Final Pronouncement
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IPSAS™

International Public Sector Accounting Standard™

Improvements to IPSASs 2015

IPSASB International Public Sector Accounting Standards Board®

This document was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances.

In meeting this objective the IPSASB sets International Public Sector Accounting Standards™ (IPSAS™) and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

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IMPROVEMENTS TO IPSASs 2015

CONTENT

PART I: CONCEPTUAL FRAMEWORK IMPROVEMENTS TO IPSASS

Amendment: Part I-1a

Amendments to IPSAS 1, *Presentation of Financial Statements*

Paragraphs 29, 44, 70, 73, 74, 109 and 116 are amended and paragraph 153H is added. Appendix A is deleted. New text is underlined and deleted text is struck through.

Overall Considerations

Fair Presentation and Compliance with IPSASs

…

29. In virtually all circumstances, a fair presentation is achieved by compliance with applicable IPSASs. A fair presentation also requires an entity:

    (a) To select and apply accounting policies in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*. IPSAS 3 sets out a hierarchy of authoritative guidance that management consider~~s~~, in the absence of a Standard that specifically applies to an item.

    (b) To present information, including accounting policies, in a manner that provides relevant, ~~reliable,~~ <u>faithfully representative, understandable, timely,</u> comparable, and <u>verifiable</u> ~~understandable~~ information.

    (c) To provide additional disclosures when compliance with the specific requirements in IPSASs is insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the entity's financial position and financial performance.

…

Consistency of Presentation

…

44. An entity changes the presentation of its financial statements only if the changed presentation provides information that is ~~reliable~~ <u>faithfully representative</u> and is more relevant to users of the financial statements, and the revised structure is likely to continue, so that comparability is not impaired. When making such changes in presentation, an entity reclassifies its comparative information in accordance with paragraphs 55 and 56.

Structure and Content

…

Statement of Financial Position

Current/Non-current Distinction

…

70. **An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its statement of financial position in accordance with paragraphs 76–87, except when a presentation based on liquidity provides information**

that is ~~reliable~~ faithfully representative and is more relevant. When that exception applies, all assets and liabilities shall be presented broadly in order of liquidity.

73. For some entities, such as financial institutions, a presentation of assets and liabilities in increasing or decreasing order of liquidity provides information that is ~~reliable~~ faithfully representative and is more relevant than a current/non-current presentation, because the entity does not supply goods or services within a clearly identifiable operating cycle.

74. In applying paragraph 70, an entity is permitted to present some of its assets and liabilities using a current/non-current classification, and others in order of liquidity, when this provides information that is ~~reliable~~ faithfully representative and is more relevant. The need for a mixed basis of presentation might arise when an entity has diverse operations.

Statement of Financial Performance

Information to be Presented either on the Face of the Statement of Financial Performance or in the Notes

…

109. **An entity shall present, either on the face of the statement of financial performance or in the notes, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is ~~reliable~~ faithfully representative and more relevant.**

…

116. The choice between the function of expense method and the nature of expense method depends on historical and regulatory factors and the nature of the entity. Both methods provide an indication of those costs that might vary, directly or indirectly, with the outputs of the entity. Because each method of presentation has its merits for different types of entities, this Standard requires management to select the most relevant and ~~reliable~~ faithfully representative presentation. However, because information on the nature of expenses is useful in predicting future cash flows, additional disclosure is required when the function of expense classification is used. In paragraph 115, employee benefits has the same meaning as in IPSAS 25, *Employee Benefits*.

Effective Date

…

153H. **Paragraphs 29, 44, 70, 73, 74, 109 and 116 were amended, and Appendix A, *Qualitative Characteristics of Financial Reporting*, was deleted by *Improvements to IPSASs 2015* issued in March 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2017 it shall disclose that fact.**

~~Appendix A~~

~~Qualitative Characteristics of Financial Reporting~~

~~This Appendix is an integral part of IPSAS 1.~~

~~**The IPSASB issued Chapter 3, *Qualitative Characteristics* of the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the *Framework*) in January 2013. Chapter 3 details the qualitative characteristics (QCs) of information included in general purpose financial reports (GPFRs) and the pervasive constraints on information included in GPFRs.**~~

~~**The QCs in this Appendix continue to apply to existing pronouncements unless stated otherwise. The QCs in the *Framework* will be applied in the development of future pronouncements. Potential changes to pronouncements resulting from the issue of the *Framework*, including the potential withdrawal of this Appendix, will be considered following completion of the *Framework*.**~~

~~Paragraph 29 of this Standard requires an entity to present information, including accounting policies, in a manner that meets a number of qualitative characteristics. This guidance summarizes the qualitative characteristics of financial reporting.~~

~~Qualitative characteristics are the attributes that make the information provided in financial statements useful to users. The four principal qualitative characteristics are understandability, relevance, reliability, and comparability.~~

~~Understandability~~

~~Information is understandable when users might reasonably be expected to comprehend its meaning. For this purpose, users are assumed to have a reasonable knowledge of the entity's activities and the environment in which it operates, and to be willing to study the information.~~

~~Information about complex matters should not be excluded from the financial statements merely on the grounds that it may be too difficult for certain users to understand.~~

~~Relevance~~

~~Information is relevant to users if it can be used to assist in evaluating past, present, or future events or in confirming, or correcting, past evaluations. In order to be relevant, information must also be timely.~~

~~Materiality~~

~~The relevance of information is affected by its nature and materiality.~~

~~Information is material if its omission or misstatement could influence the decisions of users or assessments made on the basis of the financial statements. Materiality depends on the nature or size of the item or error, judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic that information must have if it is to be useful.~~

~~Reliability~~

~~Reliable information is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent.~~

~~Faithful Representation~~

~~For information to represent faithfully transactions and other events, it should be presented in accordance with the substance of the transactions and other events, and not merely their legal form.~~

~~*Substance Over Form*~~

~~If information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they be accounted for and presented in accordance with their substance and economic reality, and not merely their legal form. The substance of transactions or other events is not always consistent with their legal form.~~

~~*Neutrality*~~

~~Information is neutral if it is free from bias. Financial statements are not neutral if the information they contain has been selected or presented in a manner designed to influence the making of a decision or judgment in order to achieve a predetermined result or outcome.~~

~~*Prudence*~~

~~Prudence is the inclusion of a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets or revenue are not overstated and liabilities or expenses are not understated.~~

~~However, the exercise of prudence does not allow, for example, (a) the creation of hidden reserves or excessive provisions, (b) the deliberate understatement of assets or revenue, or (c) the deliberate overstatement of liabilities or expenses, because the financial statements would not be neutral and, therefore, not have the quality of reliability.~~

~~*Completeness*~~

~~The information in financial statements should be complete within the bounds of materiality and cost.~~

~~**Comparability**~~

~~Information in financial statements is comparable when users are able to identify similarities and differences between that information and information in other reports.~~

~~Comparability applies to the:~~

~~(a) Comparison of financial statements of different entities; and~~

~~(b) Comparison of the financial statements of the same entity over periods of time.~~

~~An important implication of the characteristic of comparability is that users need to be informed of the policies employed in the preparation of financial statements, changes to those policies, and the effects of those changes.~~

~~Because users wish to compare the performance of an entity over time, it is important that financial statements show corresponding information for preceding periods.~~

~~**Constraints on Relevant and Reliable Information**~~

~~*Timeliness*~~

~~If there is an undue delay in the reporting of information, it may lose its relevance. To provide information on a timely basis, it may often be necessary to report before all aspects of a transaction are known, thus impairing reliability. Conversely, if reporting is delayed until all aspects are known, the information may be highly reliable but of little use to users who have had to make decisions in the interim. In achieving a balance~~

~~between relevance and reliability, the overriding consideration is how best to satisfy the decision-making needs of users.~~

~~*Balance between Benefit and Cost*~~

~~The balance between benefit and cost is a pervasive constraint. The benefits derived from information should exceed the cost of providing it. The evaluation of benefits and costs is, however, substantially a matter of judgment. Furthermore, the costs do not always fall on those users who enjoy the benefits. Benefits may also be enjoyed by users other than those for whom the information was prepared. For these reasons, it is difficult to apply a benefit-cost test in any particular case. Nevertheless, standard setters, as well as those responsible for the preparation of financial statements and users of financial statements, should be aware of this constraint.~~

~~*Balance between Qualitative Characteristics*~~

~~In practice a balancing, or trade-off, between qualitative characteristics is often necessary. Generally, the aim is to achieve an appropriate balance among the characteristics in order to meet the objectives of financial statements. The relative importance of the characteristics in different cases is a matter of professional judgment.~~

Basis for Conclusions

…

Revision of IPSAS 1 as a result of the first four chapters of the IPASB's *Conceptual Framework for General Purpose Financial* Reporting by Public Sector Entities

BC14. Following completion of the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework) the IPSASB initiated a limited scope project to make changes to IPSASs to reflect the first four chapters of the Conceptual Framework. These chapters address role and authority; objectives and users; qualitative characteristics (QCs) and constraints on information in general purpose financial reports; and the reporting entity. The Conceptual Framework adopted the QC of "faithful representation" rather than "reliability".

