

IPSASB December 2020 Meeting: Decisions and Instructions

Session Outline

- [ED 77, Measurement \(Agenda Item 3\)](#)
- [ED 76 Conceptual Framework–Limited Scope Update \(Agenda Item 4\)](#)
- [ED 78, IPSAS 17 Update, Heritage and Infrastructure \(Agenda Item 5\)](#)
- [ED 75, Leases \(Agenda Item 6\)](#)
- [Natural Resources \(Agenda Item 7\)](#)
- [Revenue & Transfer Expenses—ED 70–72 \(Agenda Item 8\)](#)

ED 77, Measurement (Agenda Item 3)

Decision

- Preliminary approval of Exposure Draft (ED) 77, *Measurement* with an exposure period of 6 months, subject to:
 - Review of Amendments to Other IPSAS resulting from ED 77;
 - Finalization of definition of Current Operational Value;
 - Consistency review across ED76, ED77 and ED78;
 - Resolution of any significant issues identified during the editorial process; and
 - Implementation of Instructions to Staff.

Instructions to Staff

- Complete Amendments to Other IPSAS resulting from ED 77;
- Amend definition of Current Operational Value to reflect members' comments and flow through the core text and application guidance;
- Review consistency across ED 76, ED 77 and ED 78;
- Amend for editorial changes identified in the IPSASB editorial process; and consider and reflect specific items identified by members, including:
 - Core Text
 - Paragraph 27 – Include in BCs or AGs explanation of how each measurement technique applies to current operational value;
 - Paragraph 28 – delete
 - Paragraph 29 – remove “specialized”;
 - Paragraph 30 – review consistency between the measurement bases not being based on information at the transaction date, and transaction costs being included in the measurement;
 - Paragraph 30a – review for consistency with B2; and
 - Review scoping of impairment standards to include current value measurements.
 - Current Operational Value Application Guidance
 - Paragraph B1 – revise and retain concept of “most economic manner”;
 - Paragraph B1 – include concept that the measurement is an estimate;
 - Paragraph B2 – clarify current operational value is an entity-specific value (consider paragraph 7.49);
 - Paragraph B2 – remove “in rare circumstances”;
 - Paragraph B3 – relocate paragraph as necessary;
 - Paragraph B4 – service delivery objective could be to earn cash flows. Since this is not the intent, consider wording carefully throughout;

- Paragraph B4 – change example from ministry of defense to school or hospital;
- Modern Equivalent Asset
 - Paragraph B7 – clarify what is meant by “where appropriate”;
 - Paragraph B8 – remove “permanent”;
 - Paragraph B8 – consider moving modern equivalent asset guidance to the cost approach section of the AG;
 - Paragraph B8, B11, B19 and B21 – review consistency of school example;
- Restrictions
 - Paragraph B19 – work with member to clarify guidance around restrictions;
 - Paragraph B21 – develop more appropriate example than “size of land”.

ED 76 Conceptual Framework–Limited Scope Update (Agenda Item 4)

Decision

- Preliminary approval of Exposure Draft (ED) 76, *Conceptual Framework – Limited-scope Update*, with an exposure period of 6 months, subject to:
 - Review of re-arranged / edited BC section.
 - Consistency review across ED76, ED77 and ED78;
 - Resolution of any significant issues identified during the editorial process; and
 - Implementation of Instructions to Staff.

Instructions to Staff

- Delete the BC sections and paragraphs explaining the rationale for decisions which have been superseded and insert revised paragraphs explaining amendments arising from the current project;
- Review consistency across ED 76, ED 77 and ED 78;
- Amend for editorial changes identified in the IPSASB editorial process; and
- Consider and reflect specific items identified by members, including:
 - Historical Cost
 - Paragraph 7.27 – review consistency with 7.34;
 - Current Operational Value
 - Paragraph 7.50 – review wording related to an asset or a group of assets;
 - Paragraph 7.51 – Delete sentence related to optimized approach to eliminate confusion with capacity (update paragraph for consistency with modern equivalent asset guidance in ED 77);
 - Paragraph 7.51 – reinstate “value” in first line;
 - Paragraph 7.52 – align concept with current operational value;
 - Paragraph 7.54 – work with member to update wording on operational capacity in relation to income approach;
 - Paragraph 7.55 – clarify wording in paragraph to “may”;
 - Paragraph 7.56 – reconsider overall focus and wording of paragraph. In particular clarify first sentence and end paragraph on more positive note (consider deleting final sentence).

ED 78, IPSAS 17 Update, Heritage and Infrastructure (Agenda Item 5)

Decision

- Preliminary approval of Exposure Draft (ED) 78, with an exposure period of [6] months, subject to:
 - Consistency review across ED76, ED77 and ED78;
 - Resolution of location of disclosure requirement for unrecognized heritage items;
 - Review of BCs (including specific instructions below);
 - Resolution of any significant issues identified during the editorial process; and
 - Implementation of Instructions to Staff.

