

## PROJECT HISTORY

Contact: Ross Smith ([rosssmith@ipsasb.org](mailto:rosssmith@ipsasb.org))

### June 2015

The IPSASB considered an Issues Paper and a draft of sections of a Consultation Paper (CP).

#### *Monetary gold – definitions*

The IPSASB agreed with the changes to the physical gold definition and provided further direction for the refinement of the definition. Specifically, the IPSASB directed that a further description was required to explain how contracts that result in the physical delivery of gold are in the scope of the chapter.

#### *Monetary Gold – Option vs. Alternative*

At the March 2015 meeting the IPSASB directed that the measurement approaches for monetary gold should consider the intentions of a monetary authority in holding the assets. The IPSASB noted that the consideration of IPSASB's existing literature is important, specifically the financial instruments standards which are intention driven, and where the classification of financial assets and financial liabilities drives accounting requirements.

The Task Based Group (TBG) questioned whether the IPSASB is looking for feedback on which approach in the CP is appropriate in order to narrow options and develop an ED with a single approach, or if it is looking to get further information from respondents to the CP, in order to further develop an approach in which classification of the asset drives the accounting requirements. The IPSASB decided that because the project is at the CP stage, it should adopt a broad approach that allows constituents to share their views.

#### *Currency in Circulation*

The IPSASB considered the first draft of the Currency in Circulation chapter. The IPSASB agreed with the proposed objective for the chapter and directed that the chapter's format should be consistent with that in the Monetary Gold chapter.

#### *Currency in Circulation – Scope and Definitions*

The IPSASB raised concerns over the definition of Currency in Circulation. In particular, the IPSASB directed that the term 'domestic' currency should be included and explained in the definition. Further, the IPSASB recommended that the definition should be revised, not only to refer to currency 'issued' by monetary authorities, but also to include 'authorized' currency for those jurisdictions that do not issue all legal tender through their monetary authorities. This revision acknowledges that in some jurisdictions, monetary authorities do not issue currency, but authorize a currency as legal tender.

#### *Currency in Circulation – Notes*

The IPSASB considered the proposal by staff to treat the purchase and production of currency as inventory. The IPSASB concluded that more development is needed to identify the differences between notes and coins. Further, the CP should consider how to deal with the cost of production of currency when it is higher than the face value (which sometimes occurs for the production of coins).

The IPSASB provided feedback on the transactional approach to identify the accounting implications based on the change in 'money supply'. The IPSASB recommended using the term 'amount of currency in circulation' instead of 'money supply', because 'money supply' is a commonly used term in economics, and constituents might find it confusing in an accounting context.

The IPSASB questioned whether all approaches had been fully explored in the draft chapter. The IPSASB questioned whether the most common accounting approach in practice is to recognize a liability because of the obligation to maintain the currency. The IPSASB directed that staff should further consider whether any such liability is a financial liability.

The IPSASB discussed the draft chapter on measurement and agreed with the analysis that market value, historical cost and cost of fulfillment, may be appropriate measurement bases. The IPSASB directed staff to reconsider measurement after approaches to the recognition of notes and coins have been developed, as the different approaches may give rise to additional measurement considerations.

The IPSASB noted that the withdrawal of old series of notes, may give rise to different derecognition considerations dependent on jurisdictional factors. For example, laws in some jurisdictions require monetary authorities to exchange old notes or coins, regardless of whether they continue to be legal tender. The IPSASB questioned whether derecognition of currency liabilities gives rise to revenue. Further, the IPSASB asked staff to consider whether issued currency is a liability or, rather, similar to an equity instrument.

#### *Currency in Circulation – Coins*

The IPSASB thought the discussion in the draft chapter presenting reasons why liabilities for coins are not recognized in some jurisdictions, was helpful and should be retained. However, the IPSASB directed that then nature of a liability related to currency in circulation should be developed.

The IPSASB agreed with the staff view that the measurement of liabilities for notes and coins should be consistent, if the nature of the liability is the same.