BC15. Both the version of IPSAS 1 issued in May 2000 and the revised version of IPSAS 1 issued in December 2006 included an appendix that summarized the QCs and constraints that IPSASB had indirectly adopted. These QCs and constraints were drawn from the former International Accounting Standards Committee's 1989 Conceptual Framework. The IPSASB considered whether this Appendix should be deleted completely or amended to reflect the QCs and constraints in the IPSASB's own Conceptual Framework. The IPSASB decided that it is important that the concepts in the Conceptual Framework are considered directly rather than being mediated through secondary sources. The IPSASB therefore decided to delete Appendix A completely. Consistent with this decision the IPSASB also decided to delete a replication of Appendix A in IPSAS 18, *Segment Reporting.*

BC16. The IPSASB noted that recognition criteria in IPSASs include the words "reliably" or "reliable". Many other IPSASs do not include explicit recognition criteria, but include references to "reliably" and "reliable" in more general guidance on recognition, estimation, allocation and other issues related to measurement. The IPSASB did not consider it appropriate to make piecemeal changes to recognition criteria in advance of a fuller review of recognition criteria and related guidance. The IPSASB therefore decided to include a footnote explaining the meaning of "reliability" in each

IPSAS with recognition criteria or related guidance on aspects of measurement. This footnote states that "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."

Amendment: Part I-1b

Amendments to IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*

Paragraphs 7, 10, 12, 13, 14, 15, 17 and 34 are amended and paragraph 59C is added. New text is underlined and deleted text is struck through.

Definitions

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

…

<u>Prior period errors</u> are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, ~~reliable~~ <u>faithfully representative</u> information that:

(a) **Was available when financial statements for those periods were authorized for issue; and**

(b) **Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.**

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

…

Accounting Policies

Selection and Application of Accounting Policies

…

10. IPSASs set out accounting policies that the IPSASB has concluded result in financial statements containing relevant and ~~reliable~~ <u>faithfully representative</u> information about the transactions, other events, and conditions to which they apply. Those policies need not be applied when the effect of applying them is immaterial. However, it is inappropriate to make, or leave uncorrected, immaterial departures from IPSASs to achieve a particular presentation of an entity's financial position, financial performance, or cash flows.

…

12. **In the absence of an IPSAS that specifically applies to a transaction, other event, or condition, management shall use its judgment in developing and applying an accounting policy that results in information that is <u>relevant to the accountability and decision-making needs of users, faithfully represents the financial position, financial performance, and cash flows of the entity, meets the qualitative characteristics of understandability, timeliness, comparability, and verifiability and takes account of the constraints on information included in general purpose financial reports and the balance between the qualitative characteristics.</u>**

~~(a) **Relevant to the decision-making needs of users; and**~~

~~(b) **Reliable, in that the financial statements:**~~

~~(i) **Represent faithfully the financial position, financial performance, and cash flows of the entity;**~~

~~(ii) **Reflect the economic substance of transactions, other events, and conditions and not merely the legal form;**~~

~~(iii) **Are neutral, i.e., free from bias;**~~

~~(iv) **Are prudent; and**~~

~~(v) **Are complete in all material respects.**~~

13. ~~Paragraph 12 requires the development of accounting policies to ensure that the financial statements provide information that meets a number of qualitative characteristics. Appendix A in IPSAS 1 summarizes the qualitative characteristics of financial reporting.~~ [Deleted]

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

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

    (b) **The definitions, recognition and measurement criteria for assets, liabilities, revenue and expenses described in ~~other IPSASs~~ <u>*the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.*</u>**

15. **In making the judgment described in paragraph 12, ~~management~~ ~~<u>preparers</u>~~ <u>management</u> may also consider (a) the most recent pronouncements of other standard-setting bodies, and (b) accepted public or private sector practices, but only to the extent that these do not conflict with the sources in paragraph 14. Examples of such pronouncements include pronouncements of the IASB, including ~~the *Framework for the Preparation and Presentation of Financial Statements*~~, IFRSs, and Interpretations issued by the IASB's ~~International Financial Reporting~~ <u>IFRS</u> Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).**

…

Changes in Accounting Policies

17. **An entity shall change an accounting policy only if the change:**

    (a) **Is required by an IPSAS; or**

    (b) **Results in the financial statements providing ~~reliable~~ <u>faithfully representative</u> and more relevant information about the effects of transactions, other events, and conditions on the entity's financial position, financial performance, or cash flows.**

…

Limitations on Retrospective Application

…

Disclosure

…

34. **When a voluntary change in accounting policy (a) has an effect on the current period or any prior period, (b) would have an effect on that period, except that it is impracticable to determine the amount of the adjustment, or (c) might have an effect on future periods, an entity shall disclose:**

(a) **The nature of the change in accounting policy;**

(b) **The reasons why applying the new accounting policy provides ~~reliable~~ faithfully representative and more relevant information;**

(c) **For the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected;**

(d) **The amount of the adjustment relating to periods before those presented, to the extent practicable; and**

(e) **If retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.**

…

Effective Date

…

59C. **Paragraphs 7, 10, 12, 13, 14, 15, 17 and 34 were amended by *Improvements to IPSASs 2015* issued in March 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2017 it shall disclose that fact.**

Basis for Conclusions

…

Revision of IPSAS 3 as a result of the publication of the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*

BC8. Following the publication of the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework) the IPSASB initiated a limited scope project to make changes to IPSASs to reflect the first four chapters. These chapters address role and authority; objectives and users; qualitative characteristics (QCs) and constraints on information in general purpose financial reports; and the reporting entity. The IPSASB proposed these amendments in ED 58, *Improvements to IPSAS 2015*.

BC9. Paragraph 12 of IPSAS 3 provides the first level requirement for the development of an accounting policy when there is not an IPSAS that specifically applies to a transaction, other event or condition. The 2006 version of IPSAS 1 specified that management should use its judgment in developing and applying an accounting policy that results in information that is relevant and reliable. The IPSASB decided to replace the reference to reliability with faithful representation in order to ensure consistency with the Conceptual Framework. Consistent with its decision not to distinguish fundamental and enhancing QCs the IPSASB decided to acknowledge the other QCs and the constraints on information included in general purpose financial reports in paragraph 12. A respondent to ED 58 considered that references throughout the suite of IPSASs should be modified to refer to the full set of QCs and constraints, The Conceptual Framework states that each of the QCs is integral to, and works with the other QCs, to provide information in general purpose financial reports that is useful for achieving the objectives of financial reporting. However, this interaction does not preclude individual QCs having more or less importance, dependent upon specific circumstances, and therefore the IPSASB concluded that there should not be a reference to all QCs and constraints every time one or more QCs is referenced.

BC10. IPSAS 3 had also listed a number of attributes of reliability, including economic substance, neutrality, prudence, and completeness. The IPSASB considered whether these attributes should be explicitly stated in the revised IPSAS 3. The IPSASB acknowledges the value of these attributes, but noted that whereas they had been specifically referenced and explained in Appendix A to IPSAS 1 they are not specifically identified as QCs in the Conceptual Framework.

BC11. The Conceptual Framework explains that "faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error", and further that "information that faithfully represents an economic or other phenomenon depicts the substance of the underlying transaction, other event, activity or circumstance—which is not necessarily always the same as its legal form." Therefore substance over form remains a key quality that information included in GPFRs must possess. It is not identified as a separate or additional QC because it is already embedded in the notion of faithful representation.

BC12. The IPSASB took the view that the notion of prudence is also reflected in the explanation of neutrality as a component of faithful representation, and the acknowledgement of the need to exercise caution in dealing with uncertainty. Consequently the IPSASB concluded that there is no need to explicitly refer to economic substance, neutrality, prudence, and completeness in paragraph 12.

BC13. Paragraph 14 provides the sources that management shall refer to, and consider the applicability of, when developing an accounting policy when there is not an IPSAS that specifically applies to a transaction, other event or condition. The IPSASB considered whether management should be directed to the definitions, recognition and measurement criteria for assets, liabilities, revenue and expenses described in other IPSASs or the Conceptual Framework. The IPSASB acknowledged that IPSASs have not yet been updated to reflect definitions, recognition and measurement criteria in the Conceptual Framework. However the Conceptual Framework reflects the IPSASB's most up-to-date thinking and the IPSASB concluded that management should be directed to this source.

BC14. Paragraph 15 permits consideration of the most recent pronouncements of other standard-setting bodies, to the extent that they do not conflict with sources drawn from IPSASs, in making judgments on the development and application of an accounting policy. The IPSASB considered whether it should retain the examples of pronouncements of the International Accounting Standards Board (IASB). Noting that the revision of the IASB's Conceptual Framework had not been completed at the time, the IPSASB took the view that there are differences between the IPSASB's *Conceptual Framework* and the IASB's developing revision of its Conceptual Framework. Consequently the development and application of accounting policies based on the IASB's Conceptual Framework might not always be appropriate in the public sector. In response to comments by a respondent to ED 58, the IPSASB also reaffirmed that the IPSASB's Conceptual Framework is not subordinate to the IASB's Conceptual Framework. The IPSASB did consider that the other examples of IASB pronouncements in paragraph 15—IFRSs, and Interpretations issued by the IASB's IFRS

Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC)—are useful and should be retained.

Amendment: Part I-1c

Amendments to IPSAS 16, *Investment Property*

Paragraph 40 is amended and paragraph 101C is added. New text is underlined and deleted text is struck through.

Measurement after Recognition

Accounting Policy

…

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

…

Effective Date

…

101C. **Paragraph 40 was amended by *Improvements to IPSASs 2015* issued in March 2016. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2017 it shall disclose that fact.**

Amendment: Part I-1d

Amendment to IPSAS 18, *Segment Reporting*

Paragraph 69 is amended and paragraph 76C is added. New text is underlined and deleted text is struck through.

