement of financial instruments. A transitional relief period of three years was granted in line with the relief period provided for the recognition and/or measurement of other items.
- BC62. The IPSASB, however, agreed that a distinction should be made between those entities that previously recognized financial instruments and those that did not. The IPSASB was of the view that many basic financial instruments such as cash, debtors and creditors are already recognized by public sector entities. A three year relief period for the recognition of financial instruments that have not been recognized under a first-time adopter's previous basis of accounting, is therefore provided.
- BC63. As with non-monetary assets, the IPSASB agreed that the same principle should be applied to the recognition and/or measurement of monetary assets and/or liabilities, i.e. to the extent that a first-time adopter has recognized financial instruments under its previous basis of accounting, the IPSASB agreed that a three year relief period should be granted for the measurement and classification of financial instruments following the date of adoption of IPSASs. During this transitional period, a first-time adopter will be able to develop reliable models for applying the principles in IPSAS 41. It would also be allowed to apply accounting policies for the measurement of financial instruments that differs from the requirements in IPSAS 41 during the period of transition.

Transitional Exemptions Relating to the Recognition and Measurement of Non-Exchange Revenue

IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers)

- BC64. The existing transitional provisions in IPSAS 23 allow a first-time adopter to not change its accounting policy in respect of the recognition and measurement of taxation revenue for a period of five years. IPSAS 23 also allows a first-time adopter to not change its accounting policy in respect of recognition and measurement of revenue from non-exchange transactions,

other than taxation revenue, for a period of three years. It also requires that changes in accounting policies should only be made to better conform to IPSAS 23.

- BC65. The IPSASB concluded that it will be challenging for many public sector entities to implement IPSAS 23 as new systems may be required and/or existing systems may need to be upgraded. Because of these practical challenges, the IPSASB agreed that a transitional relief period should be provided. The IPSASB, however, acknowledged that a first-time adopter should build up models to assist with the transition to accrual accounting prior to the adoption of the accrual basis. In line with the relief period of three years provided for the recognition of assets and/or liabilities in other IPSASs, and in line with the existing three year transitional relief period provided for other non-exchange revenue in IPSAS 23, it was agreed that a first-time adopter should be granted a relief period of three years to develop reliable models for recognizing and measuring revenue from non-exchange transactions. The IPSASB agreed that a transitional period of three years is manageable, and reduces the period over which an entity will not be able to assert compliance with accrual basis IPSASs. During the period of transition, a first-time adopter will be allowed to apply accounting policies for the recognition of non-exchange revenue transactions that do not comply with the provisions in IPSAS 23.

Exemptions from Presentation and/or Disclosure Requirements Where a First-time Adopter Takes Advantage of the Exemptions that Provide a Three Year Transitional Relief Period

- BC66. The IPSASB acknowledged and agreed that the three year exemption provided for the recognition and/or measurement of assets and/or liabilities also implies that the associated presentation and/or disclosure requirements in the applicable IPSASs do not need to be complied with as the information will not be available. The IPSASB agreed that the information need not be provided until the exemptions that provided the relief have expired or when the relevant assets and/or liabilities are recognized and/or measured in accordance with the applicable IPSASs (whichever is earlier).
- BC67. For the same reason, the IPSASB agreed that a first-time adopter should not be required to provide any related disclosure requirements in IPSAS 1, *Presentation of Financial Statements* and IPSAS 18, *Segment Reporting*.

IPSAS 5, Borrowing Costs

- BC68. The existing transitional provisions in IPSAS 5 encouraged a first-time adopter to adjust its financial statements retrospectively if it did not recognize borrowing costs under its previous basis of accounting. The IPSASB agreed that it does not want to provide more relief to a first-time adopter than to those entities that already apply IPSASs, particularly where the first-time adopter

elects to adopt the allowed alternative treatment under which borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a part of the cost of an asset.

- BC69. As a result, the IPSASB agreed that a first-time adopter should only be encouraged to apply the requirements of IPSAS 5 retrospectively where it adopts or changes its accounting policy to the benchmark treatment. Providing this relief was seen a necessary because obtaining information retrospectively may be costly and considerable effort may be needed to obtain such information.
- BC70. The IPSASB, however acknowledged that some information may be available to a first-time adopter depending on its previous basis of accounting. It was therefore agreed that a first-time adopter who adopted or changed its accounting policy to the benchmark treatment, should apply the principles in IPSAS 5 prospectively, but it may designate a date before the date of adoption of IPSASs in applying IPSAS 5. This relief can only be adopted to the extent that the information is available.
- BC71. The IPSASB does not want to encourage first-time adopters to adopt the allowed alternative treatment. Therefore it was agreed that where a first-time adopter changes its accounting policy to the allowed alternative treatment, any borrowing costs incurred on qualifying assets both before and after the date of adoption of IPSASs, for which the commencement date for capitalization is prior to the date of adoption of IPSASs, should be recognized retrospectively where the first-time adopter has not taken advantage of the transitional relief to not recognise and/or measure assets for a period of three years.

IPSAS 34, Separate Financial Statements, IPSAS 35, Consolidated Financial Statements and IPSAS 36, Investments in Associates and Joint Ventures

- BC72. The IPSASB considered whether it should provide transitional relief that allows a first-time adopter to not present consolidated financial statements on adoption of IPSASs. In considering this proposal, it was argued that providing such an exemption would contradict the concept of a reporting entity and would not result in fair presentation.
- BC73. The IPSASB therefore agreed that providing a relief period to not present consolidated financial statements should not be provided, but instead, a first-time adopter should be given a three year relief period from eliminating balances, transactions, revenues and expenses between entities within the economic entity.
- BC74. As some balances, transactions, revenues and expenses may be known on adoption of IPSASs, a first-time adopter is encouraged to eliminate only those known balances, transactions, revenues and expenses.

BC75. For the same reason, the IPSASB agreed that a similar exemption should also be provided where a first-time adopter has one or more jointly controlled entity in terms of IPSAS 8, and where it has one or more associate in terms of IPSAS 7.

Providing a three year relief for the initial recognition and/or measurement of interests in other entities

BC76. Following comments received on Exposure Draft, the IPSASB agreed that relief should be provided to a first-time adopter for the initial recognition and/or measurement of its interests in other entities. This relief would allow those first-time adopters that have not gathered the necessary information on the date of adoption, more time to appropriately classify and measure their interests in other entities. The relief provided is consistent with that provided for financial instruments.

Presenting consolidated financial statements where the three year relief is adopted for the initial recognition and/or measurement of interests in other entities and/or to not eliminate inter-entity balances, transactions, revenue and expenses

BC77. Some respondents to the Exposure Draft expressed a view that relief should be provided from preparing consolidated financial statements where a first-time adopter has elected to not eliminate some, or all of the inter-entity balances, transactions, revenue and expenses between entities within the economic entity. The IPSASB concluded that the financial statements that are presented where a first-time adopter has taken advantage of the three year relief for the initial recognition and/or measurement of interests in other entities, and/or where it has elected to not eliminate some, or all inter-entity balances, transactions, revenue and expenses, cannot be presented as consolidated financial statements, until (a) the exemptions that provided the relief have expired, and/or (b) inter-entity balances, transactions, revenue and expenses have been eliminated, and/or (c) its interests other entities have been recognized and/or measured appropriately. The IPSASB agreed that disclosure requirements should be added to explain to users why the financial statements are not presented as consolidated financial statements.

BC78. The IPSASB agreed that providing this clarification is necessary because, where a first-time adopter has not eliminated inter-entity balances, transactions, revenue and expenses as required by IPSAS 35 preparing consolidated financial statements will merely be an aggregation of inter-entity balances, transactions, revenue and expenses within the economic entity. Such statements would not be useful for accountability and decision-making purposes.

BC79. Likewise eliminating the carrying amount of an investment in the controlled entity as required by IPSAS 35 may not be possible if the first-time adopter

has not recognized and/measured its interest in other entities as required by the applicable IPSASs.

IPSAS 40, Public Sector Combinations

BC79A. In developing IPSAS 40, *Public Sector Combinations*, the IPSASB considered whether it should provide transitional relief that allows a first-time adopter not to recognize and/or measure all the assets and/or liabilities associated with a public sector combination. The IPSASB noted that IPSAS 40 is applied prospectively, and so its application would not require a first-time adopter to adjust their accounting for a public sector combination that occurred prior to the application of that Standard. However, a public sector combination could occur during a first-time adopter's three year transitional relief period. The IPSASB considered that requiring a first-time adopter to recognize and measure all the assets and liabilities associated with a public sector combination without requiring them to recognize and measure all similar assets and liabilities would not provide useful information for the users of the financial statements.

BC79B. Consequently, the IPSASB agreed to provide transitional relief that allows a first-time adopter not to recognize and/or measure all the assets and/or liabilities associated with a public sector combination as part of this Standard. The IPSASB also agreed that a first-time adopter should not recognize goodwill where it did not recognize and/or measure all the assets and/or liabilities associated with a public sector combination.

Exemptions that Do Not Affect Fair Presentation and Compliance with Accrual Basis IPSAS

Deemed Cost

Deemed Cost for Assets and/or Liabilities

BC80. Some measurements in accordance with IPSASs are based on an accumulation of past costs or other transaction data. If a first-time adopter has not previously collected the necessary information, collecting or estimating it retrospectively may be costly and/or impractical. To avoid excessive cost, this IPSAS allows a first-time adopter to use the fair value as a substitute for the initial cost of inventory, investment property where the first-time adopter elects to use the cost model in IPSAS 16, property, plant and equipment, financial instruments and service concession assets at the date of adoption of IPSASs. Where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets, the fair value is the deemed cost at the date at which the asset is recognized and/or measured during the period of transition.

- BC81. While it could be argued that the use of fair value would lead to a lack of comparability, the IPSASB noted that cost is generally equivalent to fair value at the date of acquisition. Therefore, the use of fair value as the deemed cost of an asset means that a first-time adopter reports the same cost data as if it had acquired an asset with the same value or same remaining service potential at the date of adoption of IPSASs. If there is any lack of comparability, it arises from the aggregation of costs incurred at different dates, rather than from the use of fair value as deemed cost for some assets at a date. In the view of the IPSASB, using deemed cost facilitates the introduction of IPSASs in a cost-effective way.
- BC82. Under the revaluation model in IPSAS 17, if an entity revalues an asset, it must revalue all assets in that class. This restriction prevents selective revaluation of only those assets whose revaluation would lead to a particular result. The IPSASB considered whether a similar restriction should be included in determining a deemed cost. IPSAS 21, *Impairment of Non-cash-generating Assets* and IPSAS 26, *Impairment of Cash-generating Assets* requires an impairment test if there is any indication that an asset is impaired. Thus, if a first-time adopter uses fair value as deemed cost for assets whose fair value is likely to be above cost, it cannot ignore indications that the recoverable amount or recoverable service amount of other assets may have fallen below their carrying amount.
- BC83. The IPSASB also considered the circumstances under which a first-time adopter should be allowed to determine a deemed cost on initial adoption of IPSAS, or where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets. The IPSASB considered whether the use of a deemed cost should be restricted to those situations where cost information is not available for assets, or whether it should be allowed in all circumstances, irrespective of whether cost information is available on the date of adoption of IPSASs, or the date on which the asset is recognized and/or measured where a first-time adopter has taken advantage of the exemption that provides a three year transitional relief period to not recognize and/or measured certain assets.
- BC84. The IPSASB agreed that, to avoid the selective valuation of assets, the use of a deemed cost should be restricted to those circumstances where reliable information about the historical cost of the asset is not available.

Deemed Cost for Investments in Controlled Entities, Joint Ventures or Associates

- BC85. The IPSASB also agreed that a first-time adopter may elect to measure an investment in a controlled entity, joint venture or associate at cost in its separate financial statements on the date of adoption of IPSASs at either cost

as determined in accordance with IPSAS 6, or deemed cost. Deemed cost is determined as fair value in accordance with IPSAS 41, *Financial Instruments*.

Deemed Cost for Intangible Assets

- BC86. In considering whether a first-time adopter should be allowed to determine a deemed cost for intangible assets, the IPSASB considered the existing transitional provisions in IPSAS 31. IPSAS 31 allows a first-time adopter to use a previous revaluation of intangible assets at, or before, the date of transition as deemed cost at the date of the revaluation if the revaluation is broadly comparable to fair value or cost or depreciated cost that is adjusted to reflect for example, changes in a general or specific price index. IPSAS 31, however, only allows a first-time adopter to determine a deemed cost if the recognition criteria in IPSAS 31 (including the reliable measurement of original cost), and the criteria for revaluation (including the existence of an active market), have been met.
- BC87. The IPSASB debated whether public sector entities will be likely to fulfil the second criterion on initial adoption of IPSAS, i.e. existence of an active market. The IPSASB acknowledged that it may be uncommon for an active market to exist in the public sector for intangible assets, and as a consequence, the use of the deemed cost approach will likely be considerably restricted. As a result, a first-time adopter may be unable to determine a deemed cost for some intangible assets such as in-house developed IT systems.
- BC88. The IPSASB considered whether the reliable measurement of original cost should be required for first-time adopters which previously applied a cash basis of accounting, as some entities might find it cumbersome to identify the original cost of their intangible assets. It was also argued that where a first-time adopter has previously applied the accrual basis of accounting and it has acquired intangible assets through a non-exchange transaction, it might not be able to reliably measure original cost.
- BC89. Based on these considerations, the IPSASB concluded that the reliable measurement of the original cost should be excluded as a criterion for the application of the deemed cost approach on first-time adoption of IPSASs.
- BC90. The IPSASB therefore agreed that a first-time adopter is allowed to determine a deemed cost for intangible assets where that deemed costs meets: (a) the recognition criteria in IPSAS 31 (excluding the reliable measurement criterion) and (b) the criteria in IPSAS 31 for revaluation (including the existence of an active market).
- BC91. In considering whether a first-time adopter should be allowed to determine a deemed cost for internally generated intangible assets, the IPSASB concluded that it would be difficult to retrospectively assess the probability of expected future economic benefits or service potential through reasonable and supportable assumptions as management would not be able to apply hindsight

in obtaining such information. Due to the absence of reliable information on the date of adoption of IPSASs, it was therefore agreed that a deemed cost may not be determined for internally generated intangible assets.