Instructions to Staff

- Review consistency across ED 76, ED 77 and ED 78;
- Work with member to develop alternative core text option to enable members to take final decision on whether or not to adopt proposed application guidance approach developed to reflect balance of views in earlier Board debate;
- Amend for editorial changes identified in the IPSASB editorial process.
- Consider and reflect specific items identified by members, including:
 - Specific Matters for Comment
 - SMCs – Re-order SMCs to align with exposure draft text;
 - SMC 7 – remove “additional” from question;
 - Disclosure of unrecognized assets
 - Paragraph 7 – Address subsequent expenditures on previously unrecognized assets separately as these should be capitalizable and may potentially need to be separately disclosed;
 - Fair Value Option
 - Paragraphs 22 / 23 – retain fair value when initially measuring PP&E acquired through an exchange transaction;
 - Paragraph 29 / 30 – provide more flexibility in measuring PP&E at fair value or current operational value. Remove the link between selection of the measurement basis with why the asset is held;
 - Basis for Conclusions
 - BCs – Summarize IPSAS 17 BCs and retain BC on consistency with GFS;
 - BC 41 – review wording related to “alternative” view in the context of the fair value option;
 - Implementation Guidance
 - Paragraph IG 31 – review whether the guidance should reference “derecognition” or “impairment”.

ED 75, Leases (Agenda Item 6)

Decisions

- Agreed to add the term “service potential” after “economic benefits” in the application guidance section of ED 75 when identifying a lease, where appropriate;
- Agreed to retain the fair value definition from IFRS 16 Leases and IPSAS 13, *Leases* in ED 75;
- Agreed to include three Specific Matters for Comment in ED 75 on:
 - (i) How the IPSASB modified IFRS 16 for the public sector;
 - (ii) The addition of “service potential” where appropriate;
 - (iii) Retention of IPSAS 13 (IFRS 16) fair value definition in ED 75;
- Approval of Exposure Draft 75, *Leases* with a 4-month comment period.

- Approval of Request for Information (RFI), *Concessionary Leases and Other Arrangements Similar to Leases* with a 4-month comment period.

Instructions to Staff

- Work with an editorial group to finalize the ED and RFI for issuance.

Natural Resources (Agenda Item 7)

Decisions

- Subject to the instructions below, the IPSASB agreed:
 - The example timeline reflected the IPSASB's decision on sovereign powers from September 2020 and should be incorporated into the Natural Resources Consultation Paper (CP); and
 - Unextracted subsoil resources can be considered resources in the context of the IPSASB's Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (the Conceptual Framework).

Instructions to Staff

- Amend the example timeline on sovereign powers to clarify the principles and reflect the feedback from the CAG regarding the underlying resources and revenue recognition.
- Amend the CP to capture the IPSASB's discussions on project scope and the decision to not provide guidance on broader public finance management issues, sustainability, and intergenerational equity.
- Develop a roadmap to clarify and illustrate where the Natural Resource project fits and to explain how it links with other IPSASB pronouncements.
- Clarify the analyses on:
 - Whether unextracted subsoil resources are a resource, as defined in the Conceptual Framework;
 - Whether an entity can demonstrate control over unextracted subsoil resources; and
 - Whether unextracted subsoil resources can be reliably measured. Present the updated analyses to the IPSASB in March 2021.
- Develop an analysis on the potential incorporation of IFRS 6, *Exploration for and Evaluation of Mineral Resources*, into IPSAS literature and reconsider the Preliminary View on whether exploration, evaluation, development, and extraction activities are relevant to the public sector.

Revenue & Transfer Expenses—ED 70–72 (Agenda Item 8)

Decision

- Reorder the draft guidance in ED 70 and ED 71 to begin with ED 71, either as a separate standard, or a combined standard.
- Address concerns over the nature and length of disclosures in all 3 EDs by taking a principles-based approach focusing on the nature of the transactions and their risks.

Instructions to Staff

- Based on constituents' responses to the EDs and specific feedback from the December 2020 CAG and IPSASB discussions:
 - Consider the best option to reorder ED 70 and ED 71, either as separate standards (Option 1) or a combined standard (Option 2). Perform a detailed analysis on the structure of the exposure drafts, focusing on what structure and arrangement would be the most understandable, best address issues, and provide the most clarity for constituents. Consider providing a preliminary overview of how the resulting standard(s) would look under Options 1 and 2;
 - Consider options for clarifying the scope of each proposed standard; and
 - Regarding the staff's proposal to revise the disclosures in the three EDs based on the nature and risks of the various types of revenue and transfer expenses applicable to the public sector, revisit the analysis in more detail and include consideration of which types of revenue and transfer expense transactions are the most prominent in the public sector.
- The IPSASB instructed staff to present a detailed project timeline and management plan, along with detailed analyses of other selected key issues, at the March 2021 meeting.