#### *Scope of the CP*

The IPSASB discussed the scope of the project and acknowledged that currently it addresses a large number of distinct topics, which all give rise to challenging and often unique technical issues. This has implications for the time needed for project development. The IPSASB debated the benefits of issuing a comprehensive CP covering all topics included in the scope of the project. The IPSASB agreed that a comprehensive CP would take too long to develop and concluded that staff should proceed to develop a CP covering monetary gold, currency in circulation and IMF-related transactions. These issues relate primarily to monetary authorities and therefore are relevant to a different constituency than the other issues in the scope of the project—statutory receivables, statutory payables and public sector specific securitizations. These issues will be addressed in a separate stream of the Public Sector Specific Financial Instruments project or in the project to update IPSAS 29, *Financial Instruments: Recognition and Measurement*.

---

### **March 2015**

The IPSASB considered an Issues Paper and a draft of sections of a Consultation Paper (CP).

#### *Introduction and project objective*

The IPSASB considered amendments to communicate the importance of monetary authorities to the public sector and their and service delivery aims and the public interest implications. The IPSASB agreed with the revisions.

### *Monetary gold – definitions*

The IPSASB discussed the proposed definitions of monetary gold, physical gold, monetary authority and reserve assets. The IPSASB agreed with the changes and provided directions for further development and refinement of the definitions.

### *Scope*

The IPSASB agreed with the revisions to the scope discussion in the monetary gold chapter and the proposal that the following gold assets should be included:

- (a) Physical gold (including gold held directly, in allocated and unallocated gold accounts);
- (b) Commemorative gold coins and gold coins that are legal tender; and
- (c) Some financial instruments which allow for physical settlement in gold on demand without restriction and for which monetary authorities have the intention of taking physical delivery of the gold.

### *Measurement*

The IPSASB was not convinced that the arguments in the CP for using historical cost, based on the provision of information about an entity's operational capacity, were compelling.

The IPSASB directed staff to consider revising the discussion of historical cost to link it to the cost of services. It was noted that it may be helpful to consider the various restrictions on selling monetary gold that many monetary authorities have, when making a link between the intention of holding monetary gold and cost of services.

The IPSASB directed that in discussing the measurement options in the CP, the intention of the monetary authority in holding gold assets should be considered, similarly to how IPSAS 29 classifies assets and liabilities and that classification determines the accounting requirements.

### *Recognition and accounting for transaction costs and changes in value of monetary gold*

The IPSASB noted that the historical cost option presented in the CP also needs to discuss how to account for impairments.

### *Disclosures*

The IPSASB decided that consideration of presentation and disclosure should be revisited after all of the chapters of the CP have been developed.

### *Next chapters in the CP*

The IPSASB considered whether all reserve assets should be in scope as standalone chapters in the CP. Currently monetary gold and special drawing rights (SDRs) are in the scope of the project. However, other reserve assets, such as foreign currency reserves and highly liquid investments, are not in scope because specific IPSAS requirements already exist for these transactions. The IPSASB decided that only monetary gold and SDRs should be included as separate chapters in the CP at this time.

### *Currency & coin in circulation*

The IPSASB agreed that a key issue for both notes and coins are whether there is a liability, and, if so, the appropriate measurement bases for such a liability. The IPSASB directed staff to consider each step in both

streams of transactions for issuing notes and coins, to ensure the economic and accounting implications are appropriately and completely captured in the CP.

---

## **December 2014**

The IPSASB discussed the structure of the CP and agreed with a TBG proposal to re-order the chapters as follows:

Chapter 1: Introduction and Objective;

Chapter 2: Currency and Coin Issued by the Entity;

Chapter 3: Monetary Gold;

Chapter 4: IMF Special Drawing Rights and Other IMF Transactions;

Chapter 5: Statutory Receivables;

Chapter 6: Statutory Payables; and

Chapter 7: Securitizations.

### *Monetary Gold – Definitions*

The IPSASB discussed the proposed definitions of monetary gold, monetary authority and reserve assets.

The IPSASB directed that further development of the monetary authority definition be considered and that further supporting discussion be added for all definitions.

The IPSASB directed that the service delivery objectives of central banks holding monetary gold be emphasized and discussed.