Alternative Measurement Bases for Fair Value in Determining Deemed Cost

BC92. The IPSASB considered whether some revaluations in accordance with a first-time adopter's previous basis of accounting might be more relevant to users than original cost. It was concluded that it would not be reasonable to require a time-consuming and expensive estimation of cost, if previous revaluations already comply with IPSASs. This IPSAS therefore allows a first-time adopter to use a revaluation under its previous basis of accounting for property, plant and equipment determined at or before the date of adoption of IPSASs, as deemed cost. This may be used if the revaluation is, at the date of the revaluation, broadly comparable to:

- (a) Fair value; or
- (b) Cost or depreciated cost, where appropriate, in accordance with IPSASs adjusted to reflect, for example, changes in a general or specific price index.

BC93. In determining "fair value", the guidance in each applicable IPSAS is considered, where such guidance is provided. In IPSAS 17 it is noted that fair value is normally determined by reference to market-based evidence, often by appraisal. IPSAS 17 also states that if market based evidence is not available to measure items of property, plant and equipment, an entity can estimate fair value using replacement cost, reproduction cost or a service units approach.

BC94. The IPSASB noted that the fair value guidance in IPSAS 16 only considers a market-based value, and that limited guidance is provided in IPSAS 12 in determining fair value. The IPSASB concluded that because a first-time adopter may find it difficult to determine a market-based fair value for all investment properties and all inventories, other measurement alternatives may need to be considered in determining deemed cost for inventory or investment property.

BC95. The IPSASB agreed that a first-time adopter may consider the following measurement alternatives in determining a deemed cost if reliable market-based evidence of fair value is not available on the date of adoption of IPSASs, or on the date that the asset is recognized and/or measured where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets:

- (a) For inventory, current replacement cost; and
- (b) For investment property of a specialized nature, depreciated replacement cost.

Determining a Deemed Cost Where the First-Time Adopter has Taken Advantage of the Three Year Transitional Exemption Period

- BC96. The IPSASB concluded that, to the extent that a first-time adopter has elected to adopt one or more of the transitional exemptions that provides relief for the recognition and/or measurement of assets, it may not be able to retrospectively adjust the value of the asset to the date of adoption of accrual basis IPSASs. Retrospectively adjusting the value of the asset would require consideration of the price of the asset and other market factors that existed on the date of adoption of accrual basis IPSASs, including whether there was any indication that the asset was impaired.
- BC97. The IPSASB concluded that this would not be cost effective. It was therefore agreed that, where a first-time adopter takes advantage of the exemption which allows a three year transitional relief period to not recognize and/or measure an asset, it may determine a deemed cost for that asset at any point of time within the three year transitional relief period. Any adjustments resulting from the recognition of the asset are recognized against the opening accumulated surplus or deficit in the year in which asset is recognized and/or measured.

IPSAS 18, Segment Reporting

- BC98. The IPSASB considered whether relief should be provided to a first-time adopter for the presentation of segment information. The IPSASB agreed that, despite the fact that the presentation of segment information might be useful, a first-time adopter should be provided a relief period, as the information used in presenting segment information needs to be built on existing information in the financial statements.
- BC99. As the IPSASB agreed to allow a three year transitional relief period for the recognition and/or measurement of assets and liabilities, the information which is needed to present segment information may only be available when the exemptions that provided the relief have expired, or when the relevant items are recognized and/or measured in accordance with the applicable IPSASs (whichever is earlier). As relevant and reliable information may not be available to present a meaningful segment report during the period of transition, and because the presentation of a segment report may not be a priority for users during the transition to accrual basis IPSASs it was agreed that a three year exemption period should also be provided for the presentation of segment information.
- BC100. The IPSASB also concluded that, because segment information is additional to the information required on the elements presented in the financial statements, allowing this relief is appropriate.

IPSAS 20, Related Party Disclosures

BC101. In providing a first-time adopter time to build up information on its related party relationships and related party transactions, the IPSASB agreed that the disclosure of related party relationships, related party transactions and information about key management personnel should be treated in the same way as the required eliminations of balances, transactions, revenue and expenses between entities in IPSAS 6 to 8.

BC102. This IPSAS therefore provides a transitional exemption for a period of three years for the disclosure of related party relationships, related party transactions and information about key management personnel.

IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash-Generating Assets

BC103. The IPSASB acknowledged that a first-time adopter may have applied an accounting policy for the recognition and reversal of impairment losses that are different to the requirements in IPSAS 21 and 26, or may have not considered impairment at all. On adoption of IPSASs, it may be difficult to determine the amount of adjustments resulting from retrospective application of a change in an accounting policy, as this requires hindsight.

BC104. As a result, the IPSASB agreed that IPSAS 21 and 26 should be applied prospectively, but that the first-time adopter should be required to assess whether an indicator of impairment has been triggered for its cash-generating and non-cash-generating assets in the opening statement of financial position.

BC105. In recognizing the effect of an impairment loss on first-time adoption of IPSAS 21 or IPSAS 26, the IPSASB considered two options. The first option was to measure such assets at their recoverable amount, or recoverable service amount and use that as the deemed cost. The IPSASB noted that the effect of applying this option may mean that impairment losses could not be reversed in the future. This option was therefore not seen as appropriate.

BC106. The second option, which provides more relevant information is to measure the assets at their recoverable amount, or recoverable service amount, and report the effect in net assets/equity. The IPSASB supported this option.

Timing of Impairment Test for Assets Where an Entity Adopts the Relief Period for the Recognition of Assets

BC107. The IPSASB concluded that where a first-time adopter takes advantage of the exemption that provides relief for the recognition and/or measurement of assets, it may be difficult to retrospectively adjust the value of the asset to the date of adoption of IPSASs. A first-time adopter may find it difficult to determine the amount of adjustments that would be required based on impairment that may or may not have existed at the date of transition.

BC108. The IPSASB therefore agreed that IPSAS 21 and IPSAS 26 should be applied prospectively from the date when the transitional exemptions that provided the relief have expired, or when the relevant asset is recognized and/or measured in accordance with the applicable IPSASs (whichever is earlier).

IPSAS 39, Employee Benefits

BC109. In developing IPSAS 33, the IPSASB also agreed that, where a first-time adopter took advantage of the exemptions that provide relief for the recognition and/or measurement of liabilities, it should provide information about amounts for the current and previous four annual periods of the present value of the defined benefit obligation, the fair value of the plan assets, and the surplus or deficit in the plan and adjustments as required by IPSAS 25 prospectively. IPSAS 39, *Employee Benefits*, was issued in July 2016. IPSAS 39 deleted paragraph 107 of this Standard as the requirement in paragraph 141(p) of IPSAS 25 to disclose information on experience adjustments was not adopted in IPSAS 39.

IPSAS 28, Financial Instruments: Presentation

BC110. IPSAS 28 requires an entity to split a compound financial instrument at inception of the agreement, into separate liability and equity components. It was concluded that separating these two portions would be costly and would not provide relevant information to users of financial statements if the liability component of the compound instrument is no longer outstanding at the date of adoption of IPSASs. As a result, this IPSAS requires that, if the liability component is no longer outstanding at the date of adoption of IPSAS, the first-time adopter need not separate the cumulative interest on the liability component from the net assets/equity component.

IPSAS 41, Financial Instruments

BC111. The IPSASB concluded that, as it is in most instances impracticable to apply impairment principles retrospectively, the impairment of financial instruments should be applied prospectively. This exemption is consistent with the exemption provided for non-cash-generating assets and cash-generating assets in accordance with IPSAS 21 and 26.

IPSAS 30, Financial Instruments: Disclosures

BC112. The IPSASB concluded that if a first-time adopter did not disclose information relating to financial instruments, and the nature and extent of risks arising from financial instruments under its previous basis of accounting, obtaining such information may be costly, and therefore is not feasible.

BC113. The IPSASB therefore agreed that the disclosure requirements relating to financial instruments should be applied prospectively from the date

of adoption of IPSAS, or where the first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure financial assets, when the exemptions expire, or when the relevant items are recognized and/or measured in accordance with the applicable IPSASs (whichever is earlier).

BC114. To the extent that a first-time adopter elects to present comparative information, it was agreed that a first-time adopter need not present comparative information for disclosures relating to the nature and extent of risks arising from financial instruments for the comparative period because obtaining such information may be costly, and is therefore not feasible.

IPSAS 31, Intangible Assets

BC115. On first-time adoption of IPSASs, a first-time adopter will be required to recognize all assets and liabilities for which recognition is required by IPSASs. IPSAS 31 requires that past expenditure on an intangible asset that was initially recognized as an expense should not be recognized as part of the cost of an intangible asset at a later date.

BC116. The IPSASB concluded that, because a first-time adopter may have expensed costs incurred on intangible assets under its previous basis of accounting prior to the adoption of IPSASs, a first-time adopter should be allowed to recognize all intangible assets that meet the recognition criteria and other criteria in IPSAS 31 (i.e., identifiable control of an asset and that future economic benefits or service potential that are attributable to the asset will flow to the entity), even though such costs may have been expensed prior to adoption of IPSASs. It was however, confirmed that such assets should only be recognized as intangible assets if reliable cost information is available and an active market exists for that asset on the date of adoption of IPSASs.

Interests in Other Entities

BC117. The IPSASB considered whether IPSAS 33 should refer to IPSAS 6, *Consolidated and Separate Financial Statements*, IPSAS 7, *Investments in Associates*, and IPSAS 8, *Interests in Joint Ventures*, as well as IPSAS 34, *Separate Financial Statements*, IPSAS 35, *Consolidated Financial Statements*, and IPSAS 36, *Investments in Associates and Joint Ventures*, which were published in January 2015 with an effective date of January 1, 2017, with early adoption permitted. The IPSASB noted that as IPSAS 33 was published in January 2015, any entity adopting IPSAS 33 and electing to apply the 3 year exemptions, would be required to apply IPSASs 34–36 by the time the transitional period is complete. The IPSASB formed a view that it was very unlikely that entities adopting IPSAS 33, prior to January 1, 2017, would adopt IPSASs 6–8 as this would require a further transition to IPSAS 34–36 shortly afterwards. The IPSASB therefore concluded that IPSAS 33 should not include provisions relating to IPSASs 6-8.

Revision of IPSAS 33 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016

BC118. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSASs to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate; and
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

Revision of IPSAS 33 as a result of *Improvements to IPSAS, 2018*

BC119. Following the issue of IPSAS 33, the IPSASB became aware that stakeholders were uncertain whether the exemption from providing comparative information applied to the first financial statements issued following the adoption of accrual basis IPSAS, or all financial statements issued during the transition period. Paragraph 77 referred to an entity’s ‘first transitional IPSAS financial statements’ whereas other paragraphs referred to an entity’s ‘transitional IPSAS financial statements.’ The IPSASB agreed to amend the other paragraphs to clarify that the exemption applies only to the first financial statements issued following the adoption of accrual basis IPSAS.

BC120. The IPSASB reviewed the requirements of IFRIC 22, *Foreign Currency Transactions and Advance Consideration*, issued by the IASB in December 2016, and the considerations of the IFRS Interpretations Committee in reaching its consensus as set out in its Basis for Conclusions. The IPSASB generally concurred that there was no public sector specific reason for not incorporating these requirements into IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*. Consequently, the IPSASB agreed to incorporate the requirements of IFRIC 22 into Appendix A of IPSAS 4. The IPSASB noted that entities are permitted to apply the requirements of Appendix A prospectively, and therefore agreed that first-time adopters need not apply the requirements to assets, expenses and revenue in the scope of Appendix A initially recognized before the date of adoption of IPSAS.

Implementation Guidance

This guidance accompanies, but is not part of, IPSAS 33.

IG1. The purpose of this Implementation Guidance is to illustrate certain aspects of the requirements of IPSAS 33.

Date of Adoption of IPSASs

IG2. The date of adoption of IPSASs is the date an entity adopts accrual basis IPSAS for the first time in preparing its financial statements.

IG3. Prior to the adoption of this IPSAS, a first-time adopter shall have adequately prepared for its transition to accrual basis IPSASs. The guidance provided in Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities* issued by the IPSASB, may assist a first-time adopter with planning the conversion to accrual basis IPSASs. The relief provided in this IPSAS shall therefore not be seen as a complete roadmap for the adoption of accrual basis IPSASs, but rather the end stage of the adoption process.