Disclosure

…

Other Disclosure Matters

…

69. Changes in accounting policies adopted by the entity are dealt with in IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*. IPSAS 3 requires that changes in accounting policy be made only (a) if required by an IPSAS, or (b) if the change will result in ~~reliable~~ faithfully representative and more relevant information about transactions, other events, and conditions in the financial statements of the entity.

Effective Date

…

76C. **Paragraph 69 was amended by *Improvements to IPSASs 2015* issued in March 2016. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2017 it shall disclose that fact.**

Implementation Guidance

This guidance accompanies, but is not part of, IPSAS 18.

…

~~Qualitative Characteristics of Financial Reporting~~

~~IG1. Paragraph 15 of this Standard requires the development of accounting policies to ensure that the financial statements provide information that meets a number of qualitative characteristics. This guidance summarizes the qualitative characteristics of financial reporting.~~

~~IG2. Qualitative characteristics are the attributes that make the information provided in financial statements useful to users. The four principal qualitative characteristics are understandability, relevance, reliability and comparability.~~

~~*Understandability*~~

~~IG3. Information is understandable when users might reasonably be expected to comprehend its meaning. For this purpose, users are assumed to have a reasonable knowledge of the entity's activities and the environment in which it operates, and to be willing to study the information.~~

~~IG4. Information about complex matters should not be excluded from the financial statements merely on the grounds that it may be too difficult for certain users to understand.~~

~~*Relevance*~~

~~IG5. Information is relevant to users if it can be used to assist in evaluating past, present, or future events or in confirming or correcting past evaluations. In order to be relevant, information must also be timely.~~

~~*Materiality*~~

~~IG6. The relevance of information is affected by its nature and materiality.~~

~~IG7. Information is material if its omission or misstatement could influence the decisions of users or assessments made on the basis of the financial statements. Materiality depends on the nature or size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point, rather than being a primary qualitative characteristic that information must have if it is to be useful.~~

~~*Reliability*~~

~~IG8. Reliable information is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent.~~

~~*Faithful Representation*~~

~~IG9. For information to represent faithfully transactions and other events, it should be presented in accordance with the substance of the transactions and other events, and not merely their legal form.~~

~~*Substance Over Form*~~

~~IG10. If information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they are accounted for and presented in accordance with their substance and economic reality, and not merely their legal form. The substance of transactions or other events is not always consistent with their legal form.~~

~~*Neutrality*~~

~~IG11. Information is neutral if it is free from bias. Financial statements are not neutral if the information they contain has been selected or presented in a manner designed to influence the making of a decision or judgment in order to achieve a predetermined result or outcome.~~

~~**Prudence**~~

~~IG12. Prudence is the inclusion of a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets or revenue are not overstated, and liabilities or expenses are not understated.~~

~~IG13. However, the exercise of prudence does not allow, for example, the creation of hidden reserves or excessive provisions, the deliberate understatement of assets or revenue, or the deliberate overstatement of liabilities or expenses, because the financial statements would not be neutral and, therefore, not have the quality of reliability.~~

~~*Completeness*~~

~~IG14. The information in financial statements should be complete within the bounds of materiality and cost.~~

~~*Comparability*~~

~~IG15. Information in financial statements is comparable when users are able to identify similarities and differences between that information and information in other reports.~~

~~IG16. Comparability applies to the:~~

~~(a) comparison of financial statements of different entities; and~~

~~(b) comparison of the financial statements of the same entity over periods of time.~~

~~IG17. An important implication of the characteristic of comparability is that users need to be informed of the policies employed in the preparation of financial statements, changes to those policies, and the effects of those changes.~~

~~IG18. Because users wish to compare the performance of an entity over time, it is important that financial statements show corresponding information for preceding periods.~~

~~**Constraints on Relevant and Reliable Information**~~

~~*Timeliness*~~

~~IG19. If there is an undue delay in the reporting of information, it may lose its relevance. To provide information on a timely basis, it may often be necessary to report before all aspects of a transaction are known, thus impairing reliability. Conversely, if reporting is delayed until all aspects are known, the information may be highly reliable but of little use to users who have had to make decisions in the interim. In achieving a balance between relevance and reliability, the overriding consideration is how best to satisfy the decision-making needs of users.~~

~~*Balance between Benefit and Cost*~~

~~IG20. The balance between benefit and cost is a pervasive constraint. The benefits derived from information should exceed the cost of providing it. The evaluation of benefits and costs is, however, substantially a matter of judgment. Furthermore, the costs do not always fall on those users who enjoy the benefits. Benefits may also be enjoyed by users other than those for whom the information was prepared. For these reasons, it is difficult to apply a benefit-cost test in any particular case. Nevertheless, standard setters, as well as those responsible for the preparation of financial statements and users of financial statements, should be aware of this constraint.~~

~~*Balance between Qualitative Characteristics*~~

~~IG21. In practice a balancing, or trade-off, between qualitative characteristics is often necessary. Generally the aim is to achieve an appropriate balance among the characteristics in order to meet the objectives of financial statements. The relative importance of the characteristics in different cases is a matter of professional judgment.~~

Amendment: Part I-1e

Amendments to IPSAS 20, *Related Party Disclosures*

Paragraphs 27 and 32 are amended and paragraph 42C is added. New text is underlined and deleted text is struck through.

Disclosure

…

Disclosure of Related Party Transactions

27. **In respect of transactions between related parties, other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favorable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances, the reporting entity shall disclose:**

    (a) **The nature of the related party relationships;**

    (b) **The types of transactions that have occurred; and**

    (c) **The elements of the transactions necessary to clarify the significance of these transactions to its operations and sufficient to enable the financial statements to provide relevant and ~~reliable~~ <u>faithfully representative</u> information for decision making and accountability purposes.**

…

32. **Items of a similar nature may be disclosed in aggregate, except when separate disclosure is necessary to provide relevant and ~~reliable~~ <u>faithfully representative</u> information for decision-making and accountability purposes.**

Effective Date

…

42C. <u>**Paragraphs 27 and 32 were amended by *Improvements to IPSASs 2015* issued in March 2016. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies these amendments for a period beginning before January 1, 2017 it shall disclose that fact.**</u>

Amendment: Part I-1f

Amendments to IPSAS 22, *Disclosures about the General Government Sector*

Paragraph 13 is amended and paragraph 47C is added. New text is underlined and deleted text is struck through.

Scope

…

Accounting Policies

…

13. This standard requires that when disclosures about the GGS are made in financial statements, those disclosures are to be made in accordance with the requirements prescribed in this Standard. This will ensure that an appropriate representation of the GGS is made in the financial statements, and that disclosures about the GGS satisfy the qualitative characteristics of financial information, ~~including~~ which are ~~understandability,~~ relevance, ~~reliability~~ faithful representation, understandability, timeliness, ~~and~~ comparability, and verifiability.

Effective Date

…

47C. **Paragraph 13 was amended by *Improvements to IPSASs 2015* issued in March 2016. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2017 it shall disclose that fact.**

Amendment: Part I-1g

Amendments to IPSAS 24, P*resentation of Budget Information in Financial Statements*

Paragraph 26 is amended and paragraph 54B is added. New text is underlined and deleted text is struck through.

Presentation of a Comparison of Budget and Actual Amounts

…

Level of Aggregation

…

26. IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*, requires financial statements to provide information that meets ~~a number of~~ the qualitative characteristics, including that the information is relevant to the accountability and decision-making needs of users, faithfully represents the financial position, financial performance, and cash flows of the entity, meets the other qualitative characteristics and takes account of the constraints on information included in general purpose financial reports.

~~(a) Relevant to the decision-making needs of users; and~~

~~(b) Reliable in that the financial statements:~~

~~(i) Represent faithfully the financial position, financial performance, and cash flows of the entity;~~

~~(ii) Reflect the economic substance of transactions, other events, and conditions, and not merely the legal form;~~

~~(iii) Are neutral, that is, free from bias;~~

~~(iv) Are prudent; and~~

~~Are complete in all material respect~~

Effective Date

…

54B. **Paragraph 26 was amended by *Improvements to IPSASs 2015* issued in March 2016. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2017 it shall disclose that fact.**

Amendment: Part I-1h

Amendment to IPSAS 29, *Financial Instruments: Recognition and Measurement*

Paragraph 125D is added and paragraph AG8 is amended. New text is underlined and deleted text is struck through.

Effective Date

…

125D. **Paragraph AG8 was amended by *Improvements to IPSASs 2015* issued in March 2016. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2017 it shall disclose that fact.**

Application Guidance

This Appendix is an integral part of IPSAS 29.

Definitions (paragraphs 9 and 10)

Designation as at Fair Value through Surplus or Deficit

…

AG8. The decision of an entity to designate a financial asset or financial liability as at fair value through surplus or deficit is similar to an accounting policy choice (although, unlike an accounting policy choice, it is not required to be applied consistently to all similar transactions). When an entity has such a choice, paragraph 17(b) of IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors* requires the chosen policy to result in the financial statements providing ~~reliable~~ faithfully representative and more relevant information about the effects of transactions, other events and conditions on the entity's financial position, financial performance or cash flows. In the case of designation as at fair value through surplus or deficit, paragraph 10 sets out the two circumstances when the requirement for more relevant information will be met. Accordingly, to choose such designation in accordance with paragraph 10, the entity needs to demonstrate that it falls within one (or both) of these two circumstances.

Amendment: Part I-1i

Amendment to IPSAS 30, *Financial Instruments: Disclosures*

Paragraph 52C is added and paragraph AG7 is amended. New text is underlined and deleted text is struck through.

Effective Date

…

52C. **Paragraph AG7 was amended by *Improvements to IPSASs 2015* issued in March 2016. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2017 it shall disclose that fact.**

Application Guidance

This appendix is an integral part of IPSAS 30.