### *Scope*

The IPSASB agreed that it is helpful to aim for consistency with the Government Finance Statistics Manual definitions to the extent possible. However, the IPSASB would have leeway in developing accounting treatments.

Further, the IPSASB reiterated that the analysis of monetary gold assets needed to be further developed to consider the purity of gold assets and the purpose for which they are held by monetary authorities.

### *Measurement*

The IPSASB noted that the purpose for which monetary gold assets are held impacts whether an entry value or exit value is the most appropriate measurement basis.

The IPSASB directed that the CP should present options and get feedback from constituents. Currently the draft chapter only presents one option, which is measurement at market value—in an open and active market; a measure of financial capacity. However, the IPSASB agreed that monetary gold may be held for reasons other than financial capacity and further options should be considered and developed for inclusion in the CP.

The IPSASB noted that there are limited suitable measurement bases in the Conceptual Framework, with only market value and historical cost appearing appropriate (given the nature of monetary gold replacement cost or value in use would not be considered appropriate).

### *Accounting for transaction costs and changes in value of monetary gold*

The IPSASB directed staff to further develop options for accounting for transaction costs and changes in the value of monetary gold and to include specific matters for comment on these issues. Concerns were raised on coming to conclusions on appropriate approaches at the CP stage.

#### *Disclosures*

The IPSASB noted that the disclosure objective presented was more of an overall project objective and could be relocated to the beginning of the chapter.

Further, the IPSASB noted that at the CP stage, it is difficult to determine information for disclosures, given decisions in regards to recognition and measurement are still open. However, the IPSASB still believes that asking constituents about users' information needs, is important for the development of requirements for disclosures.

---

### **September 2014**

#### *Structure of the Consultation Paper (CP)*

The IPSASB considered an Issues Paper and draft chapters of the CP (Introduction and Objective and, Monetary Gold).

The IPSASB agreed that the Introduction and Objective chapter should discuss how this project has evolved in order to communicate why the various topics are included in the CP and their public sector importance.

The IPSASB agreed for the organization of the CP to be as follows:

- Chapter 1: Introduction and Objective;
- Chapter 2: Monetary Gold;
- Chapter 3: Currency and Coin Issued by the Entity;
- Chapter 4: IMF Special Drawing Rights and Other IMF Transactions;
- Chapter 5: Statutory Receivables;
- Chapter 6: Statutory Payables; and
- Chapter 7: Securitizations.

#### *Monetary Gold – Definition*

The IPSASB agreed that all components of the definition should be defined (gold bullion, monetary authorities and reserve assets). The IPSASB directed staff to consider further aligning with the definitions in GFS and SNA. The IPSASB also directed that monetary gold should be considered against the existing financial instruments definitions in IPSASs.

#### *Scope*

The IPSASB directed that full consideration of the different types of gold and gold instruments should be undertaken, with consideration as to the nature of each type/instrument and the intention or use for which it is held.

#### *Measurement*

The IPSASB noted that a measurement objective should be developed for different types of gold, given the different perspective of the users.

The IPSASB further guided staff to be mindful that this is a CP and that conclusions about which concepts are appropriate are not required. The CP should set out reasons for holding gold, measurement objectives and fully discuss options.

### *Derecognition*

The IPSASB again reaffirmed that the CP should not reach conclusions on accounting concepts such as how to treat unrecognized gains and losses on monetary gold if a current value basis is used.

Further work needs to be undertaken on the derecognition point for each stream of transactions; is it the decision to sell or the point of sale?

### *Disclosures*

The IPSASB noted that users' needs should be identified, so that a disclosure objectives can be based on such needs.

---

## **June 2014**

The IPSASB considered an Issues Paper on the following public sector specific topics:

- Statutory receivables;
- Statutory payables; and
- Securitizations.

A central bank working group established by the IMF, World Bank and the Bank for International Settlements, is considering issues prevalent in financial reporting for central banks and government finance departments. Staff is working to communicate with this group to understand the issues being considered and with the hope of identifying qualified individuals to join the task force being established for this IPSASB project.

Staff presented research and findings related to:

- Taxes;
- Government Transfers;
- Fines and Penalties;
- Fees; and
- Social Benefits.