IG4. A first-time adopter's date of adoption will therefore to be the start of the reporting period in which it elects to adopt accrual basis IPSASs for which it presents its transitional IPSAS financial statements or its first IPSAS financial statements. For example, an entity elects to adopt accrual basis IPSASs from January 1, 20X1 for its reporting period ending December 31, 20X1. The date of adoption of IPSASs will be January 1, 20X1.

Transitional IPSAS Financial Statements

IG5. On the date of adoption of IPSASs, a first-time adopter may elect to adopt one or more of the exemptions included in IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*. Some of the exemptions included in IPSAS 33 affect the fair presentation of a first-time adopter's financial statements and its ability to assert compliance with accrual basis IPSASs (Appendix A lists the transitional exemptions and provisions that a first-time adopter is required to apply and/or can elect to apply on adoption of accrual basis IPSASs and illustrates whether fair presentation and the first-time adopter's ability to assert compliance with accrual basis IPSASs will be affected).

IG6. As a first-time adopter is not able to make an explicit and unreserved statement of compliance with accrual basis IPSASs following the adoption of the exemptions provided in IPSAS 33, the financial statements presented for the first reporting period following the adoption of accrual basis IPSASs, will be referred to as the "transitional IPSAS financial statements".

- IG7. For example, if the first-time adopter adopts the transitional exemption that provides relief for the recognition of certain items of property, plant and equipment when adopting accrual basis IPSASs on January 1, 20X1, it would not be able to make an explicit and unreserved statement of compliance with accrual basis IPSASs at the end of its first reporting period, i.e. December 31, 20X1. The financial statements prepared for the first reporting period, will therefore be referred to as the “first transitional IPSAS financial statements”.
- IG8. The financial statements presented during the period of transition until the exemptions that provided the relief have expired, and/or when the relevant items are recognized and/or measured in the financial statements in accordance with the applicable IPSASs, will be referred to as the “transitional IPSAS financial statements”.

Basis of Preparation When Preparing Transitional IPSAS Financial Statements

- IG9. As stated in paragraph 27 of IPSAS 33, a first-time adopter that elects to adopt one or more of the exemptions included in IPSAS 33, may not be able to make an explicit and unreserved statement of compliance with accrual basis IPSASs as required by IPSAS 1. During the period of transition, this fact shall be highlighted to the users of financial statements in presenting the “basis of preparation” in the financial statements.
- IG10. As an illustration, if a first-time adopter elected to adopt the transitional exemption that allows it three years in which to recognize and/or measure investment property, the following explanation may be provided in the “basis of preparation” paragraph in the financial statements during the period of transition:

Basis of preparation

The financial statements have been prepared in accordance with accrual basis International Public Sector Accounting Standards (IPSASs). IPSAS 33 allows a first-time adopter a period of up to three years to recognize and/or measure certain assets and/or liabilities.

In its transition to accrual basis IPSASs, Public Sector Entity X took advantage of this transitional exemption for investment property. As a result, it is unable to make an explicit and unreserved statement of compliance with accrual basis IPSASs in preparing its transitional IPSAS financial statements for this reporting period. Public Sector Entity X intends to recognize and/or measure its investment property by 20X3.

First IPSAS Financial Statements

- IG11. A first-time adopter's first IPSAS financial statements will be the first set of financial statements that it presents in which it makes an explicit and unreserved statement of compliance with accrual basis IPSASs.
- IG12. A first-time adopter will not be able to prepare its first IPSAS financial statements until the exemptions in IPSAS 33 that provided relief which affected fair presentation and compliance with IPSAS, have expired, or when the relevant items are recognized, measured and/or the relevant information has been presented and/or disclosed in accordance with the applicable IPSASs (whichever is earlier).
- IG13. Following from the example in IG5, the transitional exemptions that provided the relief for the recognition of certain items of property, plant and equipment expire after three years, i.e. December 31, 20X3. If it is assumed that the entity has not adopted any other transitional exemptions in IPSAS 33 that affect fair presentation and compliance with IPSASs, and that it recognizes and/or measures the items of property, plant and equipment during the transitional period, a first-time adopter will present its first IPSAS financial statements for the period ending December 31, 20X3.
- IG14. If a first-time adopter has not adopted any of the exemptions in IPSAS 33 that affect fair presentation and its ability to claim compliance with accrual basis IPSASs, its first accrual financial statements will also be its first IPSAS financial statements.

To illustrate:

Timeline – First Time Adoption IPSAS (assuming that entity elects to apply the three year transitional relief for the recognition and/or measurement of certain assets)

An entity adopts accrual basis IPSASs on 1 January 20X0 by applying IPSAS 33, *First Time Adoption of Accrual Basis IPSASs*

The first-time adopter elects to apply the three year relief for the recognition of property, plant and equipment. Assume that it does not adopt of any other relief periods. It also elects not to present comparative information.

The first-time adopter recognizes all property, plant and equipment by 31 December 20X2.

FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSAS

Start of second reporting period
1 January 20X1

Start of third reporting period
1 January 20X2



Date of adoption
1 January 20X0

End of first reporting period
31 December 20X0

End of second reporting period
31 December 20X1

End of third reporting period
31 December 20X2

Year 1 (ending 31 December 20X0) – First Transitional IPSAS Financial Statements
Cannot assert compliance with accrual basis IPSASs

Present the following statements:

- *opening statement of financial position as at 01/01/20X0
- *statement of financial position as at 31/12/20X0
- *statement of financial performance for 31/12/20X0
- *statement of changes in net assets as at 31/12/20X0
- *cash flow statement for 31/12/20X0
- *statement of comparison of budget and actual information for 31/12/20X0

(depending on the policy chosen for presentation of information the first-time adopter may include an additional column in the annual financial statements)

Present the following in the notes:

- *reconciliation of changes from its previous basis of accounting (reflect adjustments related to the adoption of all IPSASs besides IPSAS 17)

Note: If the first-time adopter elected to present comparative information, the following statements shall have been presented:

- *opening statement of financial position as at 01/01/19X0
- *statement of financial position as at 31/12/19X0 and 31/12/20X0
- *statement of financial performance for 31/12/19X0 and 31/12/20X0
- *statement of changes in net assets as at 31/12/19X0 and 31/12/20X0
- *cash flow statement for 31/12/19X0 and 31/12/20X0
- *statement of comparison of budget and actual information for 31/12/19X0 and 31/12/20X0

Year 2 (ending 31 December 20X1) – Transitional IPSAS Financial Statements
Cannot assert compliance with IPSASs

Present the following statements for both 31/12/20X1 and 20X0:

- *statement of financial position
- *statement of financial performance
- *statement of changes in net assets
- *cash flow statement

Present the statement of comparison of budget and actual information for 31/12/20X1 only (depending on policy chosen for presentation of information the first-time adopter may include an additional column in the annual financial statements)

Year 3 (ending 31 December 20X2) – First IPSAS Financial Statements
Can assert compliance with IPSASs

Present the following statements for both 31/12/20X2 and 20X1:

- *statement of financial position
- *statement of financial performance
- *statement of changes in net assets
- *cash flow statement

Present the statement of comparison of budget and actual information for 31/12/20X2 only (depending on policy chosen for presentation of information, the first-time adopter may include an additional column in the annual financial statements)

Present the following in the notes:

- *reconciliation of adjustments made to recognize property, plant and equipment

Estimates

- IG15. Paragraph 23 of IPSAS 33 requires that a first-time adopter's estimates in accordance with IPSASs at the date of adoption of IPSASs shall be consistent with estimates made at the end of its comparative period in accordance with the previous basis of accounting (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. An entity may receive information after the date of adoption of IPSASs about estimates that it had made under the previous basis of accounting. In accordance with paragraph 24, a first-time adopter shall treat the receipt of that information in the same way as non-adjusting events after the reporting period in accordance with IPSAS 14, *Events after the Reporting Period*.
- IG16. For example, assume that a first-time adopter's date of adoption of IPSASs is January 1, 20X4 and new information on July 15, 20X4 requires the revision of an estimate made in accordance with the previous basis of accounting at December 31, 20X3. The first-time adopter shall not reflect that new information in its opening statement of financial position (unless the estimates require adjustment for any differences in accounting policies or there is objective evidence that the estimates were in error). Instead, the first-time adopter shall reflect that new information in surplus or deficit for the year ended December 31, 20X4.

Transitional Exemptions that Provide Three Year Relief for the Recognition and/or Measurement of Assets and/or Liabilities

- IG17. IPSAS 33 provides a first-time adopter a period of up to three years' relief in which it is allowed to not recognize and/or measure certain assets and liabilities. Where a first-time adopter takes advantage of this exemption, it will have to consider and analyze title deeds, contracts and other similar arrangements in accounting for, and classifying these assets in accordance with the applicable IPSAS.
- IG18. For example, assume that a first-time adopter controls a wide range of property, plant and equipment when it adopts accrual basis IPSASs on January 1, 20X1. If the first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure the property, plant and equipment, it may recognize and/or measure the property, plant and equipment during the period of transition from January 1, 20X1 until December 31, 20X3. If the property, plant and equipment is recognized for example, on April 1, 20X2, the first-time adopter shall adjust the opening accumulated surplus or deficit on January 1, 20X2. As required by paragraph 142 of IPSAS 33, the first-time adopter shall, as part of the notes to the financial statements, provide a reconciliation to the accumulated surplus or deficit as at December 31, 20X1 (i.e. the opening balance as at

January 1, 20X2) for the property, plant and equipment that was recognized on April 1, 20X2.

- IG19. Where a first-time adopter has taken advantage of the three year relief period, it shall not derecognise any of the assets and/or liabilities that were recognized under its previous basis of accounting unless it is to comply with an IPSAS requirement. Any adjustments to the assets and/or liabilities recognized under its previous basis of accounting shall be adjusted during the period of transition against the opening accumulated surplus of deficit in the period in which the adjustment is made.

Accounting for Finance Leases Assets and Finance Lease Liabilities

- IG20. Where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize its finance lease assets, it will also not be able to comply with the recognition requirements relating to the finance lease liabilities, until the transitional exemptions related to the finance leased assets have expired, or the finance leased assets have been recognized in accordance with IPSAS 13.
- IG21. For example, assume that a first-time adopter has a motor vehicle that is subject to a finance lease agreement on the date of adoption of accrual basis IPSASs on January 1, 20X1. The first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize the motor vehicle. The motor vehicle is recognized on December 31, 20X3 when the exemption expires. IPSAS 33 requires the first-time adopter to only recognize the corresponding finance lease liability for the motor vehicle on December 31, 20X3, i.e. on the date that the finance lease asset (the motor vehicle) is recognized.

Recognition of Provisions Included in the Initial Cost of an Item of Property, Plant and Equipment

- IG22. IPSAS 17 recognizes that in some cases, the construction or commissioning of an item of property, plant and equipment will result in an obligation for an entity to dismantle or remove the item of property, plant and equipment and restore the site on which the asset is located. An entity is required to apply IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* in recognising and measuring the resulting provision to be included in the initial cost of the item of property, plant and equipment.
- IG23. IPSAS 33 provides an exemption for the recognition of this liability. A first-time adopter is allowed to not recognize and/or measure the liability relating to the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located, until such time as the exemption for IPSAS 17 expires and/or the relevant asset is recognized and/or measured and relevant information has been presented and/or disclosed in the financial statements in accordance with IPSAS 17 (whichever is earlier).

- IG24. For example, an entity adopts accrual basis IPSASs on January 1, 20X1 and takes advantage of the exemption in IPSAS 33 that provides a three year transitional relief period to not recognize a government owned nuclear power station. The first-time adopter determines a deemed cost for the asset on June 30, 20X3 and recognizes the asset on that date at CU1,000,000. The first-time adopter determines that it has a decommissioning obligation under IPSAS 19 of CU500,000 at the date of adoption of IPSASs. The obligation amounts to CU550,000 on June 30, 20X3 when the asset is recognized.
- IG25. IPSAS 33 requires the first-time adopter to only recognize and/or measure its obligation relating to the dismantling and restoring of the site on June 30, 20X3, i.e. the date on which the asset is recognized. The liability will be measured at CU550,000 which reflects the first-time adopter's obligation on the date that the asset is recognized. The first-time adopter shall, as part of the notes to the financial statements, provide a reconciliation to the accumulated surplus or deficit as at December 31, 20X2 (i.e. the opening balance as at January 1, 20X3) for the recognition of the obligation and the related asset that was recognized on June 30, 20X2.

Borrowing Costs Incurred on Qualifying Assets

- IG26. Paragraph 90 of IPSAS 33 requires that, where a first-time adopter elects to account for borrowing costs in accordance with the allowed alternative treatment, it is required to apply the requirements in IPSAS 5, *Borrowing Costs* retrospectively, for any borrowing costs incurred on qualifying assets before the date for adoption of IPSASs.
- IG27. Paragraph 44 of IPSAS 33 provides an exemption to this requirement by allowing a first-time adopter to commence capitalization of borrowings costs incurred on qualifying assets after the recognition of an asset where the first-time adopter takes advantage of the exemption that provides a three year transitional relief period for the recognition of assets.
- IG28. For example, a first-time adopter adopts the allowed alternative treatment in accounting for borrowing costs incurred on qualifying assets. The date of adoption of IPSASs is January 1, 20X1. The first-time adopter determines that the borrowing cost incurred prior to the adoption of IPSASs on January 1, 20X1 amounts to CU500,000 and that borrowing costs incurred at the end following two reporting periods amounted to CU20,000 and CU30,000. In addition, the first-time adopter adopts the exemption that provides three year transitional relief from the recognition of property, plant and equipment and as a result, recognizes the item of property, plant and equipment at the end of the second reporting period at CU1,000,000.