Nature and Extent of Risks Arising from Financial Instruments (paragraphs 38–49)

…

Quantitative Disclosures (paragraph 41)

AG7. Paragraph 41(a) requires disclosures of summary quantitative data about an entity's exposure to risks based on the information provided internally to key management personnel of the entity. When an entity uses several methods to manage a risk exposure, the entity shall disclose information using the method or methods that provide the most relevant and ~~reliable~~ faithfully representative information. IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors* discusses relevance and reliability.

Amendment: Part I-2a

Amendment to IPSAS 5, *Borrowing Costs*

A footnote is added to paragraph 19. New text is underlined.

Borrowing Costs—Allowed Alternative Treatment

Recognition

…

19. Under the allowed alternative treatment, borrowing costs that are directly attributable to the acquisition, construction, or production of an asset are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when (a) it is probable that they will result in future economic benefits or service potential to the entity, and (b) the costs can be measured reliably[1]. Other borrowing costs are recognized as an expense in the period in which they are incurred.

[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.

Amendment: Part I-2b

Amendment to IPSAS 7, *Investments in Associates*

A footnote is added to paragraph 3. New text is underlined.

Scope

…

3. This Standard provides the basis for accounting for ownership interests in associates. That is, the investment in the other entity confers on the investor the risks and rewards incidental to an ownership interest. This Standard applies only to investments in the formal equity structure (or its equivalent) of an investee. A formal equity structure means share capital or an equivalent form of unitized capital, such as units in a property trust, but may also include other equity structures in which the investor's interest can be measured reliably[1]. Where the equity structure is poorly defined, it may not be possible to obtain a reliable measure of the ownership interest.

---

[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.

Amendment: Part I-2c

Amendment to IPSAS 9, *Revenue From Exchange Transactions*

A footnote is added to paragraph 19. New text is underlined.

Rendering of Services

19. **When the outcome of a transaction involving the rendering of services can be estimated reliably[1], revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:**

    (a) **The amount of revenue can be measured reliably;**

    (b) **It is probable that the economic benefits or service potential associated with the transaction will flow to the entity;**

    (c) **The stage of completion of the transaction at the reporting date can be measured reliably; and**

    (d) **The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.**

---

[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.

Amendment: Part I-2d

Amendment to IPSAS 11, *Construction Contracts*

A footnote is added to paragraph 30. New text is underlined.

Recognition of Contract Revenue and Expenses

30. **When the outcome of a construction contract can be estimated reliably[1], contract revenue and contract costs associated with the construction contract shall be recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. An expected deficit on a construction contract to which paragraph 44 applies shall be recognized as an expense immediately in accordance with paragraph 44.**

[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.

Amendment: Part I-2e

Amendment to IPSAS 13, *Leases*

A footnote is added to paragraph 21. New text is underlined.

Classification of Leases

…

21. Whenever necessary in order to classify and account for a lease of land and buildings, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception of the lease. If the lease payments cannot be allocated reliably[1] between these two elements, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

[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.

Amendment: Part I-2f

Amendment to IPSAS 16, *Investment Property*

A footnote is added to paragraph 20. New text is underlined.

Recognition

20. **Investment property shall be recognized as an asset when, and only when:**

    (a) **It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and**

    (b) **The cost or fair value of the investment property can be measured reliably[1].**

---

[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.

Amendment: Part I-2g

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

A footnote is added to paragraph 14. New text is underlined.

Recognition

14. **The cost of an item of property, plant, and equipment shall be recognized as an asset if, and only if:**

    (a) **It is probable that future economic benefits or service potential associated with the item will flow to the entity; and**

    (b) **The cost or fair value of the item can be measured reliably[1].**

---

[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.

Amendment: Part I-2h

Amendment to IPSAS 18, *Segment Reporting*

A footnote is added to paragraph 38. New text is underlined.

Definitions of Segment Revenue, Expense, Assets, Liabilities, and Accounting Policies

…

Segment Assets, Liabilities, Revenue, and Expense

…

38. In some jurisdictions, a government or government entity may control a GBE or other entity that operates on a commercial basis and is subject to income tax or income tax equivalents. These entities may be required to apply accounting standards such as IAS 12, *Income Taxes*, which prescribe the accounting treatment of income taxes or income tax equivalents. Such standards may require the recognition of income tax assets and liabilities in respect of income tax expenses, or income tax-equivalent expenses, which are recognized in the current period and are recoverable or repayable in future periods. These assets and liabilities are not included in segment assets or segment liabilities because they arise as a result of all the activities of the entity as a whole and the tax arrangements in place in respect of the entity. However, assets representing taxation revenue receivable that is controlled by a taxing authority will be included in segment assets of the authority if they can be directly attributed to that segment or allocated to it on a reliable[1] basis.

---

[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.

Amendment: Part I-2i

Amendment to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*

A footnote is added to paragraph 22. New text is underlined.

Recognition

Provisions

22. **A provision shall be recognized when:**

    (a) **An entity has a present obligation (legal or constructive) as a result of a past event;**

    (b) **It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and**

    (c) **A reliable[1] estimate can be made of the amount of the obligation.**

    If these conditions are not met, no provision shall be recognized.

---

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.

Amendment: Part I-2j

Amendment to IPSAS 21, *Impairment of Non-Cash-Generating Assets*

A footnote is added to paragraph 37. New text is underlined.

Measuring Recoverable Service Amount

…

37. It may be possible to determine fair value less costs to sell, even if an asset is not traded in an active market. Paragraph 42 sets out possible alternative bases for estimating fair value less costs to sell when an active market for the asset does not exist. However, sometimes it will not be possible to determine fair value less costs to sell, because there is no basis for making a reliable[1] estimate of the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In this case, the entity may use the asset's value in use as its recoverable service amount.

---

[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.

Amendment: Part I-2k

Amendment to IPSAS 23, *Revenue From Non-exchange Transactions (Taxes and Transfers)*

A footnote is added to paragraph 31. New text is underlined.

Recognition of Assets

…

31. **An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset shall be recognized as an asset when, and only when:**

    (a) **It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and**

    (b) **The fair value of the asset can be measured reliably[1].**

---

[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.

Amendment: Part I-2l

Amendment to IPSAS 25, *Employee Benefits*

A footnote is added to paragraph 20. New text is underlined.

Recognition and Measurement

Bonus Payments and Profit-Sharing Payments

20. **An entity shall recognize the expected cost of bonus payments and profit-sharing payments under paragraph 13 when, and only when:**

    (a) **The entity has a present legal or constructive obligation to make such payments as a result of past events; and**

    (b) **A reliable**[1] **estimate of the obligation can be made.**

    A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

---

[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.

Amendment: Part I-2m

Amendment to IPSAS 26, *Impairment of Cash-Generating Assets*

A footnote is added to paragraph 33. New text is underlined.

Measuring Recoverable Amount

…

33. It may be possible to determine fair value less costs to sell, even if an asset is not traded in an active market. However, sometimes it will not be possible to determine fair value less costs to sell because there is no basis for making a reliable[1] estimate of the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In this case, the entity may use the asset's value in use as its recoverable amount.

[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.

Amendment: Part I-2n

Amendment to IPSAS 27, *Agriculture*

A footnote is added to paragraph 13. New text is underlined.

Recognition and Measurement

13. **An entity shall recognize a biological asset or agricultural produce when and only when:**

    (a) **The entity controls the asset as a result of past events;**

    (b) **It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and**

    (c) **The fair value or cost of the asset can be measured reliably[1].**

---

[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.

Amendment: Part I-2o

Amendment to IPSAS 31, *Intangible Assets*

A footnote is added to paragraph 28. New text is underlined.

Recognition and Measurement

28. **An intangible asset shall be recognized if, and only if:**

    (a) **It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and**

    (b) **The cost or fair value of the asset can be measured reliably[1].**

---

[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.

Amendment: Part I-2p

Amendment to IPSAS 32, *Service Concession Assets*

A footnote is added to paragraph AG20. New text is underlined.

Recognition and Initial Measurement of a Service Concession Asset (see paragraphs 9–13)

Constructed or Developed Asset

AG20. Where a constructed or developed asset meets the conditions in paragraph 9 (or paragraph 10 for a whole-of-life asset) the grantor recognizes and measures the asset in accordance with this Standard. IPSAS 17 or IPSAS 31, as appropriate, set out the criteria for when a service concession asset should be recognized. Both IPSAS 17 and IPSAS 31 require that an asset shall be recognized if, and only if:

(a) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and

(b) The cost or fair value of the item can be measured reliably[1].

---

[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.

Amendment: Part I-2q

Amendment to IPSAS 33, *First-Time Adoption of Accrual Basis International Public Sector Accounting Standards*

A footnote is added to paragraph 39. New text is underlined.

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

…

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

…

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 reliable[1] 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.

[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.

Amendment: Part I-2r

Amendment to IPSAS 34, *Separate Financial Statements*

A footnote is added to paragraph BC6. New text is underlined.

Use of the Equity Method in Separate Statements

…

BC6. The IPSASB decided to continue to permit the use of the equity method in separate financial statements for the following reasons:

(a) The equity method is a well-established method of accounting for certain investments in the public sector. In many circumstances where investments are held by public sector entities, the equity method can provide information that is reliable[1] and useful, and possibly at a lower cost than either the cost method or the fair value method. In the public sector, investment entities are often used more as "instruments" to enable service provision, rather than as a holding for investment purposes, as might generally be the case in the private sector. The equity method may therefore, in some circumstances, be better suited to meeting user needs in the public sector, as it allows the financial statements to portray the fluctuations in the equity of, and performance by, an investment over time, in a cost effective and easily understood manner.

