

Summary – Non-Authoritative Amendments to IPSAS 41, Financial Instruments

This summary provides an overview of the IPSASB's *Non-Authoritative Amendments to IPSAS 41, Financial Instruments*.

Project objective: This pronouncement provides additional non-authoritative guidance in IPSAS 41, *Financial Instruments*, to clarify the requirements for classifying, recognizing, and measuring public sector specific financial instruments.

Approved: The International Public Sector Accounting Standards Board® (IPSASB®) approved *Non-Authoritative Amendments to IPSAS 41, Financial Instruments* in September 2020. This pronouncement was issued in December 2020.

Project history: The IPSASB initiated the Public Sector Specific Financial Instruments (PSSFI) project in 2015 to consider the appropriate accounting treatment for public sector items that are, or share characteristics of, financial instruments.

The IPSASB issued a Consultation Paper (CP) in July 2016 which considered the recognition and measurement of public sector specific items. Based on responses received, the IPSASB concluded that PSSFI should be addressed in the current financial instruments standards, where possible.

Non-authoritative guidance was proposed in Exposure Draft (ED) 69, *Public Sector Specific Financial Instruments: Amendments to IPSAS 41, Financial Instruments*. This ED was issued in August 2019 and proposed non-authoritative guidance to clarify the classification, recognition, and measurement of PSSFI.

The strong support from respondents to ED 69 has resulted in the final pronouncement, *Non-Authoritative Amendments to IPSAS 41, Financial Instruments*.

Why the IPSASB Undertook this Project

The purpose of the IPSASB’s project on public sector specific financial instruments is to improve and clarify the IPSAS guidance for accounting for public sector specific financial instruments.

During the IPSASB’s project to develop IPSAS 28, *Financial Instruments: Presentation*, IPSAS 29, *Financial Instruments: Recognition and Measurement*, and IPSAS 30, *Financial Instruments: Disclosures*, several monetary items unique to the public sector were identified:

- Monetary gold;
- Currency in circulation;
- International Monetary Fund (IMF) quota subscriptions; and
- IMF Special Drawing Rights (SDRs).

The IPSASB undertook this project to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about public sector specific financial instruments (PSSFI).

The IPSASB released a Consultation Paper (CP) in July 2016 which considered PSSFI issues, including proposed approaches to recognition and measurement. Informed by the responses to the CP, the IPSASB agreed that PSSFI that meet the definition of a financial asset or financial liability should be accounted for by applying existing IPSAS accounting principles. Exposure Draft (ED) 69 *Public Sector Specific Financial Instruments, Amendments to IPSAS 41*, Financial Instruments was published in August 2019 which retained the existing scope and proposed non-authoritative guidance to help users identify these specific financial items that are financial instruments, or that share key characteristics of financial instruments.

Respondents strongly supported the addition of non-authoritative guidance to clarify the application of existing IPSAS 41 principles when accounting for PSSFI, which overall serves to improve reporting related to financial instruments specific to the public sector.

Scope and Output

Non-authoritative Amendments to IPSAS 41 enhance the principles in the existing financial instruments guidance as a practical way of addressing stakeholder concerns.

IPSAS 41 Guidance Clarified

Non-Authoritative Amendments to IPSAS 41 clarifies the existing guidance for the four public sector instruments in scope of the project:

- Monetary gold;
- Currency in circulation;
- IMF quota subscriptions; and
- IMF Special Drawing Rights (SDRs).

Monetary gold

Monetary gold has similar characteristics to a financial asset. These amendments add guidance in IPSAS 41, clarifying when it may be appropriate to account for monetary gold by applying the financial asset principles.

Currency in circulation, IMF quota subscriptions and SDRs

Currency in circulation, IMF quota subscriptions and SDRs all meet the definition of a financial instrument. *Non-Authoritative Amendments to IPSAS 41* adds general and specific non-authoritative guidance to IPSAS 41 to support stakeholders accounting for these instruments.

Figure 1: Treatment of Public Sector Specific Financial Instruments in *Non-Authoritative Amendments to IPSAS 41*

<i>Instrument</i>	<i>Type of guidance</i>	<i>Treatment in IPSAS 41</i>
Monetary Gold	Implementation Guidance	Amendment to IPSAS 41 (IG B.1.1)
Currency in Circulation	Implementation Guidance	Amendment to IPSAS 41 (IG B.1.2.1)
IMF Quota Subscription	Illustrative Example	Amendment to IPSAS 41 (IE 32)
IMF Special Drawing Rights	Implementation Guidance	Amendment to IPSAS 41 (IG B.1.2.2 and B.1.2.3)

Adding guidance in IPSAS 41 specifically addressing PSSFI facilitates financial reporting information that is relevant, comparable and faithfully represents these important public sector transactions.

Effective Date and Project History

The effective date of *Non-Authoritative Amendments to IPSAS 41* is January 1, 2023.

Effective date of *Non-Authoritative Amendments to IPSAS 41*

The effective date of *Non-Authoritative Amendments to IPSAS 41* is January 1, 2023, which aligns with the deferred implementation date of IPSAS 41, *Financial Instruments*. Earlier adoption concurrent with early adoption of IPSAS 41 is encouraged.

Project History

To learn more about the project history, and to view the consultation documents and responses, please visit:

<https://www.ipsasb.org/consultations-projects/public-sector-specific-financial-instruments>