At the end of 20X2, the item of property, plant and equipment recognized on the statement of financial position will be CU1,030,000 (CU1,000,000 + CU30,000). Borrowing costs incurred prior to the recognition of the item of

property, plant and equipment, i.e. CU500,000 and CU20,000 shall not be included as part of the cost of the qualifying asset.

Presenting Comparative Information

IG29. Paragraph 78 of IPSAS 33 encourages, but does not require an entity to present comparative information in its first transitional IPSAS financial statements or its first IPSAS financial statements in accordance with this IPSAS. The decision to present comparative information affects not only the extent of the information presented, but also the date of adoption of IPSASs.

Date of Adoption of IPSASs

IG30. To illustrate: The end of a first-time adopter's first accrual basis reporting period is December 31, 20X5. The first-time adopter decides to present comparative information in those financial statements for one year only (see paragraph 78 of IPSAS 33). Therefore, its date of adoption of IPSASs is the beginning of the comparative period i.e. January 1, 20X4 (or equivalently December 31, 20X3).

Information Presented when a First-Time Adopter Elects to Prepare Comparative Information

IG31. Where the first-time adopter elects to prepare comparative information, it is required to apply the accrual basis IPSASs effective for periods ending on December 31, 20X5 in:

- (a) Preparing and presenting its opening accrual basis statement of financial position at January 1, 20X4; and
- (b) Preparing and presenting its:
 - (i) Statement of financial position for December 31, 20X5 (including comparative amounts for 20X4);
 - (ii) Statement of financial performance (including comparative amounts for 20X4);
 - (iii) Statement of changes in net assets/equity for December 31, 20X5 (including comparative amounts for 20X4);
 - (iv) Statement of cash flows for the year to December 31, 20X5 (including comparative amounts for 20X4);
 - (v) Disclosures (including comparative information for 20X4);
 - (vi) A comparison of budget and actual amounts for the year to December 31, 20X5; and
 - (vii) Reconciliations in accordance with paragraph 142.

First-Time Adopter Elects to Not Prepare Comparative Information

- IG32. Where a first-time adopter elects to not prepare comparative information, it is required to apply the accrual basis IPSAS effective for periods ending on December 31, 20X5:
- (a) Preparing and presenting its opening accrual basis statement of financial position at 1 January 20X5; and
 - (b) Preparing and presenting its:
 - (i) Statement of financial position for December 31, 20X5;
 - (ii) Statement of financial performance for December 31, 20X5;
 - (iii) Statement of changes in net assets/equity for December 31, 20X5;
 - (iv) Statement of cash flows for the year to December 31, 20X5;
 - (v) Disclosures;
 - (vi) A comparison of budget and actual amounts for the year to December 31, 20X5; and
 - (vii) Reconciliations in accordance with paragraph 142.

Adoption of Three Year Transitional Relief Period

- IG33. Where the first-time adopter takes advantage of the exemptions that provide relief from the recognition and/or measurement of assets and/or liabilities, IPSAS 33 requires it to only adjust comparative information for reporting periods following the date of adoption of IPSASs to the extent that reliable and relevant information is available about the items that have been recognized and/or measured.
- IG34. To illustrate: The end of a first-time adopter's first accrual basis reporting period is December 31, 20X2. The first-time adopter on the date of adoption of IPSASs on January 1, 20X1, adopts the transitional exemption providing a three year relief period for the recognition of investment property. At the end of 20X3 the first-time adopter has recognized the investment property, which is included in the statement of financial position as at December 31, 20X3. Only if reliable and relevant information is available about the value of the investment property recognized during 20X3, will the first-time adopter adjust the comparative information presented (i.e., for the period ending December 31, 20X2).

Presenting Reconciliations

- IG35. Paragraph 142 of IPSAS 33 requires a first-time adopter to present a reconciliation of its closing balances reported under its previous basis of accounting, to its net assets/equity in accordance with IPSASs for its first

transitional IPSAS financial statements or its first IPSAS financial statements. A reconciliation is also presented of its accumulated surplus or deficit in accordance with its previous basis of accounting to its accumulated surplus or deficit at the date of adoption of IPSASs.

- IG36. For example, a first-time adopter, which previously applied a modified-accrual basis of accounting, adopts accrual basis IPSASs on January 1, 20X4 and elects to present comparative information as permitted in IPSAS 33. The first-time adopter shall, in accordance with paragraphs 142 and 143 of IPSAS 33, present a reconciliation in the notes to its transitional IPSAS financial statements that provides sufficient detail to enable users to understand the material adjustments to the opening statement of financial position as at January 1, 20X4, and the restated comparative statement of financial performance, where applicable.
- IG37. Paragraph 146 further requires a first-time adopter that takes advantage of the exemptions that provide a three year transitional relief period to not recognize and/or measure items, to present a reconciliation of items that have been recognized and/or measured during the reporting period which were not recognized and/or measured in the previous financial statements.
- IG38. Following from the example in IG29, a first-time adopter adopts the exemption in IPSAS 33 that allows it to not recognize investment property for a period of three years. The first-time adopter applies this exemption and only recognizes the investment property at the end of year three, i.e. December 31, 20X4. As an adjustment is made to the opening balance of accumulated surplus or deficit as on January 1, 20X4 in recognizing the investment property, paragraph 146 requires the first-time adopter to present a reconciliation in its notes to the financial statements for the year ending December 31, 20X4 to allow users to understand the adjustment that was made following the recognition of the investment property.

Deemed Cost

- IG39. IPSAS 33 allows a first-time adopter to determine a deemed cost as a substitute for acquisition cost or depreciated cost at the date of adoption of IPSASs, where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets and/or liabilities. A deemed cost may however only be determined if no cost information is available about the historical cost of the asset and/or liability. When a first-time adopter initially measures these assets on the date of adoption of IPSASs, or when the transitional exemptions that provided the first-time adopter with a three year relief period to not recognize and/or measure certain assets have expired, it recognizes the effect:

- (a) As an adjustment to the opening balance of accumulated surplus or deficit in the opening statement of financial position in the period in which the deemed is determined; or
- (b) In the revaluation surplus if the first-time adopter adopts the revaluation model in IPSAS 17 or in IPSAS 31, *Intangible Assets*.

To illustrate:

Public Sector Entity X adopted accrual basis IPSAS on January 1, 20X4 and applied deemed cost to measure investment property. In applying deemed cost, investment property was valued at CU 1,800,000 on the date of adoption. Public Sector Entity X elected to not present comparative information.

Statement of Changes in Net Assets/Equity for the Year ended December 31, 20X4

| | Attributable to owners of the controlling entity | | Total net assets/equity |
|---|--|----------------------|-------------------------|
| | Accumulated surplus/deficit CU | Other Reserves CU | CU |
| Opening balance as at January 1, 20X4 | 210,000 | 10,000 | 220,000 |
| Measurement of investment property at deemed cost in accordance with IPSAS 33 (see note 34) | 1,500,000 | | 1,500,000 |
| Restated opening balance as at January 1, 20X4 | 1,710,000 | 10,000 | 1,720,000 |
| Surplus for the period | 5,000 | | 5,000 |
| Balance as at December 31, 20X4 | 1,715,000 | 10,000 | 1,725,000 |

Notes to the financial statements of Public Sector Entity X as at December 31, 20X4:

Note 34 – Investment Property

| | December 31, 20X4 CU |
|--|---------------------------------------|
| Opening balance of investment property recognized under previous basis of accounting | 300,000 |
| Investment property measured at deemed cost as provided in IPSAS 33 on January 1, 20X4 | 1,500,000 |
| Restated opening balance of investment property at January 1, 20X4 | 1,800,000 |
| Additions | |

Transitional exemptions adopted in IPSAS 33 on adoption of accrual basis IPSASs

Public Sector Entity X adopted accrual basis IPSAS on January 1, 20X4 and applied deemed cost in measuring investment property as reliable cost information about some investment properties was not available. As a result, Public Sector Entity X restated its opening balance of investment property with an additional value of CU1,500,000 on January 1, 20X4.

Note 54 – Reconciliation of net assets/equity and surplus or deficit on January 1, 20X4

Reconciliation of net assets/equity as on January 1, 20X4

| | Net assets/equity as on January 1, 20X4 |
|---|--|
| | CU |
| <i>Opening balance of net assets/equity as on January 1, 20X4 reported under previous basis of accounting</i> | <i>220,000</i> |
| <i>Recognition of investment property at deemed cost (see note 34)</i> | <i>1,500,000</i> |
| <i>Restated opening balance of net assets/equity as on January 1, 20X4</i> | <i>1,720,000</i> |

Reconciliation of surplus or deficit on January 1, 20X4

| | Surplus or deficit on January 1, 20X4 |
|--|--|
| | CU |
| <i>Surplus or deficit as at 31, December 20X3 as reported under previous basis of accounting</i> | <i>210,000</i> |
| <i>Recognition of investment property at deemed cost (see note 34)</i> | <i>1,500,000</i> |
| <i>Restated surplus or deficit as on January 1, 20X4</i> | <i>1,710,000</i> |

Determining a Deemed Cost During the Period of Transition

- IG40. If a first-time adopter takes advantage of the exemption in IPSAS 33 that provides a three year transitional relief period to not recognize and/or measure an asset, the IPSAS requires that it may determine a deemed cost for that asset during any point of time within the three year transitional relief period.
- IG41. Subsequent depreciation and amortization, if applicable, is based on that deemed cost and starts from the date of adoption of IPSASs, or when the transitional exemptions that provided the relief have expired, or when the relevant items are recognized and/or measured in accordance with the applicable IPSASs (whichever is earlier).
- IG42. For example, a first-time adopter adopts IPSASs on January 1, 20X1 and adopts the exemption that provides a three year transitional relief period for the recognition of an investment property. Because the first-time adopter does not have reliable cost information about the historical cost of the investment property on the date of adoption of IPSASs it decides to determine a deemed cost for the investment property. The deemed cost for the investment property is determined during the second reporting period (i.e. 20X2) in which the first-time adopter applies the exemption. IPSAS 33 allows the first-time adopter to use the deemed cost determined during 20X2 in recognizing the investment property by adjusting the opening accumulated surplus and deficit on January 1, 20X2. The deemed cost as determined on January 1, 20X2 will be used in determining subsequent depreciation and in assessing impairment where the first-time adopter elects to apply the cost model as its subsequent measurement basis in applying IPSAS 16.

IPSAS 5, Borrowing Costs

- IG43. An entity adopts the accrual basis IPSASs on January 1, 20X3 and adopts the allowed alternative treatment in accounting for borrowing costs. Borrowing costs directly attributable to the acquisition of the asset amounts to CU525,000, of which CU500,000 was incurred prior to the adoption of accrual basis IPSASs, while CU25,000 was incurred in the first reporting period ending December 31, 20X3. Paragraph 90 of IPSAS 33 requires the first-time adopter to retrospectively recognize any borrowing costs incurred prior to the adoption of accrual basis IPSASs when it adopts the allowed alternative method. Therefore, CU500,000 shall be capitalized to the cost of the asset recognized in the opening statement of financial position as at January 1, 20X3.
- IG44. If the entity has elected to apply the benchmark treatment, paragraph 88 of IPSAS 33 encourages, but does not require, the first-time adopter to apply the accounting policy retrospectively. If the first-time adopter elects to apply its accounting policy prospectively, it will only expense CU25,000 in the statement of financial performance for the period ending December 31, 20X3.

IPSAS 9, Revenue from Exchange Transactions

- IG45. If a first-time adopter has received amounts that do not yet qualify for recognition as revenue in accordance with IPSAS 9 (for example, the proceeds of a sale that does not qualify for recognition as revenue), the first-time adopter recognizes the amounts received as a liability in its opening statement of financial position and measures that liability at the amount received. It shall derecognize the liability and recognize the revenue in its statement of financial performance when the recognition criteria in IPSAS 9 are met.

IPSAS 10, Financial Reporting in Hyperinflationary Economies

- IG46. A first-time adopter complies with IPSAS 4, *The Effects of Changes in Foreign Exchange Rates* in determining its functional currency and presentation currency. When the first-time adopter prepares its opening statement of financial position, it applies IPSAS 10, *Hyperinflationary Economies*, to any periods during which the economy of the functional currency or presentation currency was hyperinflationary.
- IG47. If the first-time adopter elects to use the exemptions in paragraphs 64 to 76 of IPSAS 33, it applies IPSAS 10 to periods after the date for which the revalued amount or fair value was determined.

IPSAS 14, Events After the Reporting Date

IG48. Except as described in paragraph IG49, a first-time adopter applies IPSAS 14, *Events After the Reporting Date* in determining whether:

- (a) Its opening statement of financial position reflects an event that occurred after the date of transition; and
- (b) Comparative amounts in its transitional IPSAS financial statements or its first IPSAS financial statements, where applicable, reflect an event that occurred after the end of that comparative period.