---

[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.

Amendment: Part I-2s

Amendment to IPSAS 36, *Investments in Associates and Joint Ventures*

A footnote is added to paragraph 4. New text is underlined.

Scope

…

4. This Standard provides the basis for accounting for ownership interests in associates and joint ventures. That is, the investment in the other entity confers on the entity the risks and rewards incidental to an ownership interest. This Standard applies only to quantifiable ownership interests. This includes ownership interests arising from investments in the formal equity structure of another entity. A formal equity structure means share capital or an equivalent form of capital, such as units in a property trust. Quantifiable ownership interests may also include ownership interests arising from other investments in which the entity's ownership interest can be measured reliably[1] (for example, interests in a partnership). Where the equity structure of the other entity is poorly defined, it may not be possible to obtain a reliable measure of the ownership interest.

---

[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.

PART II: GENERAL IMPROVEMENTS TO IPSASS

Amendment: Part II-1a

Amendments to IPSAS 14, *Events after the Reporting Date*

Paragraph 31 is amended and paragraph 32C is added as follows. New text is underlined and deleted text is struck through.

Disclosure of Non-adjusting Events after the Reporting Date

31. The following are examples of non-adjusting events after the reporting date that would generally result in disclosure:

…

(d) Announcing a plan to discontinue an operation or major program, disposing of assets, or settling liabilities attributable to a discontinued operation or major program, or entering into binding agreements to sell such assets or settle such liabilities ~~(guidance on the treatment and disclosure of discontinued operations can be found in the relevant international or national accounting standard dealing with discontinued operations)~~;

Effective Date

…

32C. **Paragraph 31 was amended by *Improvements to IPSASs 2015*, issued in March 2016. An entity shall apply that amendment for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2017, it shall disclose that fact.**

Basis for Conclusions

…

Revision of IPSAS 14 as a result of Part II of *Improvements to IPSASs 2015*: issues raised by stakeholders

BC8. Stakeholders indicated that IPSASs referred to non-current assets held for sale and disposal groups inconsistently. The IPSASB concluded that IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* may only be appropriate for the public sector in certain circumstances, for the following reasons:

(a) Sales of assets in the public sector may not be completed within one year because of the levels of approval required. This raises questions about the relevance and consistency of information provided in accordance with IFRS 5. In particular, the IPSASB notes that, under IFRS 5, non-current assets held for sale are not depreciated. The IPSASB has concerns that not depreciating assets for an extended period of time may be inappropriate.

(b) Many assets in the public sector are disposed of through a transfer or distribution for no or nominal consideration. As IFRS 5 deals with sales at fair value, the measurement and disclosure requirements may not provide relevant information for these transfers. However, the IPSASB recognizes that the measurement and disclosure requirements in IFRS 5 may be appropriate where sales are intended to take place at fair value.

(c) Many discontinued operations in the public sector are operations that previously provided services at no or nominal cost. As IFRS 5 deals with discontinued operations that were either cash-generating units or a group of cash-generating units prior to disposal or being classified as held for sale, the disclosure requirements may not provide relevant information for public sector discontinued operations. However, the IPSASB recognizes that the disclosure requirements in IFRS 5 may be appropriate where discontinued operations were previously either cash-generating units or one or more groups of cash generating units.

Because the IPSASB had concluded that IFRS 5 would only be appropriate in the public sector in limited circumstances, the IPSASB agreed to remove references in IPSAS to international or national accounting standards dealing with non-current assets held for sale and discontinued operations. The IPSASB had concerns that retaining this reference may result in entities following the requirements of IFRS 5 in circumstances where this may not be appropriate. The IPSASB noted that IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*, provides guidance on selecting accounting policies for transactions that are not specifically addressed in IPSASs. This guidance would permit entities to adopt an accounting policy that is consistent with IFRS 5 where the entity considers this is appropriate.

Amendment: Part II-1b

Amendments to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*

Paragraph 6 is amended and paragraph 111D is added as follows. New text is underlined and deleted text is struck through.

Scope

6. This Standard applies to provisions for restructuring (including operations being discontinued ~~operations~~). ~~In some cases, a restructuring may meet the definition of a discontinued operation.~~ An entity shall disclose information that enables users of its financial statements to evaluate the financial effects of a restructuring. ~~Guidance on disclosing information about discontinued operations can be found in IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.~~

Effective Date

…

111D. **Paragraph 6 was amended by *Improvements to IPSASs 2015*, issued in March 2016. An entity shall apply that amendment for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2017, it shall disclose that fact.**

Basis for Conclusions

…

Revision of IPSAS 19 as a result of Part II of *Improvements to IPSASs 2015*: issues raised by stakeholders

BC1. Stakeholders indicated that IPSASs referred to non-current assets held for sale and disposal groups inconsistently. The IPSASB concluded that IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* may only be appropriate for the public sector in certain circumstances, for the following reasons:

(a) Sales of assets in the public sector may not be completed within one year because of the levels of approval required. This raises questions about the relevance and consistency of information provided in accordance with IFRS 5. In particular, the IPSASB notes that, under IFRS 5, non-current assets held for sale are not depreciated. The IPSASB has concerns that not depreciating assets for an extended period of time may be inappropriate.

(b) Many assets in the public sector are disposed of through a transfer or distribution for no or nominal consideration. As IFRS 5 deals with sales at fair value, the measurement and disclosure requirements may not provide relevant information for these transfers. However, the IPSASB recognizes that the measurement and disclosure requirements in IFRS 5 may be appropriate where sales are intended to take place at fair value.

(c) Many discontinued operations in the public sector are operations that previously provided services at no or nominal cost. As IFRS 5 deals with discontinued operations that were either cash-generating units or a group of cash-generating units prior to disposal or being classified as held for sale, the disclosure requirements may not provide relevant information for public sector discontinued operations. However, the IPSASB recognizes that the disclosure requirements in IFRS 5 may be appropriate where discontinued operations were previously either cash-generating units or one or more groups of cash generating units.

Because the IPSASB had concluded that IFRS 5 would only be appropriate in the public sector in limited circumstances, the IPSASB agreed to remove references in IPSAS to international or national accounting standards dealing with non-current assets held for sale and discontinued operations. The IPSASB had concerns that retaining this reference may result in entities following the requirements of IFRS 5 in circumstances where this may not be appropriate. The IPSASB noted that IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*, provides guidance on selecting accounting policies for transactions that are not specifically addressed in IPSASs. This guidance would permit entities to adopt an accounting policy that is consistent with IFRS 5 where the entity considers this is appropriate.

Amendment: Part II-1c

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

Paragraphs 2 and 8 are amended and paragraph 126F is added as follows. New text is underlined and deleted text is struck through.

Scope

2. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for the impairment of cash-generating assets, except for:

…

(k) Deferred acquisition costs, and intangible assets, arising from an insurer's contractual rights under insurance contracts within the scope of the relevant international or national accounting standard dealing with insurance contracts; <u>and</u>

~~(l) Non-current assets (or disposal groups) classified as held for sale that are measured at the lower of carrying amount and fair value, less costs to sell, in accordance with the relevant international or national accounting standard dealing with non-current assets held for sale and discontinued operations; and~~

…

8. This Standard does not apply to inventories and cash-generating assets arising from construction contracts, because existing standards applicable to these assets contain requirements for recognizing and measuring such assets. This Standard does not apply to deferred tax assets, assets related to employee benefits, or deferred acquisition costs and intangible assets arising from an insurer's contractual rights under insurance contracts. The impairment of such assets is addressed in the relevant international or national accounting standards. In addition, this Standard does not apply to ~~(a)~~ biological assets related to agricultural activity that are measured at fair value less costs to sell<u>.</u>~~, and (b) non-current assets (or disposal groups) classified as held for sale that are measured at the lower of carrying amount and fair value less costs to sell.~~ IPSAS 27 dealing with biological assets related to agricultural activity~~, and the relevant international or national accounting standards dealing with non-current assets (or disposal groups) classified as held for sale,~~ contain<u>s</u> measurement requirements.

Effective Date

…

<u>126F.</u> <u>**Paragraphs 2 and 8 were amended by *Improvements to IPSASs 2015*, issued in March 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2017, it shall disclose that fact.**</u>

Basis for Conclusions

…

Revision of IPSAS 26 as a result of Part II of *Improvements to IPSASs 2015*: issues raised by stakeholders

BC19. Stakeholders indicated that IPSASs referred to non-current assets held for sale and disposal groups inconsistently. The IPSASB concluded that IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* may only be appropriate for the public sector in certain circumstances, for the following reasons:

(a) Sales of assets in the public sector may not be completed within one year because of the levels of approval required. This raises questions about the relevance and consistency of information provided in accordance with IFRS 5. In particular, the IPSASB notes that, under IFRS 5, non-current assets held for sale are not depreciated. The IPSASB has concerns that not depreciating assets for an extended period of time may be inappropriate.

(b) Many assets in the public sector are disposed of through a transfer or distribution for no or nominal consideration. As IFRS 5 deals with sales at fair value, the measurement and disclosure requirements may not provide relevant information for these transfers. However, the IPSASB recognizes that the measurement and disclosure requirements in IFRS 5 may be appropriate where sales are intended to take place at fair value.