These types of transactions are generally non-contractual and arise through laws, legislation and/or regulation.

Staff presented an analysis of the current IPSAS literature and highlighted key issues and areas where gaps exist for each topic in the IPSASB's literature.

A summary of the main areas where gaps exists are:

- Statutory Receivables—Lack of guidance for subsequent measurement, impairment and derecognition;
- Statutory Payables—Lack of guidance for subsequent measurement, derecognition/impairment when accounting for non-contractual payables and in some cases lack of guidance for initial recognition; and
- Securitizations—Contractual in nature with guidance existing in IPSAS 6-8 and IPSAS 28-30. Concern was expressed about “future flow” securitizations where entities securitize rights to items

that are not recognized in the entity's financial statements such as future taxation or rights to administer and collect fees.

The IPSASB determined that developing a specific view was not appropriate at this time and that staff should continue to develop options for inclusion in the CP

Since the topics currently within the scope of the project are varied and do not have a natural conceptual connection, the IPSASB considered whether a single CP should be developed or whether multiple CPs would be more appropriate. The IPSASB agreed to continue to develop a single CP. This will allow constituents to consider and respond to all issues at one time. Initial draft chapters of the CP will be considered at the IPSASB meeting in September 2014.

---

### **March 2014**

The IPSASB considered an issues paper on public sector specific financial instruments, following the approval of a project brief at the December 2013 meeting.

The issues paper prepared by staff focused on the following:

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

Other issues in the scope of the project, such as statutory receivables and statutory payables (as well as securitization schemes in the public sector), will be covered at the June 2014 meeting.

Staff presented research findings on accounting by a sample of central banks. The IPSASB also noted that these instruments are not limited to central banks and a transactional rather than entity-specific approach should be undertaken.

The IPSASB noted variation in accounting for transactions related to these instruments. Given the importance of these transactions in the public sector, the IPSASB indicated that further research should consider the following:

- Accounting for banknotes and coins in circulation: specifically how to account for items not yet issued/circulated, impairment and derecognition, and development costs for new series of notes and coins;
- The similarity of monetary gold to cash; and
- The situation where governments in distress use the IMF loan facilities and SDRs to increase reserve assets (as IMF quota subscription members), to provide better insight on how these liquidity instruments are used.

Further, the IPSASB emphasized it would be useful to establish the project task force to help understand the technical accounting issues.

The IPSASB discussed the outputs of the project and agreed that the goal is to develop one or more IPSASs.

---

### **December 2013**

The IPSASB considered a project brief on accounting for public sector specific financial instruments. For work planning purposes the project is intended to address public sector specific financial instruments issues. However, as noted in the project brief, the issues identified do not meet the current definitions of a

financial instrument, financial asset and/or financial liability in IPSAS 28, *Financial Statements: Presentation*.

The IPSASB considered the scope of the project. It was agreed to address the following issues:

- Monetary Gold
- Currency and coin in circulation
- IMF Special Drawing Rights (SDRs) and reserve position in the IMF
- Statutory receivables
- Statutory payables

The IPSASB specifically considered whether to include concessionary loans and financial guarantees issued in non-exchange transactions in the scope of the project. It was agreed by the IPSASB that these issues should not be in the scope, because there are requirements and guidance in IPSAS 28–30, and the implementation date for those standards was January 1, 2013. Further, it was agreed that this project would remain separate from any work related to maintaining alignment with International Financial Reporting Standards in, IPSAS 28–30.

The IPSASB noted that it was difficult to determine if the scope of issues was exhaustive at this time and therefore decided to proceed with an initial research phase of the project. This initial phase is anticipated to be completed by the end of 2014 and culminate with the issuance of a consultation paper and a revised project brief.

The IPSASB considered a proposal to make the current Task Based Group (TBG) a Task Force (TF) based on the complexity of some of the issues identified and the lack of accounting literature available. The IPSASB agreed with the staff proposal to attempt to add 1 to 2 members outside of the IPSASB to the TBG to form a TF. These members would be expected to have specific experience related to central bank accounting and/or accounting for IMF SDRs/reserve position in the IMF.