IG49. Paragraphs 23–26 of IPSAS 33 require some modifications to the principles in IPSAS 14 when a first-time adopter determines whether changes in estimates are adjusting or non-adjusting events at the date of adoption of IPSASs (or, when applicable, the end of the comparative period). Cases 1 and 2 below illustrate those modifications. In case 3 below, paragraphs 23–26 of IPSAS 33 do not require modifications to the principles in IPSAS 14.

- (a) Case 1—If a first-time adopter’s previous basis of accounting required estimates of similar items for the date of adoption of IPSASs, using an accounting policy that is consistent with IPSASs. In this case, the estimates in accordance with IPSASs need to be consistent with estimates made for that date in accordance with previous basis of accounting, unless there is objective evidence that those estimates were in error (see IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*). The first-time adopter reports later revisions to those estimates as events of the period in which it makes the revisions, rather than as adjusting events resulting from the receipt of further evidence about conditions that existed at the date of adoption of IPSASs.
- (b) Case 2—Previous basis of accounting required estimates of similar items for the date of adoption of IPSASs, but the first-time adopter made those estimates using accounting policies that are not consistent with its accounting policies in accordance with IPSASs. In this case, the estimates in accordance with IPSASs need to be consistent with the estimates required in accordance with the previous basis of accounting for that date (unless there is objective evidence that those estimates were in error), after adjusting for the difference in accounting policies. The opening statement of financial position reflects those adjustments for the difference in accounting policies. As in case 1, the first-time adopter reports later revisions to those estimates as events of the period in which it makes the revisions.

For example, the previous basis of accounting may have required a first-time adopter to recognize and measure provisions on a basis consistent with IPSAS 19, *Provisions, Contingent Liabilities and*

Contingent Assets, except that the previous basis of accounting's measurement was on an undiscounted basis. In this example, the first-time adopter uses the estimates in accordance with its previous basis of accounting as inputs in making the discounted measurement required by IPSAS 19.

- (c) Case 3—Previous basis of accounting did not require estimates of similar items for the date of adoption of IPSASs. Estimates in accordance with IPSASs for that date reflect conditions existing at that date. In particular, estimates of market prices, interest rates or foreign exchange rates at the date of adoption of IPSASs reflect market conditions at that date. This is consistent with the distinction in IPSAS 14 between adjusting events after the reporting period and non-adjusting events after the reporting period.

IG50. To illustrate: Entity A's first transitional IPSAS financial statements are for the period ending December 31, 20X5 with the first-time adopter electing to present comparative information. In terms of its previous basis of accounting the following transactions and events are noted in entity A's financial statements for December 31, 20X3 and 20X4:

- (a) Estimates of accrued expenses and provisions were made at those dates;
- (b) The entity accounted on a cash basis for a defined benefit pension plan; and
- (c) No provision was recognized for a court case arising from events that occurred in September 20X4. When the court case was concluded on June 30, 20X5, entity A was required to pay CU1000 and paid this on July 10, 20X5.

In preparing its transitional IPSAS financial statements, entity A concludes that its estimates in accordance with its previous basis of accounting of accrued expenses and provisions at December 31, 20X3 and 20X4 were made on a basis consistent with its accounting policies in accordance with IPSASs. Although some of the accruals and provisions turned out to be overestimates and others to be underestimates, entity A concludes that its estimates were reasonable and that, therefore, no error had occurred. As a result, accounting for those overestimates and underestimates involves the routine adjustment of estimates in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Application of Requirements

In preparing its opening statement of financial position at January 1, 20X4 and in its comparative statement of financial position at December 31, 20X4, entity A:

- (a) Does not adjust the previous estimates for accrued expenses and provisions; and
- (b) Makes estimates (in the form of actuarial assumptions) necessary to account for the pension plan in accordance with IPSAS 39, *Employee Benefits*. Entity A's actuarial assumptions at January 1, 20X4 and December 31, 20X4 do not reflect conditions that arose after those dates. For example, entity A's:
 - (i) Discount rates at January 1, 20X4 and December 31, 20X4 for the pension plan and for provisions reflect market conditions at those dates; and
 - (ii) Actuarial assumptions at January 1, 20X4 and December 31, 20X4 about future employee turnover rates do not reflect conditions that arose after those dates—such as a significant increase in estimated employee turnover rates as a result of a curtailment of the pension plan in 20X5.

The treatment of the court case at December 31, 20X4 depends on the reason why entity A did not recognize a provision in accordance with its previous basis of accounting at that date.

Assumption 1 – The previous basis of accounting was consistent with IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*. Entity A concluded that the recognition criteria were not met. In this case, entity A's assumptions in accordance with IPSASs are consistent with its assumptions in accordance with its previous basis of accounting. Therefore, entity A does not recognize a provision at December 31, 20X4.

Assumption 2 – Entity A's previous basis of accounting was not consistent with IPSAS 19. Therefore, entity A develops estimates in accordance with IPSAS 19. Under IPSAS 19, an entity determines whether an obligation exists at the end of the reporting period by taking account of all available evidence, including any additional evidence provided by events after the reporting period. Similarly, in accordance with IPSAS 14, *Events after the Reporting Period*, the resolution of a court case after the reporting period is an adjusting event after the reporting period if it confirms that the entity had a present obligation at that date. In this instance, the resolution of the court case confirms that entity A had a liability in September 20X4 (when the events occurred that gave rise to the court case). Therefore, entity A recognizes a provision at December 31, 20X4. Entity A measures that provision by discounting the CU1 000

paid on July 10, 20X5 to its present value, using a discount rate that complies with IPSAS 19 and reflects market conditions at December 31, 20X4.

IG51. Paragraphs 23–26 of the IPSAS 33 do not override requirements in other IPSASs that base classifications or measurements on circumstances existing at a particular date. Examples include:

- (a) The distinction between finance leases and operating leases (see IPSAS 13, *Leases*); and
- (b) The distinction between financial liabilities and equity instruments (see IPSAS 28, *Financial Instruments: Presentation*).

IPSAS 13, Leases

IG52. In accordance with paragraph 95 of IPSAS 33 and paragraph 18 of IPSAS 13, a lessee or lessor classifies leases as operating leases or finance leases on the basis of circumstances existing at the inception of the lease, on the date of adoption of accrual basis IPSASs. In some cases, the lessee and the lessor may agree to change the provisions of the lease, other than by renewing the lease, in a manner that would have resulted in a different classification in accordance with IPSAS 13 had the changed terms been in effect at the inception of the lease. If so, the revised agreement is considered as a new agreement over its term from the date of adoption of accrual basis IPSASs. However, changes in estimates (for example, changes in estimates of the economic life or of the residual value of the leased property) or changes in circumstances (for example, default by the lessee) do not give rise to a new classification of a lease.

IPSAS 17, Property, Plant and Equipment

IG53. If a first-time adopter's depreciation methods and rates in accordance with its previous basis of accounting are acceptable in accordance with IPSASs, it accounts for any change in estimated useful life or depreciation pattern prospectively from when it makes that change in estimate (paragraphs 22 and 26 of IPSAS 33 and paragraph 76 of IPSAS 17). However, in some cases, a first-time adopter's depreciation methods and rates in accordance with its previous basis of accounting may differ from those that would be acceptable in accordance with IPSASs (for example, if they do not reflect a reasonable estimate of the asset's useful life). If those differences have a material effect on the financial statements, the entity adjusts accumulated depreciation in its opening statement of financial position retrospectively so that it complies with IPSASs.

- IG54. A first-time adopter may elect to use one of the following amounts as the deemed cost of property, plant and equipment:
- (a) Fair value at the date of adoption of IPSASs (paragraph 67 of IPSAS 33), in which case the first-time adopter provides the disclosures required by paragraph 148 of IPSAS 33; or
 - (b) A revaluation in accordance with its previous basis of accounting that meets the criteria in paragraph 67 of IPSAS 33.
- IG55. Subsequent depreciation is based on that deemed cost and starts from the date for which the first-time adopter determined the deemed cost, or where the first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize certain assets, when the exemptions providing the relief have expired, or the asset has been recognized in accordance with IPSAS 17 (whichever is earlier).
- IG56. If a first-time adopter chooses as its accounting policy the revaluation model in IPSAS 17 for some or all classes of property, plant and equipment, it presents the cumulative revaluation surplus as a separate component of net assets/equity. The revaluation surplus at the date of adoption of IPSASs is based on a comparison of the carrying amount of the asset at that date with its cost or deemed cost. If the deemed cost is the fair value at the date of adoption of IPSASs or where the first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets, when the exemptions providing the relief have expired, or the asset has been recognized and/or measured in accordance with IPSAS 17 (whichever is earlier), the first-time adopter provides the disclosures required by paragraph 148 of IPSAS 33.
- IG57. If revaluations in accordance with the first-time adopter's previous basis of accounting did not satisfy the criteria in paragraphs 67 or 69 of IPSAS 33, the first-time adopter measures the revalued assets in its opening statement of financial position on one of the following bases:
- (a) Cost (or deemed cost) less any accumulated depreciation and any accumulated impairment losses under the cost model in IPSAS 17;
 - (b) Deemed cost, being the fair value or an alternative when market-based evidence of fair value is not available, at the date of adoption of IPSASs, or where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets, the date at which the asset is recognized and/or measured during the period of transition, or when the transitional exemptions expire (whichever is earlier); or
 - (c) A revalued amount, if the entity adopts the revaluation model in IPSAS 17 as its accounting policy in accordance with IPSASs for all items of property, plant and equipment in the same class.

IG58. IPSAS 17 requires each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item to be depreciated separately. However, IPSAS 17 does not prescribe the unit of measurement for recognition of an asset, i.e. what constitutes an item of property, plant and equipment. Thus, judgment is required in applying the recognition criteria to an entity's specific circumstances (paragraphs 18 and 59).

IPSAS 39, Employee Benefits

IG59. At the date of adoption of IPSASs, a first-time adopter applies IPSAS 39 in measuring defined benefits plans and other long-term employee benefits, and recognizes all cumulative actuarial gains or losses from the inception of the plan until the date of adoption of IPSASs, or where the first-time adopter takes advantage of the exemption that provides a three year transitional relief period from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognized and/or measured in accordance with IPSAS 39 (whichever is earlier).

IG60. A first-time adopter's actuarial assumptions at the date of adoption of IPSASs, or where the first-time adopter takes advantage of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognized and/or measured in accordance with IPSAS 39 (whichever is earlier), are consistent with actuarial assumptions made at the end of its comparative period (if the first-time adopter elects to present comparative information in accordance with paragraph 78 of IPSAS 33) in accordance with its previous basis of accounting (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those assumptions were in error (paragraph 23 of the IPSAS 33). Any later revisions to those assumptions are an actuarial gain or loss of the period in which the first-time adopter makes the revisions.

IG61. A first-time adopter may need to make actuarial assumptions at the date of adoption of IPSASs, or where the first-time adopter takes advantage of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognized and/or measured in accordance with IPSAS 39 (whichever is earlier), that were not necessary in accordance with its basis of accounting. Such actuarial assumptions do not reflect conditions that arose after the date of adoption of IPSASs, or where the first-time adopter takes advantage of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on

which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognized and/or measured in accordance with IPSAS 39 (whichever is earlier). In particular, discount rates and the fair value of plan assets at the date of adoption of IPSASs, or where the first-time adopter takes advantage of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the liabilities are recognized and/or measured in accordance with IPSAS 39 (whichever is earlier), reflect market conditions at that date. Similarly, the first-time adopter's actuarial assumptions at the date of adoption of IPSASs, or where the first-time adopter takes advantage of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognized and/or measured in accordance with IPSAS 39 (whichever is earlier), about future employee turnover rates do not reflect a significant increase in estimated employee turnover rates as a result of a curtailment of the pension plan that occurred after the date of adoption of IPSASs, or where the first-time adopter takes advantage of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognized and/or measured in accordance with IPSAS 39 (whichever is earlier) (paragraph 23 of IPSAS 33).

- IG62. In many cases, a first-time adopter's transitional IPSAS financial statements or its first IPSAS financial statements will reflect measurements of employee benefit obligations at three dates (where a first-time adopter elects to present comparative information in accordance with paragraph 78 of IPSAS 33): the end of the first reporting period, the date of the comparative statement of financial position (where the first-time adopter elects to present comparative information) and the date of adoption of IPSASs, or where the first-time adopter takes advantages of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognized and/or measured in accordance with IPSAS 39 (whichever is earlier). IPSAS 39 encourages the first-time adopter to involve a qualified actuary in the measurement of all material post-employment benefit obligations. To minimize costs, a first-time adopter may request a qualified actuary to carry out a detailed actuarial valuation at one or two of these dates and roll the valuation(s) forward or back to the other date(s). Any such roll forward or roll back reflects any material transactions and other material events (including changes in market prices and interest rates) between those dates (paragraph 61 of IPSAS 39).

IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash-Generating Assets

- IG63. Paragraph 98 and 108 of IPSAS 33 requires a first-time adopter to apply the requirements in IPSAS 21 and IPSAS 26 prospectively from the date of adoption of accrual basis IPSASs, or where a first-time adopter takes advantage of the exemptions that provide a three year transitional relief period to not recognize and/or measure an asset, the date when the exemptions that provided the relief expire and/or the asset is recognized and/or measured. For example, if an entity adopts accrual basis IPSASs on January 1, 20X1 and takes advantage of the three year transitional relief period to not recognize and/or measure an item or property, plant and equipment, it would not be required to assess the item of property, plant and equipment for impairment until (a) December 31, 20X3 (i.e. the date on which the transitional exemption expire) or (b) the date following the recognition of the item of property, plant and equipment if it was recognized and/or measured during the period of transition (whichever is earlier).
- IG64. The estimates used to determine whether a first-time adopter recognizes an impairment loss (and to measure any such impairment loss) at the date of adoption of IPSASs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition of assets, the date on which the exemptions expire or when the assets are recognized and/or measured in accordance with the applicable IPSAS (whichever is earlier) are consistent with estimates made for at the end of its comparative period (if the first-time adopter elects to present comparative information in accordance with paragraph 78 of IPSAS 33) the first-time adopter's previous basis of accounting (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error (paragraphs 23 and 24 of IPSAS 33). The first-time adopter reports any later revisions to those estimates as an event of the period in which it makes the revisions.
- IG65. In assessing whether it needs to recognize an impairment loss (and in measuring any such impairment loss) at the date of adoption of IPSASs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition of assets, the date on which the exemptions expire or when the assets are recognized and/or measured in accordance with the applicable IPSAS (whichever is earlier), the first-time adopter may need to make estimates for that date that were not necessary in accordance with its previous basis of accounting. Such estimates and assumptions do not reflect conditions that arose after the date of transition, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition of assets, the date on which the exemptions expire or when the

assets are recognized and/or measured in accordance with the applicable IPSAS (whichever is earlier) (paragraph 25 of IPSAS 33).

IPSAS 28, Financial Instruments: Presentation

IG66. In its opening statement of financial position, a first-time adopter applies the criteria in IPSAS 28 to classify financial instruments issued (or components of compound instruments issued) as either financial liabilities or net asset/equity instruments in accordance with the substance of the contractual arrangement when the instrument first satisfied the recognition criteria in IPSAS 28 (paragraphs 13 and 35), without considering events after that date (other than changes to the terms of the instruments).

IPSAS 41, Financial Instruments

Recognition

IG67. A first-time adopter recognizes all financial assets and financial liabilities (including all derivatives) that qualify for recognition in accordance with IPSAS 41 and have not yet qualified for derecognition in accordance with IPSAS 41, except non-derivative financial assets and non-derivative financial liabilities derecognized in accordance with its previous basis of accounting before the date of adoption of IPSASs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition of financial instruments, the date on which the exemptions expire or when the financial instruments are recognized and/or measured in accordance with the applicable IPSAS (whichever is earlier), to which the first-time adopter does not choose to apply paragraph 116 of IPSAS 33 (see paragraphs 115 and 116 of IPSAS 33).

IG68. For example, a first-time adopter that does not apply paragraph 116 of IPSAS 33 does not recognize assets transferred in a securitization, transfer or other derecognition transaction that occurred before the date of adoption of IPSASs if those transactions qualified for derecognition in accordance with its previous basis of accounting. However, if the first-time adopter uses the same securitization arrangement or other derecognition arrangement for further transfers after the date of transition to IPSASs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition and/or measurement of financial instruments, the date on which the exemptions expire or when the financial instruments are recognized and/or measured in accordance with the applicable IPSAS (whichever is earlier), those further transfers qualify for derecognition only if they meet the derecognition criteria of IPSAS 41.

Embedded Derivatives

IG69. When IPSAS 41 requires a first-time adopter to separate an embedded derivative from a host contract, the initial carrying amounts of the components at the date when the instrument first satisfies the recognition criteria in IPSAS 41 reflect circumstances at that date (IPSAS 41 paragraph 49). If the first-time adopter cannot determine the initial carrying amounts of the embedded derivative and host contract reliably, it measures the entire combined contract as at fair value through surplus or deficit (IPSAS 41 paragraph 52).

Measurement

IG70. In preparing its opening statement of financial position, a first-time adopter applies the criteria in IPSAS 41 to identify those financial assets and financial liabilities that are measured at fair value and those that are measured at amortized cost.

Adjusting the Carrying Amount of Financial Instruments on the Date of Adoption of Accrual Basis IPSASs or During the Period of Transition

IG71. A first-time adopter shall treat an adjustment to the carrying amount of a financial asset or financial liability as an adjustment to be recognized in the opening balance of accumulated surplus or deficit at the date of adoption of IPSASs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition and/or measurement of financial instruments, the date on which the exemptions expire or when the financial instruments are recognized and/or measured in accordance with the applicable IPSAS (whichever is earlier), only to the extent that it results from adopting IPSAS 41. Because all derivatives, other than those that are financial guarantee contracts or are designated and effective hedging instruments, are classified as held for trading, the differences between the previous carrying amount (which may have been zero) and the fair value of the derivatives are recognized as an adjustment of the balance of accumulated surplus or deficit at the beginning of the financial year in which IPSAS 41 is initially applied, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition and/or measurement of financial instruments, the date on which the exemptions expire or when the financial instruments are recognized and/or measured in accordance with the applicable IPSAS (whichever is earlier).

Hedge Accounting

IG72. Paragraphs 117 to 119 of IPSAS 33 deal with hedge accounting. The designation and documentation of a hedge relationship must be completed on or before the date of adoption of IPSASs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition

and/or measurement of financial instruments, the date on which the exemptions expire or when the financial instruments are recognized and/or measured in accordance with the applicable IPSAS (whichever is earlier) if the hedge relationship is to qualify for hedge accounting from that date. Hedge accounting can be applied prospectively only from the date that the hedge relationship is fully designated and documented.

IG73. A first-time adopter may, in accordance with its previous basis of accounting, have deferred or not recognized gains and losses on a fair value hedge of a hedged item that is not measured at fair value. For such a fair value hedge, a first-time adopter adjusts the carrying amount of the hedged item at the date of adoption of IPSASs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition of financial instruments, the date on which the exemptions expire or when the financial instruments are recognized and/or measured in accordance with the applicable IPSAS (whichever is earlier). The adjustment is the lower of:

- (a) That portion of the cumulative change in the fair value of the hedged item that reflects the designated hedged risk and was not recognized in accordance with its previous basis of accounting; and
- (b) That portion of the cumulative change in the fair value of the hedging instrument that reflects the designated hedged risk and, in accordance with its previous basis of accounting, was either (i) not recognized or (ii) deferred in the statement of financial position as an asset or liability.

IG74. A first-time adopter may, in accordance with its previous basis of accounting, have deferred gains and losses on a cash flow hedge of a forecast transaction. If, at the date of adoption of IPSAS, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition and/or measurement of financial instruments, the date on which the exemptions expire or when the financial instruments are recognized and/or measured in accordance with the applicable IPSAS (whichever is earlier), the hedged forecast transaction is not highly probable, but is expected to occur, the entire deferred gain or loss is recognized in net assets/equity. Any net cumulative gain or loss that has been reclassified to net assets/equity on initial application of IPSAS 41 or where the first-time adopter takes advantage of the exemption that provides relief from the recognition and/or measurement of financial instruments, the date on which the exemptions expire or when the financial instruments are recognized and/or measured in accordance with the applicable IPSAS (whichever is earlier) remains in net assets/equity until (a) the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, (b) the forecast transaction affects surplus or deficit or (c) subsequently circumstances change and the forecast transaction is no longer expected to occur, in which case any related net cumulative gain or loss is reclassified from net assets/equity to surplus or deficit. If the hedging

instrument is still held, but the hedge does not qualify as a cash flow hedge in accordance with IPSAS 41, hedge accounting is no longer appropriate starting from the date of adoption of IPSASs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition and/or measurement of financial instruments, the date on which the exemptions expire or when the financial instruments are recognized and/or measured in accordance with the applicable IPSAS (whichever is earlier).

IPSAS 31, Intangible Assets

- IG75. A first-time adopter's opening statement of financial position excludes all intangible assets and other intangible items that do not meet the criteria for recognition in accordance with IPSAS 31 at the date of adoption of IPSAS, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition of intangible assets, the date on which the exemptions expire and/or when the intangible assets are recognized and/or measured in accordance with the applicable IPSAS (whichever is earlier) and includes all intangible assets that meet the recognition criteria in IPSAS 31 at that date.
- IG76. The criteria in IPSAS 31 require an entity to recognize an intangible asset if, and only if:
- (a) It is probable that the future economic benefits that are attributable to the asset will flow to the entity; and
 - (b) The cost of the asset can be measured reliably.

IPSAS 31 supplements these two criteria with further, more specific, criteria for internally generated intangible assets.

- IG77. In accordance with paragraphs 63 and 66 of IPSAS 31, an entity capitalises the costs of internally generated intangible assets prospectively from the date when the recognition criteria are met. IPSAS 33 allows an entity to recognize previously expensed intangible assets to the extent that the item meets the definition of an intangible asset, and the recognition criteria in IPSAS 31. Thus, if an internally generated intangible asset qualifies for recognition at the date of adoption of IPSASs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition of intangible assets, the date on which the exemptions expire and/or when the intangible assets are recognized and/or measured in accordance with the IPSAS 31 (whichever is earlier) the first-time adopter recognizes and/or measures the asset in its opening statement of financial position even if it had recognized the related expenditure as an expense in accordance with its previous basis of accounting.

- IG78. If the asset does not qualify for recognition in accordance with IPSAS 31 until a later date, its cost is the sum of the expenditure incurred from that later date.
- IG79. The criteria in paragraph IG76 also apply to intangible assets acquired separately. In many cases, contemporaneous documentation prepared to support the decision to acquire the asset will contain an assessment of the future economic benefits or service potential. Furthermore, as explained in paragraph 33 of IPSAS 31, the cost of a separately acquired intangible asset can usually be measured reliably.
- IG80. A first-time adopter may elect to use one of the following amounts as the deemed cost of intangible assets (except for internally generated intangible assets):
- (a) Fair value at the date of adoption of IPSASs, or where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets, the date at which the asset is recognized and/or measured during the period of transition, or the date on which the exemptions expire (whichever is earlier) (paragraph 67 of IPSAS 33), in which case the entity gives the disclosures required by paragraph 148 of IPSAS 33; or
 - (b) A revaluation in accordance with its previous basis of accounting that meets the criteria in paragraph 67 of IPSAS 33.
- IG81. If a first-time adopter's amortization methods and rates in accordance with its previous basis of accounting are acceptable in accordance with IPSASs, it accounts for any change in estimated useful life or amortization pattern prospectively from when it makes that change in estimate (paragraphs 23 and 24 of IPSAS 33 and paragraph 103 of IPSAS 31). However, in some cases, the first-time adopter's amortization methods and rates in accordance with its previous basis of accounting may differ from those that would be acceptable in accordance with IPSASs (for example, if they do not reflect a reasonable estimate of the asset's useful life). If those differences have a material effect on the financial statements, the first-time adopter adjusts accumulated amortization on in its opening statement of financial position retrospectively so that it complies with IPSASs.

IPSAS 35, Consolidated Financial Statements

- IG82. If a first-time adopter did not consolidate a controlled entity in accordance with its previous basis of accounting, then, in its consolidated financial statements, the first-time adopter measures the controlled entity's assets and liabilities at the same carrying amounts as in the accrual basis financial statements of the controlled entity following its adoption of IPSASs, after adjusting for consolidation procedures and for the effects of the public sector combination in which it acquired the controlled entity (paragraph 130 of IPSAS 33). If

the controlled entity has not adopted accrual basis IPSASs in its financial statements, the carrying amounts described in the previous sentence are those that IPSASs would require in those financial statements.

Controlling Entity Adopts Accrual Basis IPSASs Before the Controlled Entity

Background

IG83. Controlling entity A presents its (consolidated) first IPSAS financial statements in 20X5. Its controlled entity B, wholly owned by controlling entity A since formation, prepares information in accordance with accrual basis IPSASs for internal consolidation purposes from that date, but controlled entity B does not present its first IPSAS financial statements until 20X7.

Application of Requirements

IG84. If controlled entity B applies paragraph 129(a) of IPSAS 33, the carrying amounts of its assets and liabilities are the same in both its opening IPSAS statement of financial position at January 1, 20X6 and controlling entity's A consolidated statement of financial position (except for adjustments for consolidation procedures) and are based on controlled entity B's date of adoption of IPSASs.

IG85. Alternatively, controlled entity B, in accordance with paragraph 129(b) of IPSAS 33, measure all its assets or liabilities based on its own date of adoption of IPSASs (January 20X6). However, the fact that controlled entity B becomes a first-time adopter in 20X7 does not change the carrying amounts of its assets and liabilities in controlling entity A's consolidated financial statements.

Controlled Entity Adopts Accrual Basis IPSASs Before the Controlling Entity

Background

IG86. Controlling entity C presents its (consolidated) transitional IPSAS financial statements IPSASs in 20X7. Its controlled entity D, wholly owned by controlling entity C since formation, presented its transitional IPSAS financial statements in 20X5. Until 20X7, controlled entity D prepared information for internal consolidation purposes in accordance with controlling entity's C previous basis of accounting.

Application of Requirements

IG87. The carrying amounts of controlled entity D's assets and liabilities at January 1, 20X6 are the same in both controlling entity's C (consolidated) opening accrual basis statement of financial position and controlled entity D's financial statements (except for adjustments for consolidation procedures) and are based on controlled entity D's date of adoption of IPSASs. The fact that controlling entity C becomes a first-time adopter in 20X7 does not change those carrying amounts (paragraph 129 of IPSAS 33).