(c) Many discontinued operations in the public sector are operations that previously provided services at no or nominal cost. As IFRS 5 deals with discontinued operations that were either cash-generating units or a group of cash-generating units prior to disposal or being classified as held for sale, the disclosure requirements may not provide relevant information for public sector discontinued operations. However, the IPSASB recognizes that the disclosure requirements in IFRS 5 may be appropriate where discontinued operations were previously either cash-generating units or one or more groups of cash generating units.

Because the IPSASB had concluded that IFRS 5 would only be appropriate in the public sector in limited circumstances, the IPSASB agreed to remove references in IPSAS to international or national accounting standards dealing with non-current assets held for sale and discontinued operations. The IPSASB had concerns that retaining this reference may result in entities following the requirements of IFRS 5 in circumstances where this may not be appropriate. The IPSASB noted that IPSAS 3 provides guidance on selecting accounting policies for transactions that are not specifically addressed in IPSASs. This guidance would permit entities to adopt an accounting policy that is consistent with IFRS 5 where the entity considers this is appropriate.

Amendment: Part II-1d

Amendments to IPSAS 27, *Agriculture*

Paragraphs 34 and 48 are amended and paragraph 56B is added as follows. New text is underlined and deleted text is struck through.

Inability to Measure Fair Value Reliably

34. **There is a presumption that fair value can be measured reliably for a biological asset. However, that presumption can be rebutted only on initial recognition for a biological asset for which market-determined prices or values are not available, and for which alternative estimates of fair value are determined to be clearly unreliable. In such a case, that biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a biological asset becomes reliably measurable, an entity shall measure it at its fair value less costs to sell.~~ Once a non current biological asset meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale) in accordance with the relevant international or national accounting standard dealing with non-current assets held for sale and discontinued operations, it is presumed that fair value can be measured reliably.~~**

Disclosure

General

…

48. **An entity shall present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. The reconciliation shall include:**

…

(d) **Decreases attributable to sales~~ and biological assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with the relevant international or national standard dealing with non-current assets held for sale and discontinued operations~~;**

…

Effective Date

…

<u>56B.</u> <u>**Paragraphs 34 and 48 were amended by *Improvements to IPSASs 2015*, issued in March 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2017, it shall disclose that fact.**</u>

Basis for Conclusions

…

Revision of IPSAS 27 as a result of Part II of *Improvements to IPSASs 2015*: issues raised by stakeholders

BC15. Stakeholders indicated that IPSASs referred to non-current assets held for sale and disposal groups inconsistently. The IPSASB concluded that IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* may only be appropriate for the public sector in certain circumstances, for the following reasons:

(a) Sales of assets in the public sector may not be completed within one year because of the levels of approval required. This raises questions about the relevance and consistency of information provided in accordance with IFRS 5. In particular, the IPSASB notes that, under IFRS 5, non-current assets held for sale are not depreciated. The IPSASB has concerns that not depreciating assets for an extended period of time may be inappropriate.

(b) Many assets in the public sector are disposed of through a transfer or distribution for no or nominal consideration. As IFRS 5 deals with sales at fair value, the measurement and disclosure requirements may not provide relevant information for these transfers. However, the IPSASB recognizes that the measurement and disclosure requirements in IFRS 5 may be appropriate where sales are intended to take place at fair value.

(c) Many discontinued operations in the public sector are operations that previously provided services at no or nominal cost. As IFRS 5 deals with discontinued operations that were either cash-generating units or a group of cash-generating units prior to disposal or being classified as held for sale, the disclosure requirements may not provide relevant information for public sector discontinued operations. However, the IPSASB recognizes that the disclosure requirements in IFRS 5 may be appropriate where discontinued operations were previously either cash-generating units or one or more groups of cash generating units.

Because the IPSASB had concluded that IFRS 5 would only be appropriate in the public sector in limited circumstances, the IPSASB agreed to remove references in IPSAS to international or national accounting standards dealing with non-current assets held for sale and discontinued operations. The IPSASB had concerns that retaining this reference may result in entities following the requirements of IFRS 5 in circumstances where this may not be appropriate. The IPSASB noted that IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*, provides guidance on selecting accounting policies for transactions that are not specifically addressed in IPSASs. This guidance would permit entities to adopt an accounting policy that is consistent with IFRS 5 where the entity considers this is appropriate.

Amendment: Part II-1e

Amendments to IPSAS 31, *Intangible Assets*

Paragraphs 3, 96, 116 and 117 are amended and paragraph 132E is added as follows. New text is underlined and deleted text is struck through.

Scope

…

3 This Standard shall be applied in accounting for intangible assets, except:

…

(i) Deferred acquisition costs, and intangible assets, arising from an insurer's contractual rights under insurance contracts within the scope of the relevant international or national accounting standard dealing with insurance contracts. In cases where the relevant international or national accounting standard does not set out specific disclosure requirements for those intangible assets, the disclosure requirements in this Standard apply to those intangible assets; and

~~(j) Non-current intangible assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with the relevant international or national accounting standard dealing with non-current assets held for sale and discontinued operations; and~~

…

Intangible Assets with Finite Useful Lives

Amortization Period and Amortization Method

96. **The depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. Amortization shall begin when the asset is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortization shall cease at ~~the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with the relevant international or national accounting standard dealing with non-current assets held for sale and discontinued operations and~~ the date that the asset is derecognized. The amortization method used shall reflect the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight-line method shall be used. The amortization charge for each period shall be recognized in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another asset.**

Retirements and Disposals

…

116. Amortization of an intangible asset with a finite useful life does not cease when the intangible asset is no longer used, unless the asset has been fully depreciated. ~~or is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with the relevant~~

~~international or national accounting standard dealing with non-current assets held for sale and discontinued operations.~~

Disclosure

General

117. **An entity shall disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets:**

…

(e) **A reconciliation of the carrying amount at the beginning and end of the period showing:**

(i) **Additions, indicating separately those from internal development and those acquired separately;**

(ii) **~~Assets classified as held for sale or included in a disposal group classified as held for sale in accordance with the relevant international or national accounting standard dealing with non-current assets held for sale and discontinued operations and other d~~Disposals;**

Effective Date

…

132E. **Paragraphs 3, 96, 116 and 117 were amended by *Improvements to IPSASs 2015*, issued in March 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2017, it shall disclose that fact.**

Basis for Conclusions

…

Revision of IPSAS 31 as a result of Part II of *Improvements to IPSASs 2015*: issues raised by stakeholders

BC11. Stakeholders indicated that IPSASs referred to non-current assets held for sale and disposal groups inconsistently. The IPSASB concluded that IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* may only be appropriate for the public sector in certain circumstances, for the following reasons:

(a) Sales of assets in the public sector may not be completed within one year because of the levels of approval required. This raises questions about the relevance and consistency of information provided in accordance with IFRS 5. In particular, the IPSASB notes that, under IFRS 5, non-current assets held for sale are not depreciated. The IPSASB has concerns that not depreciating assets for an extended period of time may be inappropriate.

(b) Many assets in the public sector are disposed of through a transfer or distribution for no or nominal consideration. As IFRS 5 deals with sales at fair value, the measurement and disclosure requirements may not provide relevant information for these transfers. However, the IPSASB recognizes that the measurement and disclosure requirements in IFRS 5 may be appropriate where sales are intended to take place at fair value.

(c) Many discontinued operations in the public sector are operations that previously provided services at no or nominal cost. As IFRS 5 deals with discontinued operations that were either cash-generating units or a group of cash-generating units prior to disposal or being classified as held for sale, the disclosure requirements may not provide relevant information for public sector discontinued operations. However, the IPSASB recognizes that the disclosure requirements in IFRS 5 may be appropriate where discontinued operations were previously either cash-generating units or one or more groups of cash generating units.

Because the IPSASB had concluded that IFRS 5 would only be appropriate in the public sector in limited circumstances, the IPSASB agreed to remove references in IPSAS to international or national accounting standards dealing with non-current assets held for sale and discontinued operations. The IPSASB had concerns that retaining this reference may result in entities following the requirements of IFRS 5 in circumstances where this may not be appropriate. The IPSASB noted that IPSAS 3 provides guidance on selecting accounting policies for transactions that are not specifically addressed in IPSASs. This guidance would permit entities to adopt an accounting policy that is consistent with IFRS 5 where the entity considers this is appropriate.

Amendment: Part II-2

Amendments to IPSAS 32, *Service Concession Arrangements*

Paragraphs 13, 32, 33 and AG35 are amended and paragraphs 35A, 35B and 36B are added as follows. New text is underlined and deleted text is struck through.

Recognition and Measurement of a Service Concession Asset (see paragraphs AG5–AG35)

…

13. After initial recognition or reclassification, service concession assets shall be accounted for ~~as a separate class of assets~~ in accordance with IPSAS 17 or IPSAS 31, as appropriate.

Presentation and Disclosure (see paragraphs AG65–AG67)

…

32. All aspects of a service concession arrangement shall be considered in determining the appropriate disclosures in the notes. A grantor shall disclose the following information in respect of service concession arrangements in each reporting period:

…

(c) The nature and extent (e.g., quantity, time period, or amount, as appropriate) of:

(i) Rights to use specified assets;

(ii) Rights to expect the operator to provide specified services in relation to the service concession arrangement;

(iii) The carrying amount of s~~S~~ervice concession assets recognized ~~as assets~~ at ~~during~~ the end of the reporting period, including existing assets of the grantor reclassified as service concession assets;

…

33. The disclosures required in accordance with paragraph 32 are provided individually for each material service concession arrangement or in aggregate for ~~each class of service concession arrangements. A class is a grouping of~~ service concession arrangements involving services of a similar nature (e.g., toll collections, telecommunications or water treatment services). This disclosure ~~by class of service concession asset~~ is in addition to the disclosures required in IPSAS 17 and/or IPSAS 31 ~~that required in paragraph 13~~ by class of asset. Service concession assets within service concession arrangements of a similar nature that are reported in aggregate may form a subset of a class of assets disclosed in accordance with IPSAS 17 and/or IPSAS 31 or may be included in more than one class of assets disclosed in accordance with IPSAS 17 and/or IPSAS 31. For example, for the purposes of IPSAS 17 ~~paragraph 13~~ a toll bridge may be ~~grouped with~~ included in the same class as other bridges. For the purposes of this paragraph, the toll bridge may be ~~grouped with~~ included with service concession arrangements reported in aggregate as toll roads.

