

To: IAESB
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International Public Sector Accounting Standards Board (IPSASB) –2016Q2 Activity Report

Current Work Program Initiatives

Public Sector Financial Instruments

At its June meeting the IPSASB approved a [Consultation Paper, Public Sector Specific Financial Instruments](#). The main topics covered in the CP are the recognition and measurement of currency in circulation, monetary gold, and International Monetary Fund quota subscriptions and special drawing rights. These topics are generally the responsibility of monetary authorities, especially central banks, and the Consultation Paper is the IPSASB's first attempt to reach this constituency. The Consultation Paper was published in July 2016 with a comment period ending on December 31, 2016.

Impairment of Revalued Assets

At its June meeting the IPSASB considered the final outstanding technical issue and approved an explanation in the Basis for Conclusions of the draft final pronouncement that there is not a conceptual difference between impairments and revaluation decreases. However, there is a practical difference, because impairments are event-driven while revaluation decreases result from periodic revaluations. The IPSASB then approved IPSAS, *Impairments of Revalued Assets (Amendments to IPSAS 21, Impairment of Non- Cash-Generating Assets and IPSAS 26, Impairment of Cash-Generating Assets*. The final pronouncement was published in July 2016 and has an effective date of January 1 2018.

Employee Benefits

At its June meeting the IPSASB reviewed responses to ED 57, *Employee Benefits*. The IPSASB approved IPSAS 39, *Employee Benefits*, which will replace IPSAS 25, *Employee Benefits*, on January 1, 2018, with earlier adoption encouraged. IPSAS 39 reflects the amendments made by the International Accounting Standards Board to its equivalent standard, IAS 19, *Employee Benefits*, up to December 2015, particularly the removal of the corridor for deferring the recognition of actuarial losses and introduction of the net interest method. Following comments from constituents IPSAS 39 also no longer includes the section on Composite Social Security Programs that exists in IPSAS 25. IPSAS 39 was published in July 2016.

Social Benefits

At its June meeting the IPSASB reviewed the responses to the Consultation Paper, *Recognition and Measurement of Social Benefits*, issued in July 2015. That Consultation Paper had identified three approaches to accounting for social benefits. The IPSASB agreed to progress the obligating event approach and the insurance approach, but not the social contract approach. The IPSASB agreed that the insurance approach will only be applicable to fully funded schemes; preparers will be referred to the forthcoming IFRS on insurance for the requirements.

Leases

The IPSASB approved a project brief on leases at its June meeting. This is an IFRS convergence project

that takes into account public sector circumstances. The IPSASB formed a view that the recognition requirements of lessee accounting in IFRS 16, *Leases*, are appropriate for public sector financial reporting. The IPSASB considered that the appropriateness of the risks and rewards model in IFRS 16 for lessor accounting for public sector financial reporting is a key issue and directed staff to carry out in-depth analysis of the right-of-use model for lessor accounting and the relationship with IPSAS 32, *Service Concession Arrangements: Grantor*.

Revenue and Non-Exchange Expenses

The IPSASB considered an early draft of the Revenue and Non-Exchange Expenses Consultation Paper at its June meeting. The IPSASB discussed implementation issues related to IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*, particularly multi-year financing, taxes received in advance, and services in-kind and options for dealing with them. The IPSASB also agreed that transactions without performance obligations should be given more prominence, due to their financial significance in the public sector, in particular taxation. The IPSASB agreed on a revised structure for the Consultation Paper that will bring out the two viable approaches—performance obligation and present obligation—clearly and reduce duplication.

Heritage Assets

The IPSASB reviewed draft chapters of its Consultation Paper (CP) on *Financial Reporting of Heritage* in the public sector at its June meeting. It supported a preliminary view that heritage items could be assets for financial reporting purposes. The chapter on measurement will be refocused on measurement for different heritage use objectives. In September, the IPSASB expects to review all chapters of the draft paper and draft wording for its preliminary views.

Financial Instruments, Presentation, Recognition and Measurement and Disclosure

At the June meeting staff presented an education session on financial instruments to the IPSASB, highlighting areas of significant change introduced by IFRS 9, *Financial Instruments*. The IPSASB acknowledged that the project is an IFRS convergence project which will likely result in the issuance of a new standard to replace IPSAS 29, *Financial Instruments: Recognition and Measurement*. The presentation given during the June 2016 meeting is available.