- IG88. Paragraphs 129 and 130 of IPSAS 33 do not override the following requirements:
- (a) The rest of IPSAS 33 in measuring all assets and liabilities for which paragraphs 129 and 130 of IPSAS 33 are not relevant.
 - (b) To give all disclosures required by this IPSAS as of the first-time adopter's own date of transition to IPSASs.
- IG89. Paragraph 129 of IPSAS 33 applies if a controlled entity becomes a first-time adopter later than its controlling entity, for example if the controlling entity previously prepared a reporting package in accordance with accrual basis IPSASs for consolidation purposes but did not present a full set of financial statements in accordance with IPSASs. This may be relevant not only when a controlling entity reporting package complies fully with the recognition and measurement requirements of IPSASs, but also when it is adjusted centrally for matters such as review of events after the reporting date and central allocation of pension costs. However, paragraph 129 of IPSAS 33 does not permit a controlled entity to ignore misstatements that are immaterial to the consolidated financial statements of its controlling entity but material to its own financial statements.

Presentation and Disclosure

- IG90. Paragraphs 135 to 140 in IPSAS 33 require a first-time adopter to disclose certain information when it has taken advantage of the transitional exemptions and provisions in its adoption of accrual basis IPSASs.

To illustrate:

Notes to the financial statements for the year ending December 31, 20X2

Note 48 – Adoption of transitional exemptions and provisions in IPSAS 33

Public Sector Entity X adopted accrual basis IPSAS on January 1, 20X1 and elected to adopt the transitional exemption in IPSAS 33 that allows it to apply a deemed cost and a period of up to three years in which to measure land and buildings and investment property.

Public Sector Entity X took advantage of these exemptions in determining a deemed cost, and to measure its land and buildings and investment property. As a result of adopting these transitional exemptions and provisions the entity is not able to make an explicit and unreserved statement about its compliance with accrual basis IPSASs, as the adoption of these transitional exemptions affect the fair presentation of Public Sector Entity X's financial statements and its ability to assert compliance with accrual basis IPSASs.

No other transitional exemptions that affect fair presentation and compliance with accrual basis IPSASs during the period of transition were adopted or applied to any other assets and/or liabilities.

During the period under review, Public Sector Entity X restated its opening balance of investment property with an additional value of CU 1 200 000 after determining the deemed cost on June 30, 20X2 for the investment property under its control.

As at year end, Public Sector Entity X has not yet determined a deemed cost for land and buildings and has not yet measured these assets in its financial statements. Land and buildings reflect a closing balance of CU 2 500 000 as at December 31, 20X2. This value was determined under Public Sector Entity X's previous basis of accounting.

Public Sector Entity X plans to apply a three year transitional exemption for measuring its land and buildings and in determining a deemed cost for these asset.

Public Sector Entity X has appointed an appraiser to value the land and has developed a model for the measurement of buildings. The progress in determining the valuations for land and buildings is in accordance with its implementation plan.

Summary of Transitional Exemptions and Provisions Included in IPSAS 33 First-time Adoption of Accrual Basis IPSASs

IG91. The diagram below summarizes the transitional exemptions and provisions included in other accrual basis IPSASs

Summary of Transitional Exemptions and Provisions Included in IPSAS 33 *First-time Adoption of Accrual Basis IPSASs*

IG92. The diagram below summarizes the transitional exemptions and provisions included in other accrual basis IPSASs

| IPSAS | Transitional exemption provided | | | | | | | Other |
|---|---------------------------------|-------------|---|--|---|--|---|--|
| | NO | Deemed cost | 3 year transitional relief for recognition | 3 year transitional relief for measurement | 3 year transitional relief for recognition and/or measurement | 3 year transitional relief for disclosure | Elimination of transactions, balances, revenue and expenses | |
| YES | | | | | | | | |
| IPSAS 1, <i>Presentation of Financial Statements</i> | | | | | | √ To extent that 3 year relief period was adopted | | <ul style="list-style-type: none"> Presenting comparative info encouraged |
| IPSAS 2, <i>Cash Flow Statements</i> | √ | | | | | | | |
| IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> | √ | | | | | | | |
| IPSAS 4, <i>The Effects of Changes in Foreign Exchange Rates</i> | | | | | | | | <ul style="list-style-type: none"> Exemption to comply with requirements for cumulative translation Not required to apply Appendix A to items initially recognized before the date of adoption of IPSASs |
| IPSAS 5, <i>Borrowing Costs</i> | | | √ When allowed alternative is elected as accounting policy | | | | | <ul style="list-style-type: none"> Encouraged to apply benchmark treatment retrospectively Allowed alternative must be applied retrospectively |

FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSAS

| IPSAS | Transitional exemption provided | | | | | | | Other |
|---|---------------------------------|-------------|---|---|--|---|---|---|
| | NO | Deemed cost | 3 year transitional relief for recognition | 3 year transitional relief for measurement | 3 year transitional relief for recognition and/or measurement | 3 year transitional relief for disclosure | Elimination of transactions, balances, revenue and expenses | |
| IPSAS 9, <i>Revenue from Exchange Transactions</i> | √ | | | | √ To extent that 3 year relief period was adopted for assets and/or liabilities | | | |
| IPSAS 10, <i>Financial Reporting In Hyperinflationary Economies</i> | | | | | | | | <ul style="list-style-type: none"> Provisions around severe hyperinflation |
| IPSAS 11, <i>Construction Contracts</i> | √ | | | | | | | |
| IPSAS 12, <i>Inventories</i> | | √ | Inventory not recognized under previous basis of accounting | √ Inventory recognized under previous basis of accounting | | | | |
| IPSAS 13, <i>Leases</i> | | | √ Leased assets and/or liabilities not recognized under previous basis of accounting | √ Leased assets and/or liabilities recognized under previous basis of accounting | | | | |

FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSAS

| IPSAS | Transitional exemption provided | | | | | | | |
|--|---------------------------------|---|---|---|---|---|-------|--|
| | NO | YES | | | | | | |
| | Deemed cost | 3 year transitional relief for recognition | 3 year transitional relief for measurement | 3 year transitional relief for recognition and/or measurement | 3 year transitional relief for disclosure | Elimination of balances, revenue and expenses | Other | |
| IPSAS 14, <i>Events After the Reporting Date</i> | √ | | | | | | | |
| IPSAS, 16 <i>Investment Property</i> | √ | Investment property not recognized under previous basis of accounting | Investment property recognized under previous basis of accounting | | | | | |
| IPSAS 17, <i>Property, Plant and Equipment</i> | √ | Property, plant and equipment not recognized under previous basis of accounting | Property, plant and equipment recognized under previous basis of accounting | | | | | |

FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSAS

| IPSAS | Transitional exemption provided | | | | | | | |
|------------------------------------|---|-------------|--|--|---|---|---|-------|
| | NO | YES | | | | | | |
| | | Deemed cost | 3 year transitional relief for recognition | 3 year transitional relief for measurement | 3 year transitional relief for recognition and/or measurement | 3 year transitional relief for disclosure | Elimination of transactions, balances, revenue and expenses | Other |
| IPSAS 18, <i>Segment Reporting</i> | √ | | | | | | | |
| | No segment report to the extent that 3 year relief period was adopted | | | | | | | |

FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSAS

| IPSAS | Transitional exemption provided | | | | | | | Other |
|---|---------------------------------|---|---|---|---|---|---------------------------|-------|
| | NO | YES | | | | | | |
| | Deemed cost | 3 year transitional relief for recognition | 3 year transitional relief for measurement | 3 year transitional relief for recognition and/or measurement | 3 year transitional relief for disclosure | Elimination of transactions, balances, revenue and expenses | | |
| IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> | | √ Only liabilities related to assets not recognized under previous basis of accounting to be included initial estimate of cost of dismantling/ removing item/ restoring site | √ Only liabilities related to assets recognized under previous basis of accounting to be included initial estimate of cost of dismantling/ removing item/ restoring site | √ Only liabilities related to assets recognized under previous basis of accounting to be included initial estimate of cost of dismantling/ removing item/ restoring site | | | | |
| IPSAS 20, <i>Related Party Disclosures</i> | | | | | √ | | | |
| IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i> | | | | | | | • Prospective application | |

FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSAS

| IPSAS | Transitional exemption provided | | | | | | |
|--|---------------------------------|---|---|--|---|---|-------|
| | NO | YES | | | | | |
| | Deemed cost | 3 year transitional relief for recognition | 3 year transitional relief for measurement | 3 year transitional relief for recognition and/or measurement | 3 year transitional relief for disclosure | Elimination of transactions, balances, revenue and expenses | Other |
| IPSAS 22, <i>Disclosure of Information About the General Government Sector</i> | √ | | | | | | |
| IPSAS 23, <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i> | | √ All non-exchange revenue not recognized under previous basis of accounting | √ All non-exchange revenue recognized under previous basis of accounting | √ To extent that 3 year relief period was adopted for assets and/or liabilities | | | |

FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSAS

| IPSAS | Transitional exemption provided | | | | | | |
|---|---------------------------------|--|--|---|--|---|---------------------------|
| | NO | YES | | | | | |
| | Deemed cost | 3 year transitional relief for recognition | 3 year transitional relief for measurement | 3 year transitional relief for recognition and/or measurement | 3 year transitional relief for disclosure | Elimination of transactions, balances, revenue and expenses | Other |
| IPSAS 24, <i>Presentation of Budget Information in Financial Statements</i> | √ | | | | | | |
| IPSAS 26, <i>Impairment of Cash-Generating Assets</i> | | √ | | | | | • Prospective application |
| IPSAS 27, <i>Agriculture</i> | | √ | Biological and agricultural activities not recognized under previous basis of accounting | √ | Biological and agricultural activities recognized under previous basis of accounting | | |

FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSAS

| IPSAS | Transitional exemption provided | | | | | | | Other |
|--|---------------------------------|--|--|--|---|---|---|--|
| | NO | Deemed cost | 3 year transitional relief for recognition | 3 year transitional relief for measurement | 3 year transitional relief for recognition and/or measurement | 3 year transitional relief for disclosure | Elimination of transactions, balances, revenue and expenses | |
| IPSAS 28, <i>Financial Instruments: Presentation</i> | | | | | | | | <ul style="list-style-type: none"> Provisions not to separate liability and net asset/equity component under specific circumstances |
| IPSAS 30, <i>Financial Instruments: Disclosures</i> | | | | | | | | <ul style="list-style-type: none"> No comparative info about nature and extent of risks |
| IPSAS 31, <i>Intangible Assets</i> | | √ Intangible assets other than internally generated I/A | √ Intangible assets not recognized under previous basis of accounting | √ Intangible assets recognized under previous basis of accounting | | | | <ul style="list-style-type: none"> Provision to recognise previously expensed internally generated intangible assets |

FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSAS

| IPSAS | Transitional exemption provided | | | | | | | Other |
|---|---------------------------------|-------------------------------|---|---|---|---|---|---|
| | NO | Deemed cost | 3 year transitional relief for recognition | 3 year transitional relief for measurement | 3 year transitional relief for recognition and/or measurement | 3 year transitional relief for disclosure | Elimination of transactions, balances, revenue and expenses | |
| IPSAS 32, <i>Service Concession Arrangements: Grantor</i> | | √ Service concession asset | √ Service concession asset and related liability not recognized under previous basis of accounting | √ Service concession asset and related liability recognized under previous basis of accounting | | | | <ul style="list-style-type: none"> Provision on how to recognize related liability |
| IPSAS 35, <i>Consolidated Financial Statements</i> | | √ | | | √ To appropriately classify and identify interests in other entities | √ | √ | <ul style="list-style-type: none"> Provisions when controlling and/or controlled entity adopts IPSAS at different time Exemption to not prepare financial statements as consolidated financial statements (Assess if investment entity on date of adoption and measure at fair value at that date) |

FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSAS

| IPSAS | Transitional exemption provided | | | | | | | Other |
|---|---------------------------------|-------------|--|--|---|---|---|--|
| | NO | Deemed cost | 3 year transitional relief for recognition | 3 year transitional relief for measurement | 3 year transitional relief for recognition and/or measurement | 3 year transitional relief for disclosure | Elimination of transactions, balances, revenue and expenses | |
| IPSAS 36, <i>Investments in Associates and Joint Ventures</i> | | √ | | | √ To appropriately classify and identify interests in other entities | | √ | <ul style="list-style-type: none"> Provisions when controlling entity and associate adopts IPSAS at different time Exemption to not include investment in associate in consolidated financial statements |
| | | √ | | | √ To appropriately classify and identify interests in other entities | | √ | <ul style="list-style-type: none"> Provisions when controlling entity and jointly controlled entities adopt IPSAS at different time Exemption to not include interests in joint venture in consolidated financial statements |

FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSAS

| IPSAS | Transitional exemption provided | | | | | | |
|-------------------------------------|---------------------------------|---|---|---|---|---|---|
| | NO | YES | | | | | |
| | Deemed cost | 3 year transitional relief for recognition | 3 year transitional relief for measurement | 3 year transitional relief for recognition and/or measurement | 3 year transitional relief for disclosure | Elimination of transactions, balances, revenue and expenses | Other |
| IPSAS 37, <i>Joint Arrangements</i> | | | | | | | <ul style="list-style-type: none"> Provision on how to measure investment in joint venture previously accounted for using proportionate consolidation |
| IPSAS 39, <i>Employee Benefits</i> | | <ul style="list-style-type: none"> √ defined benefit plans and other long-term employee benefits not recognized under previous basis of accounting | <ul style="list-style-type: none"> √ for defined benefit and other long-term employee benefits recognized under previous basis of accounting | | | | <ul style="list-style-type: none"> Provisions on how to determine initial liability Provision to not separate cumulative actuarial gains and losses |

FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSAS

| IPSAS | Transitional exemption provided | | | | | | |
|--|---------------------------------|--|--|---|---|---|---|
| | NO | YES | | | | | |
| | Deemed cost | 3 year transitional relief for recognition | 3 year transitional relief for measurement | 3 year transitional relief for recognition and/or measurement | 3 year transitional relief for disclosure | Elimination of transactions, balances, revenue and expenses | Other |
| IPSAS 41, <i>Financial Instruments</i> | √ | √ For financial instruments not recognized under previous basis of accounting | √ For financial instruments recognized under previous basis of accounting | | | | <ul style="list-style-type: none"> Provisions around designation/ derecognition/ hedge accounting Apply impairment principles prospectively |
| IPSAS 42, <i>Social Benefits</i> | | √ liabilities for social benefits not recognized under previous basis of accounting | √ liabilities for social benefits recognized under previous basis of accounting | | | | |

Appendix

Differentiation between transitional exemptions and provisions that a first-time adopter is required to apply and/or can elect to apply on adoption of accrual basis IPSASs

This Appendix summarises how the transitional exemptions and provisions that a first-time adopter is required to apply in terms of this IPSAS, and those that a first-time adopter may elect to apply on adoption of accrual basis IPSASs.