Transition (see paragraphs AG68–AG73)

…

35A. Paragraphs 13, 32, 33 and AG35 were amended by *Improvements to IPSASs 2015* issued in March 2016. An entity that has previously applied IPSAS 32 shall reassess the classification of service concession assets in accordance with paragraph 13. The entity shall present service concession assets in the revised classification retrospectively in accordance with IPSAS 3.

35B. Where service concessions assets are reclassified in accordance with paragraph 35A, an entity shall account for the service concession assets as follows:

(a) If the service concession assets have previously been measured using the cost model, and the class of assets to which those service concession assets have been reclassified is measured using the cost model, the entity shall continue to apply the cost model. The entity shall carry forward the cost of the service concession assets, along with any accumulated depreciation or amortization and any accumulated impairment losses.

(b) If the service concession assets have previously been measured using the cost model, and the class of assets to which those service concession assets have been reclassified is measured using the revaluation model, the entity shall either:

(i) Revalue the service concession assets; or

(ii) Subject to the requirements in IPSAS 3 dealing with changes in accounting policies, retrospectively apply the cost model to the remaining assets in the class of asset to which those service concession assets have been reclassified. Where information regarding the cost of the assets is not available, the entity may use the carrying amount of the assets as the deemed cost.

(c) If the service concession assets have previously been measured using the revaluation model, and the class of assets to which those service concession assets have been reclassified is measured using the cost model, the entity shall either:

(i) Retrospectively apply the cost model to the service concession assets. Where information regarding the cost of the assets is not available, the entity may use the carrying amount of the service concession assets as the deemed cost; or

(ii) Subject to the requirements in IPSAS 3 dealing with changes in accounting policies, revalue the remaining assets in the class of asset to which those service concession assets have been reclassified.

(d) If the service concession assets have previously been measured using the revaluation model, and the class of assets to which those service concession assets have been reclassified is measured using the revaluation model, the entity shall adjust the revaluation surplus in respect of each class of asset. Where previous revaluation decreases have been recognized in respect of either a service concession asset or one or more assets in the class to which the service concession asset is transferred, the entity shall consider whether transfers between revaluation surplus and accumulated surpluses or deficits are required.

Effective Date

…

36B. **Paragraphs 13, 32, 33 and AG35 were amended and paragraphs 35A and 35B added by *Improvements to IPSASs 2015* issued in March 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2017 it shall disclose that fact.**

Application Guidance

This Appendix is an integral part of IPSAS 32.

…

Subsequent Measurement

AG35. After initial recognition, a grantor applies IPSAS 17 and IPSAS 31 to the subsequent measurement and derecognition of a service concession asset. ~~For the purposes of applying IPSAS 17 and IPSAS 31, service concession assets should be treated as a separate class of assets.~~ IPSAS 21 and IPSAS 26 are also applied in considering whether there is any indication that a service concession asset is impaired. These requirements in these Standards are applied to all assets recognized or classified as service concession assets in accordance with this Standard.

Basis for Conclusions

…

Revision of IPSAS 32 as a result of Part II of *Improvements to IPSASs 2015*: issues raised by stakeholders

BC49. The IPSASB had its attention drawn to a possible inconsistency between the requirements in IPSAS 32 and the requirements in IPSAS 17 and IPSAS 31. The requirements in IPSAS 32 could be seen as requiring service concession assets to be presented as a single class of assets, even if they were of a dissimilar nature and function. As it is not the intention of the IPSASB to require that dissimilar assets be reported as if they were similar, the IPSASB decided to propose clarifications to IPSAS 32 to make its intentions clear. The IPSASB considered whether these changes would reduce the information available to users, but is satisfied that the current disclosure requirements, in particular those in paragraph 32, ensure high quality disclosures about assets subject to service concession arrangements.

BC50. The IPSASB noted that the reclassification of service concessions assets could require a change in measurement basis for some entities. For example, some service concession assets measured using the revaluation model, might be reclassified into a class of assets measured using the cost model. Equally, some service concession assets measured using the cost model, might be reclassified into a class of assets measured using the revaluation model. Because the balance between the service concession assets and the other assets in a class will vary from entity to entity, the IPSASB agreed to permit entities to select the measurement basis to be applied at the point of reclassification. The IPSASB also noted that the information required to retrospectively apply the cost model might not be readily available. Consequently, the IPSASB agreed to permit entities to use the carrying amounts determined under the revaluation model as deemed cost at the point of reclassification where an entity elects to measure a class of assets using the cost model.

PART III: GOVERNMENT FINANCE STATISTICS IMPROVEMENTS TO IPSASS

Amendment: Part III-1

Amendments to IPSAS 12, *Inventories*

Paragraph 12 is amended and paragraphs 14A and 51C are added as follows. New text is underlined and deleted text is struck through.

Inventories

…

12. Inventories in the public sector may include:

    (a) ~~Ammunition~~ Military inventories;

…

14A. Military inventories consist of single-use items, such as ammunition, missiles, rockets and bombs delivered by weapons or weapons systems. However, some types of missiles may be accounted for in accordance with IPSAS 17, *Property, Plant, and Equipment*, if they satisfy the criteria to be classified in that standard.

Effective Date

…

51C. **Paragraph 12 was amended and paragraph 14A was added by *Improvements to IPSASs 2015*, issued in March 2016. An entity shall apply that amendment for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2017, it shall disclose that fact.**

Basis for Conclusions

…

Revision of IPSAS 12 as a result of Part III of *Improvements to IPSASs 2015*: issues raised by stakeholders

BC7. Government Finance Statistics (GFS) reporting guidelines use the term “military inventories” to comprise all single-use items, including ammunition. The IPSASB concluded that replacing the IPSAS term “ammunition” with the GFS term “military inventories” and including a description will clarify the types of military assets that are to be classified as inventories, while increasing consistency with GFS reporting guidelines.

Amendment: Part III-2

Amendments to IPSAS 17, *Property, Plant, and Equipment*

Paragraphs 5, 20 and 52 are amended and paragraph 107G is added as follows. New text is underlined and deleted text is struck through.

Scope

5. This Standard applies to property, plant, and equipment including:

   (a) ~~Specialist military equipment~~ Weapons systems;

…

20. ~~Specialist military equipment~~ Weapons systems will normally meet the definition of property, plant, and equipment, and should be recognized as an asset in accordance with this Standard. Weapons systems include vehicles and other equipment, such as warships, submarines, military aircraft, tanks, missile carriers and launchers that are used continuously in the provision of defense services, even if their peacetime use is simply to provide deterrence. Some single-use items, such as certain types of ballistic missiles, may provide an ongoing service of deterrence against aggressors and, therefore, can be classified as weapons systems.

Revaluation Model

…

52. A class of property, plant, and equipment is a grouping of assets of a similar nature or function in an entity's operations. The following are examples of separate classes:

…

   (h) ~~Specialist military equipment~~ Weapons systems;

…

Effective Date

…

107G. **Paragraphs 5, 20 and 52 were amended by *Improvements to IPSASs 2015*, issued in March 2016. An entity shall apply that amendment for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2017, it shall disclose that fact.**

Basis for Conclusions

…

Revision of IPSAS 17 as a result of Part III of *Improvements to IPSASs 2015*: issues raised by stakeholders

BC10. Government Finance Statistics (GFS) reporting guidelines use the term "weapons systems" to comprise items that are used continuously in the provision of defense services, even if their peacetime use is simply to provide deterrence. The IPSASB concluded that replacing the IPSAS term "specialist military equipment" with the GFS term "weapons systems" and including a description would clarify the applicability of IPSAS 17, *Property, Plant, and Equipment,* while increasing consistency with GFS reporting guidelines.

BC11. A respondent suggested that the proposed definition of weapons systems may be unnecessarily narrow and, therefore, may exclude some assets, such as specialist military vehicles that do not carry weapons or directly provide defense capability. The IPSASB is of the view that the definition of weapons systems includes such vehicles with or without weapons, provided that they fulfill their specialist function.

PART IV: IASB IMPROVEMENTS TO IPSASS

Amendment–Part IV-1a

Amendments to IPSAS 17, *Property, Plant, and Equipment*

Paragraphs 6, 13, and 52 are amended and paragraphs 36A, 107H, 107I and 107J are added as follows. New text is underlined and deleted text is struck through.

Scope

…

6. This Standard does not apply to:

   (a) Biological assets related to agricultural activity other than bearer plants (see IPSAS 27, *Agriculture*). This Standard applies to bearer plants but does not apply to the produce on bearer plants;~~or~~

   (b) Mineral rights and mineral reserves such as oil, natural gas, and similar non-regenerative resources (see the relevant international or national accounting standard dealing with mineral rights, mineral reserves, and similar non-regenerative resources).

   However, this Standard applies to property, plant, and equipment used to develop or maintain the assets described in 6(a) or 6(b).

