

PROJECT HISTORY

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The IPSASB considered the first draft of an Exposure Draft (ED) proposing amendments to the IPSAS, Financial Reporting Under the Cash Basis of Accounting (the Cash Basis IPSAS). The amendments are directed at (a) overcoming obstacles to adoption of the Cash Basis IPSAS that arise as a result of the requirements relating to consolidation, external assistance and third party payments; and (b) clarifying that the role of the Cash Basis IPSAS in the IPSASB's standard-setting strategy is as an intermediate step on the transition to the accrual basis of financial reporting rather than as an end in itself.

The IPSASB confirmed the broad direction of the amendments proposed in the draft ED and identified a number of structural and other refinements to clarify the amendments proposed.

The IPSASB agreed that for the next meeting it would consider a revised draft ED that will include proposals to reflect the matters noted below.

Consolidation

Part 1 of the Cash Basis IPSAS will not include requirements for the preparation of consolidated financial statements. Rather, Part 2 of the IPSAS will encourage controlling entities to prepare consolidated financial statements that encompass all controlled entities.

Part 2 of the IPSAS will also encourage:

- (a) A controlling entity that does not present financial statements that consolidate all its controlled entities to present financial statements that consolidate sub-groups of its controlled entities as a useful step in the transition to full consolidation; and
- (b) The disclosure of information about the entities, or classes of entities, included in any consolidated financial statements that are presented.

External Assistance

Part 1 of the Cash Basis IPSAS will not include requirements for the disclosure of information about external assistance. Rather, Part 2 of the IPSAS will encourage the disclosure of certain information about such matters as the amount and form of assistance received during the reporting period from all parties external to the reporting entity, including multilateral and bilateral external assistance agencies, non-governmental organizations, public or private sector organizations or individual donors. The draft ED will also encourage disclosure of information about the purposes for which such assistance was provided and the amount of any undrawn assistance that is available to the entity at reporting date.

Third Party Payments

Part 1 of the Cash Basis IPSAS will not include requirements for the disclosure of third party payments. Rather, the IPSAS will include additional explanation of the arrangements that may be in place for managing the cash flows that result from the activities of individual government departments or other government entities. The encouragements in Part 2 of the IPSAS will also encompass disclosure of information about payments that have been made to settle obligations of the entity or purchase goods and services for its benefit by parties which are not part of the economic entity to which it belongs.

“Housekeeping”

The IPSASB identified a number of additional “housekeeping” type amendments that are necessary to ensure that the requirements and encouragements in the Cash Basis IPSAS are not contrary to those of the equivalent accrual IPSASs, unless intended to be so to reflect the cash basis focus in this Standard.