

Summary—the Applicability of IPSASs

This summary provides an overview of *The Applicability of IPSASs*.

Project objectives:

To evaluate and revise IPSASB's method of communicating the entities for which it is developing International Public Sector Accounting Standards™ (IPSAS™) and Recommended Practice Guidelines (RPGs).

Approved:

The IPSASB approved *The Applicability of IPSASs* and a revised *Preface to IPSASs* in March 2016.

Project history:

The IPSASB's project on Government Business Enterprises (GBEs) began in 2013. The project was subsequently broadened to consider the way in which the IPSASB communicates the entities for which it is developing IPSASs and RPGs. The IPSASB issued a Consultation Paper (CP), *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities* in August 2014. In July 2015, the IPSASB issued the Exposure Draft (ED) 56, *The Applicability of IPSASs*. The final pronouncement, *The Applicability of IPSASs*, and the revised *Preface to IPSASs* takes into account the responses that the IPSASB received on ED 56.

What Has Been the Approach to Communicating the Entities for which IPSASs and RPGs are Developed?

The IPSASB's approach to communicating the types of entities for which it is developing IPSASs and RPGs was based on the definition of a GBE.

Main feature of the previous approach

The previous approach to communicating the types of entities for which IPSASB is developing IPSASs and RPGs relied on a formal definition of a GBE in IPSAS 1, *Presentation of Financial Statements*, and an assertion in the Scope section of IPSASs and RPGs that these pronouncements do not apply to GBEs.

Different interpretations of the GBE definition

The IPSASB had received feedback that, globally, a wide range of entities were described as GBEs, some of which did not meet the definition of a GBE. The definition was being interpreted inconsistently.

Transparency

In its role as the international standard setter for the public sector, the IPSASB considers that it has a responsibility to be transparent about the types of public sector entities for which it is developing IPSASs and RPGs.

Types of controlled entities in the public sector

There are many types of controlled entities in the public sector. Controlled entities in the public sector can be envisaged along a spectrum.

At one end of the spectrum are entities likely to have characteristics similar to the profit-oriented entities for which the International Accounting Standards Board develops and maintains International Financial Reporting Standards.

At the other end of the spectrum there are entities which provide public services to achieve outcomes which enhance or maintain the well-being of citizens and are totally dependent on government funding.

Between these two types of entities, there are other types of public sector entities which were more difficult to classify as either profit-oriented or service-oriented.

Main Features of the New Approach

Identifying the public sector entities for which IPSASB is developing accounting standards using IPSASB's current literature.

Main amendments to IPSASB's literature

- The current paragraph 10 in the Preface to IPSASs, which provides the characteristics of public sector entities for which IPSASs are designed has been revised;
- The term GBE and its definition in IPSAS 1, *Presentation of Financial Statements* have been deleted;
- A new term "commercial public sector entities" has been introduced;
- The term commercial public sector entities is not defined or described in IPSASB's literature. The interpretation of this term is left to regulators taking account of jurisdictional factors; and
- The scope section of each IPSAS and RPG has been amended by removing the paragraph that states that GBEs do not apply IPSASs.

Description of Public Sector Entities

The IPSASs are designed to apply to public sector entities¹ that meet all the following criteria:

- (a) Are responsible for the delivery of services² to benefit the public and/or to redistribute income and wealth;
- (b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees; and
- (c) Do not have a primary objective to make profits.

Brief Explanation of the New Approach

The new approach relies on current IPSASB's literature, including the *Conceptual Framework*, to provide high-level characteristics of public sector entities for which IPSASs are designed.

The characteristics identified in the revised paragraph 10 of the *Preface to IPSASs*, along with the entities identified in paragraph 1.8 of the *Conceptual Framework* provides a comprehensive view of the public sector entities for which IPSASs are designed.

¹ Paragraph 1.8 of *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* identifies a wide range of public sector entities for which IPSASs are designed.

² Services encompass goods, services and policy advice, including to other public sector entities.

Effective Dates and Project History

Effective date of *The Applicability of IPSASs*

The Applicability of IPSASs has amendments to all extant IPSASs and RPGs as of December 31, 2015. The effective date of those amendments is January 1, 2018, with earlier application encouraged.

Effective date of the *Preface to IPSASs*

The *Preface to IPSASs* is not an authoritative document and it has no explicit effective date. Therefore, the revised *Preface to IPSASs* is effective immediately.

Project history

To know more about the project history, please visit:

<http://www.ifac.org/public-sector/projects/government-business-enterprises>