Definitions

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

    A bearer plant is a living plant that:

    (a) Is used in the production or supply of agricultural produce:

    (b) Is expected to bear produce for more than one period: and

    (c) Has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

(Paragraphs 9A–9C of IPSAS 27 elaborate on this definition of a bearer plant.)

Elements of cost

…

36A. Bearer plants are accounted for in the same way as self-constructed items of property, plant, and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by management. Consequently, references to ‘construction’ in this Standard should be read as covering activities that are necessary to cultivate bearer plants before they are in the location and condition necessary to be capable of operating in the manner intended by management.

Revaluation Model

…

52. A class of property, plant, and equipment is a grouping of assets of a similar nature or function in an entity’s operations. The following are examples of separate classes:

(a) …

(k) Office equipment; ~~and~~

(l) Oil rigs~~.~~; and

(m) Bearer plants.

Effective Date

…

107H. **Paragraphs 6, 13 and 52 were amended and paragraph 36A added by *Improvements to IPSASs 2015* issued in March 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2017, it shall disclose that fact. An entity shall apply those amendments retrospectively, in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*, except as specified in paragraph 107I.**

107I. **In the reporting period when the amendments to IPSAS 17 and IPSAS 27 from part IV of *Improvements to IPSASs 2015* is first applied an entity need not disclose the quantitative information required by paragraph 33(f) of IPSAS 3 for the current period. However, an entity shall present the quantitative information required by paragraph 33(f) of IPSAS 3 for each prior period presented.**

107J. **An entity may elect to measure an item of bearer plants at its fair value at the beginning of the earliest period presented in the financial statements for the reporting period in which the entity first applies the amendments to IPSAS 17 and IPSAS 27 from part IV of *Improvements to IPSASs 2015* and use that fair value as its deemed cost at that date. Any differences between the previous carrying amount and fair value shall be recognized in opening accumulated surpluses/deficits at the beginning of the earliest period presented.**

Basis for Conclusions

…

Revision of IPSAS 17 as a result of IASB's *Narrow Scope Amendments* issued in June 2014

BC12. The IPSASB reviewed the revisions to IAS 16 included in the narrow scope amendments titled *Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 41) issued by the IASB in June 2014 and generally concurred that there was no public sector specific reason for not adopting the amendments.

Amendment: Part IV-1b

Amendments to IPSAS 27, *Agriculture*

Paragraphs 2, 3, 5, 6, 9, 28 and 40 are amended and paragraphs 9A, 9B, 9C, 56C and 56D are added as follows. New text is underlined and deleted text is struck through.

Scope

2. **An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard for the following when they relate to agricultural activity:**

    (a) **Biological assets, except for bearer plants; and**

    (b) **Agricultural produce at the point of harvest.**

3. This Standard does not apply to:

    (a) Land related to agricultural activity (see IPSAS 16, *Investment Property* and IPSAS 17, *Property, Plant, and Equipment*);

    (b) Bearer plants related to agricultural activity (see IPSAS 17). However, this Standard applies to the produce on those bearer plants.

    ~~(b)~~(c) Intangible assets related to agricultural activity (see IPSAS 31, *Intangible Assets*); and

    ~~(c)~~(d) Biological assets held for the provision or supply of services.

5. This Standard is applied to agricultural produce, which is the harvested ~~product~~ produce of the entity's biological assets, ~~only~~ at the point of harvest. Thereafter, IPSAS 12, or another applicable Standard, is applied. Accordingly, this Standard does not deal with the processing of agricultural produce after harvest; for example, the processing of grapes into wine by a vintner who has grown the grapes. While such processing may be a logical and natural extension of agricultural activity, and the events taking place may bear some similarity to biological transformation, such processing is not included within the definition of agricultural activity in this Standard.

6. The table below provides examples of biological assets, agricultural produce, and products that are the result of processing after harvest:

Biological assets	Agricultural produce	Products that are the result of processing after harvest
Sheep	Wool	Yarn, carpet
Trees in a timber plantation ~~forest~~	Felled trees	Logs, lumber
~~Plants~~	~~Cotton~~	~~Thread, clothing~~
	~~Harvested cane~~	~~Sugar~~
Dairy cattle	Milk	Cheese
Pigs	Carcass	Sausages, cured hams
Cotton plants	Harvested cotton	Thread, clothing
Sugarcane	Harvested cane	Sugar
Tobacco plants ~~Bushes~~	Picked leaves ~~Leaf~~	~~Tea, c~~Cured tobacco
Tea bushes	Picked leaves	Tea
Grape ~~V~~vines	Picked ~~G~~grapes	Wine
Fruit trees	Picked fruit	Processed fruit
Oil Palms	Picked fruit	Palm Oil
Rubber trees	Harvested latex	Rubber products
Some plants, for example, tea bushes, grape vines, oil palms and rubber trees, usually meet the definition of a bearer plant and are within the scope of IPSAS 17. However, the produce growing on bearer plants, for example, tea leaves, grapes, oil palm fruit and latex, is within the scope of IPSAS 27.		

Definitions

Agriculture-related Definitions

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

…

Agricultural produce **is the harvested ~~product~~ produce of the entity's biological assets.**

A *bearer plant* is a living plant that:

(a) Is used in the production and supply of agricultural produce;

(b) Is expected to bear produce for more than one period; and

(c) Has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

…

9A. The following are not bearer plants:

(a) Plants cultivated to be harvested as agricultural produce (for example, trees grown for use as lumber);

(b) Plants cultivated to produce agricultural produce when there is more than a remote likelihood that the entity will also harvest and sell the plant as agricultural produce, other than as incidental scrap sales (for example, trees that are cultivated for their fruit and their lumber); and

(c) Annual crops (for example, maize and wheat).

9B. When bearer plants are no longer used to bear produce they might be cut down and sold as scrap, for example, for use as firewood. Such incidental scrap sales would not prevent the plant from satisfying the definition of a bearer plant.

9C. Produce growing on bearer plants is a biological asset.

…

Recognition and Measurement

…

28. Cost may sometimes approximate fair value, particularly when:

(a) Little biological transformation has taken place since initial cost incurrence (for example, for ~~fruit tree~~ seedlings planted immediately prior to reporting date or newly acquired livestock); or

(b) The impact of the biological transformation on price is not expected to be material (for example, for the initial growth in a 30-year pine plantation production cycle).

Disclosure

General

…

40. Consumable biological assets are those that are held for harvest as agricultural produce or for sale or distribution at no charge or for a nominal charge as biological assets. Examples of consumable biological assets are animals and plants for one-time use, such as livestock intended for the production of meat, livestock held for sale, fish in farms, crops such as maize and wheat, produce on a bearer plant and trees being grown for lumber. Bearer biological assets are those biological assets that are used repeatedly or continuously for more than one year in an agricultural activity. Bearer biological assets are not agricultural produce but, rather, are held to bear produce ~~self-regenerating~~. Examples of types of animals that are bearer biological assets include breeding stocks (including fish and poultry), livestock from which milk is produced, and sheep or other animals used for wool production. Examples of types of plants that are bearer biological assets include trees from which fruit is harvested, vines and shrubs cultivated for the harvest of fruits, nuts, sap, resin, bark and leaf products~~ and trees from which firewood is harvested while the tree remains~~.

Effective Date

…

56C. **Paragraphs 2, 3, 5, 6, 9, 28 and 40 were amended and paragraphs 9A, 9B and 9C added by *Improvements to IPSASs 2015* issued in March 2016. An entity shall apply those amendments for annual periods beginning on or after January 1, 2017. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. An entity**

shall apply those amendments retrospectively, in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.

56D. **In the reporting period when the amendments to IPSAS 17 and IPSAS 27 from part IV of *Improvements to IPSASs 2015* is first applied an entity need not disclose the quantitative information required by paragraph 33(f) of IPSAS 3 for the current period. However, an entity shall present the quantitative information required by paragraph 33(f) of IPSAS 3 for each prior period presented.**

Revision of IPSAS 27 as a result of IASB's *Narrow Scope Amendments* issued in June 2014

BC16. The IPSASB reviewed the revisions to IAS 41 included in the narrow scope amendments titled *Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 41) issued by the IASB in June 2014 and generally concurred that there was no public sector specific reason for not adopting the amendments.

Amendments to Other IPSASs

The following amendments to IPSAS 13, IPSAS 16 and IPSAS 26 are as a result of the amendments proposed to IPSAS 27.

IPSAS 13, *Leases*

Paragraph 2 is amended as follows. New text is underlined and deleted text is struck through.

Scope

2. …

However, this Standard shall not be applied as the basis of measurement for:

(a) …

(c) **Biological assets within the scope of IPSAS 27, *Agriculture* held by lessees under finance leases ~~(see IPSAS 27, *Agriculture*)~~; or**

(d) **Biological assets within the scope of IPSAS 27 provided by lessors under operating leases ~~(see IPSAS 27)~~.**

IPSAS 16, *Investment Property*

Paragraph 6 is amended as follows. New text is underlined and deleted text is struck through.

Scope

…

6. This Standard does not apply to:

(a) Biological assets related to agricultural activity (see IPSAS 27, *Agriculture* and IPSAS 17, *Property, Plant, and Equipment)*; and

(b) …

IPSAS 26, *Impairment of Cash-Generating Assets*

Paragraph 2 is amended as follows. New text is underlined and deleted text is struck through.

Scope

2. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for the impairment of cash-generating assets, except for:

   (a) …

   (j) Biological assets related to agricultural activity within the scope of IPSAS 27, *Agriculture* that are measured at fair value less costs to sell ~~(see IPSAS 27, Agriculture)~~;

…

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