As the transitional exemptions and provisions that may be elected can also affect the fair presentation and the first-time adopter's ability to assert compliance with accrual basis IPSASs as explained in paragraphs 27 to 32 of IPSAS 33, the Appendix makes a distinction between those transitional exemptions and provisions that affect fair presentation and the ability to assert compliance with accrual basis IPSASs, and those that do not.

| Transitional exemption or provision | Transitional exemptions or provisions that have to be applied | Transitional exemptions or provisions that may be applied or elected |
|---|---|---|
| IPSAS 1 <ul style="list-style-type: none"> • Present comparative information | Do not affect fair presentation and compliance with accrual basis IPSAS | Do not affect fair presentation and compliance with accrual basis IPSAS |
| IPSAS 4 <ul style="list-style-type: none"> • Cumulative transitional differences at the date of adoption • Not required to apply Appendix A to items initially recognized before the date of adoption of IPSASs | | Affect fair presentation and compliance with accrual basis IPSAS ✓ ✓ ✓ |

FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSAS

| Transitional exemption or provision | Transitional exemptions or provisions that have to be applied | Transitional exemptions or provisions that may be applied or elected |
|--|---|---|
| <p>IPSAS 5</p> <ul style="list-style-type: none"> • Allowed alternative treatment and has taken advantage of relief period • Adopt allowed alternative treatment on date of adoption – retrospective application • Adopt bench mark treatment on the date of adoption – retrospective application of costs incurred before and after date of adoption | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> <p style="text-align: center;">√</p> | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> <p style="text-align: center;">√</p> |
| <p>IPSAS 9</p> <ul style="list-style-type: none"> • Relief for recognition and/or measurement of revenue related to adoption of three year relief period for recognition and/or measurement of financial instruments | | <p style="text-align: center;">√</p> |

| Transitional exemption or provision | Transitional exemptions or provisions that may be applied or elected | Transitional exemptions or provisions that may be applied or elected | Transitional exemptions or provisions that may be applied or elected |
|--|--|--|---|
| <p>IPSAS 10</p> <ul style="list-style-type: none"> • Determine if hyperinflationary economy is subject to severe hyperinflation at the date of adoption • Measure assets and liabilities if date of adoption is on or after normalisation date | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> | <p>Affect fair presentation and compliance with accrual basis IPSAS</p> |
| <p>IPSAS 12</p> <ul style="list-style-type: none"> • Three year relief for recognition and/or measurement of assets and changing the accounting policy to measure assets | <p>√</p> | <p>√</p> | <p>√</p> |

FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSAS

| Transitional exemption or provision | Transitional exemptions or provisions that have to be applied | Transitional exemptions or provisions that may be applied or elected |
|--|--|---|
| <p>IPSAS 13</p> <ul style="list-style-type: none"> • No recognition and/or measurement of finance lease liability and finance lease asset if relief period for recognition and/or measurement of assets is adopted • Classification of lease based on circumstances at adoption of accrual basis IPSAS | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> | <p>Affect fair presentation and compliance with accrual basis IPSAS</p> |
| <p>IPSAS 16</p> <ul style="list-style-type: none"> • Three year relief for recognition and/or measurement of assets and changing the accounting policy to measure assets | <p style="text-align: center;">√</p> | <p style="text-align: center;">√</p> |
| <p>IPSAS 17</p> <ul style="list-style-type: none"> • Three year relief for recognition and/or measurement of assets and changing the accounting policy to measure assets | | <p style="text-align: center;">√</p> |

| Transitional exemption or provision | Transitional exemptions or provisions that have to be applied | Transitional exemptions or provisions that may be applied or elected |
|---|--|--|
| <p>IPSAS 18</p> <ul style="list-style-type: none"> No preparation of segment report within three years of adoption | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> <p>Affect fair presentation and compliance with accrual basis IPSAS</p> |
| <p>IPSAS 19</p> <ul style="list-style-type: none"> No recognition and measurement of liability relating to initial estimate of costs of dismantling and removing item if relief for recognition and/or measurement of assets are adopted | | <p>√</p> <p>√</p> |
| <p>IPSAS 20</p> <ul style="list-style-type: none"> No disclosure of related party relationships, related party transactions and information about key management personnel | | <p>√</p> |

FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSAS

| Transitional exemption or provision | Transitional exemptions or provisions that have to be applied | Transitional exemptions or provisions that may be applied or elected |
|--|---|--|
| <p>IPSAS 21</p> <ul style="list-style-type: none"> Apply impairment provisions prospectively on date of adoption or when assets are recognised when relief period was applied | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> <p style="text-align: center;">√</p> | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> <p>Affect fair presentation and compliance with accrual basis IPSAS</p> |
| <p>IPSAS 26</p> <ul style="list-style-type: none"> Apply impairment provisions prospectively on date of adoption or when assets are recognised when relief period was applied | <p style="text-align: center;">√</p> | |
| <p>IPSAS 27</p> <ul style="list-style-type: none"> Three year relief for recognition and/or measurement of assets and changing the accounting policy to measure assets | | <p style="text-align: center;">√</p> |

| Transitional exemption or provision | Transitional exemptions or provisions that may be applied or elected | Transitional exemptions or provisions that have to be applied | Transitional exemptions or provisions that may be applied or elected |
|--|--|---|---|
| <p>IPSAS 28</p> <ul style="list-style-type: none"> • Determine if financial instrument has liability and net asset/equity component on date of adoption • Do not separate compound financial instrument if no liability exists on date of adoption | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> | <p>√</p> | <p>Affect fair presentation and compliance with accrual basis IPSAS</p> |
| <p>IPSAS 30</p> <ul style="list-style-type: none"> • No disclosure of information about nature and extent of risks | | <p>√</p> | <p>√</p> |
| <p>IPSAS 31</p> <ul style="list-style-type: none"> • Three year relief for recognition and/or measurement of assets and changing the accounting policy to measure assets • Recognize all internally generated intangible assets | | <p>√</p> | <p>√</p> |

FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSAS

| Transitional exemption or provision | Transitional exemptions or provisions that have to be applied | Transitional exemptions or provisions that may be applied or elected |
|---|---|---|
| <p>IPSAS 32</p> <ul style="list-style-type: none"> • Three year relief for recognition and/or measurement of assets and/or liabilities and changing the accounting policy to measure assets and/or liabilities • Measure liability either under financial liability model or grant of a right to the operator model on date of adoption or when asset is recognised if relief period is adopted | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> <p style="text-align: center;">√</p> | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> <p>Affect fair presentation and compliance with accrual basis IPSAS</p> <p style="text-align: center;">√</p> |
| <p>Applying deemed cost to assets and/or liabilities</p> | | <p style="text-align: center;">√</p> |

| Transitional exemption or provision | Transitional exemptions or provisions that have to be applied | Transitional exemptions or provisions that may be applied or elected | |
|---|---|---|--|
| | Do not affect fair presentation and compliance with accrual basis IPSAS | Do not affect fair presentation and compliance with accrual basis IPSAS | Affect fair presentation and compliance with accrual basis IPSAS |
| Applying deemed cost to assets acquired in a non-exchange transaction | | √ | |
| Using deemed cost for investments in controlled entities, jointly controlled entities and associates | | √ | |
| Preparing reconciliations during transitional period | √ | | |
| IPSAS 35 <ul style="list-style-type: none"> • Relief to recognize and/or measure interests in controlled entity • Elect to not eliminate inter-entity balances, transactions, revenue and expenses • Controlled entity becomes first-time adopter later or earlier than its controlling entity | √ | | √ √ |

FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSAS

| Transitional exemption or provision | Transitional exemptions or provisions that have to be applied | Transitional exemptions or provisions that may be applied or elected |
|---|---|---|
| <ul style="list-style-type: none"> • Not present financial statements as consolidated financial statements if three year relief for recognition and/or measurement and/or elimination option was adopted • <i>Assess if investment entity on date of adoption and determine fair value at that date</i> | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> <p style="text-align: center;">√</p> | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> <p>Affect fair presentation and compliance with accrual basis IPSAS</p> <p style="text-align: center;">√</p> |

| Transitional exemption or provision | Transitional exemptions or provisions that may be applied or elected | Transitional exemptions or provisions that may be applied or elected | Transitional exemptions or provisions that may be applied or elected |
|--|--|--|--|
| | Transitional exemptions or provisions that have to be applied | Do not affect fair presentation and compliance with accrual basis IPSAS | Affect fair presentation and compliance with accrual basis IPSAS |
| <p>IPSAS 36</p> <ul style="list-style-type: none"> • Relief to recognize and/or measure interest in associate • Elect to not eliminate share in associate's surplus and deficit • Associate becomes first-time adopter later or earlier than its controlling entity • Not present investment in associates in consolidated financial statements if three year relief for recognition and/or measurement and/or elimination option was adopted | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> | <p>√</p> <p>√</p> |
| <p>IPSAS 37</p> <ul style="list-style-type: none"> • <i>Measure investment in joint venture previously accounted for using proportionate consolidation</i> | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> | <p>√</p> |

FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSAS

| Transitional exemption or provision | Transitional exemptions or provisions that have to be applied | Transitional exemptions or provisions that may be applied or elected |
|---|--|---|
| <p>IPSAS 39</p> <ul style="list-style-type: none"> • Three year relief for recognition and/or measurement of assets and/or liabilities and changing the accounting policy to measure assets and/or liabilities • Determine initial liability for defined benefit and other long-term employee benefit plans on date of adoption or when relief period expired • Recognize increase/decrease on date of adoption or when relief period expires in opening accumulated surplus/deficit | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> <p style="text-align: center;">√</p> <p style="text-align: center;">√</p> | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> <p>Affect fair presentation and compliance with accrual basis IPSAS</p> <p style="text-align: center;">√</p> |

| Transitional exemption or provision | Transitional exemptions or provisions that may be applied or elected | Transitional exemptions or provisions that may be applied or elected | Transitional exemptions or provisions that may be applied or elected |
|--|--|--|---|
| <p>IPSAS 41</p> <ul style="list-style-type: none"> • Three-year relief for recognition and/or measurement of assets and/or liabilities and changing the accounting policy to measure assets and/or liabilities <p><i>Designation</i></p> <ul style="list-style-type: none"> • Designate financial asset or liability at fair value through surplus or deficit on date of adoption <p><i>Impairment</i></p> <ul style="list-style-type: none"> • Apply impairment provisions prospectively on date of adoption | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> | <p>Affect fair presentation and compliance with accrual basis IPSAS</p> |
| | | | <p>√</p> |
| | | | <p>√</p> |
| | | | <p>√</p> |

FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSAS

| Transitional exemption or provision | Transitional exemptions or provisions that have to be applied | Transitional exemptions or provisions that may be applied or elected |
|---|---|---|
| <p><i>Derecognition</i></p> <ul style="list-style-type: none"> • Apply derecognition provisions prospectively on date of adoption • Apply derecognition provisions retrospectively if information is available as at the date of initial accounting | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> <p style="text-align: center;">√</p> | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> <p style="text-align: center;">√</p> |
| <p><i>Hedge accounting</i></p> <ul style="list-style-type: none"> • Measure derivatives at fair value • Eliminate all deferred losses and gains • Only reflect hedges that qualify for hedge accounting on date of adoption • Discontinue hedge transaction if conditions of hedge accounting on date of adoption are not met | <p>Do not affect fair presentation and compliance with accrual basis IPSAS</p> <p style="text-align: center;">√</p> | <p>Affect fair presentation and compliance with accrual basis IPSAS</p> |