

Meeting: International Public Sector Accounting Standards Board
Meeting Location: Toronto, Canada
Meeting Date: June 23-26, 2015

Agenda Item 10

For:
 Approval
 Discussion
 Information

Work Plan

Objective(s) of Agenda Item

1. The objective of this agenda item is to approve the addition of the following projects to the IPSASB's work plan for 2015 and project briefs for these projects:
 - (a) Public Sector Measurement
 - (b) Public Sector Assets: Heritage
 - (c) Public Sector Assets: Infrastructure

Materials Presented

Agenda Item 10.1	Project brief – Public Sector Measurement
Agenda Item 10.2	Project brief – Public Sector Assets: Heritage
Agenda Item 10.3	Project brief – Public Sector Assets: Infrastructure
Agenda Item 10.4	Project brief – Review of Cash Basis IPSAS (for information only, marked up for changes from the March version)
Agenda Item 10.5	Project brief – Revenue (for information only, marked up for changes from the March version)
Agenda Item 10.6	Project brief – Non-Exchange Expenses (for information only, marked up for changes from the March version)

Action(s) Requested

2. The IPSASB is **asked** to approve the addition of projects on public sector measurement, heritage assets and infrastructure assets to the work plan.

Background

3. At the March 2015 meeting the IPSASB approved projects on:
 - Revenue (Exchange and Non-Exchange)
 - Non-Exchange Expenses
 - Limited Scope Review of Cash Basis IPSAS
 - Limited Scope Review of IPSAS 25, *Employee Benefits*
4. The IPSASB decided to defer a project on Leases until the outcome of the International Accounting Standards Board's (IASB) project on Leases is clearer. The IASB's current work plan is targeting a new or revised IFRS on Leases in Q4, 2015.
5. There was a general view that the project brief on Public Sector Measurement understated the scope, size, and complexity of the project and that the indicative staff resources were insufficient. It was suggested that the project brief was over-focused on initial recognition, rather than subsequent measurement and related topics. Members also questioned the staff view that a Consultation Paper would be unnecessary.
6. Following the debate on Public Sector Measurement the project briefs on Heritage Assets and Infrastructure Assets were not brought to a vote. The IPSASB asked for the project briefs on Public Sector Assets: Heritage and Infrastructure to be revised. The main reservation on heritage assets was the project timetable. Some members noted that developing accounting and disclosure requirements for heritage assets is a high priority in their jurisdictions, challenged the staff view that it was inadvisable to commence work on heritage assets until the Public Sector Measurement project has made progress and expressed strong reservations with the indicative project timetable, in particular that the project would not start until March 2016. The staff view that the Infrastructure Project should be closely linked to the Measurement project was accepted after some debate.

Revised Project Briefs

7. Staff has revised the Public Sector Measurement project brief to address the issues in paragraph 5. The project brief identifies subsequent measurement as a key issue and includes a consultation paper development phase. Staff resources have been increased from 0.4 Full Time Equivalent (FTE) to 0.5 FTE. A marked-up version showing changes from the version of the project brief considered at the March 2015 meeting is available from staff on request.
8. Staff has decoupled Infrastructure Assets and Heritage Assets and developed separate project briefs for each area. The Heritage Assets project brief indicates that project development will commence in Quarter (Q)3 2015, rather than Q3 2016. The Infrastructure Assets project is projected to start in Q3 2016.
9. The project briefs on Revenue, Non-Exchange Expenses and the Review of the Cash Basis IPSAS are provided for information with changes marked-up from the versions presented and approved for

the March 2015 meeting. The Cash Basis project brief corrects an error related to external assistance and a minor modification of the timetable. The project brief that was approved at the March meeting wrongly stated that the Cash Basis IPSAS provides encouraged disclosures related to external assistance received from non-governmental organizations (NGOs). The definition of external assistance does not include assistance from NGOs and the references to NGOs have therefore been deleted. The timetable shows approval of any revisions to the Cash Basis IPSAS in March 2017, rather than December 2016. This reflects the view of the Senior Adviser, who is leading this project, that it is impractical and inappropriate to begin a review of responses to the Exposure Draft (ED) at the March 2016 meeting, given that the ED will not be published until October 2015 and the public exposure period will not expire until mid-late February 2016

Matter(s) for Consideration

1. The IPSASB is **asked** to approve the project briefs on public sector measurement, heritage assets and infrastructure assets and note the amendments to the project briefs on Revenue, Non-Exchange Expenses and the Review of the Cash Basis IPSAS.

Literature Sources

10. The project briefs contain a number of literature sources. Members are asked to highlight additional projects and publications from their jurisdictions that should be considered in the development of the projects on Public Sector Measurement, Infrastructure Assets and Heritage Assets.

Matter(s) for Consideration

2. The IPSASB is **asked** to highlight any further appropriate literature sources for the projects on Public Sector Measurement, Infrastructure Assets and Heritage Assets.

**INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS
BOARD****PROJECT BRIEF AND OUTLINE****1. Subject—Public Sector Measurement**

- 1.1 Chapter 7 of the Conceptual Framework (the Framework) addresses the measurement of assets and liabilities in financial statements. This chapter identifies the following measurement bases for assets and liabilities:

Assets

- Historical Cost
- Market Value
- Replacement Cost (Optimized Depreciated Replacement Cost)
- Net Selling Price
- Value in Use

Liabilities

- Historical Cost
- Cost of Fulfillment
- Market Value
- Cost of Release
- Assumption Price

- 1.2 Measurement requirements in existing IPSAS specify a variety of measurement bases: a number are fair value measurements—this definition of fair value pre-dates 13, *Fair Value Measurement*, and is not an explicit exit value: *the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.*¹ Largely because of this, the Framework did not include a definition of fair value, rather using the term “market value.”

- 1.3 The Framework reflects a view that there is no single measurement basis that will maximize the extent to which financial statements meet the objectives of financial reporting and achieve the qualitative characteristics. The Framework emphasizes that:

- Historical cost is a measurement basis that is strongly related to the accountability objective of financial reporting;
- Depreciated replacement cost is a measurement basis in its own right and is likely to be an appropriate current value measurement basis for specialized operational assets; and

¹ The definition in IFRS 13 is: *the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.*

- Cost of Fulfillment is likely to be the only feasible measurement basis for settling many liabilities, especially where there is no transaction price and no realistic likelihood of a third party assuming the liability.

1.4 The combined impact of the publication of the Conceptual Framework and the revised definition of fair value in IFRS 13, *Fair Value Measurement*, is that (i) existing measurement requirements in many IPSASs are not consistent with the Framework and (ii) the definition of fair value in a number of IPSASs, notably IPSAS 17, *Property, Plant and Equipment*, is not consistent with the definition in IFRS 13.

2. Project Rationale and Objectives

(a) Project rationale

2.1 The project rationale is that the measurement requirements and guidance in many current PSASs are not consistent with the Conceptual Framework and should be amended.

(b) Objectives to be achieved

2.2 The objectives are:

- To issue amended IPSASs with revised requirements for measurement at initial recognition and subsequent measurement;
- Provide more detailed guidance on the implementation of replacement cost and cost of fulfillment and the circumstances under which these measurement bases will be used;
- Address the specific issues of (a) the capitalizing or expensing of borrowing costs and (b) the scope exclusion of property, plant and equipment measured at revalued amounts from the impairment requirements of IPSAS 21, *Impairment of Non-Cash-Generating Assets* and IPSAS 26, *Impairment of Cash-Generating Assets*.

2.3 The intermediate objectives are to produce a Consultation Paper identifying feasible options and an Exposure Draft of proposed changes to IPSASs.

(c) Link to IFAC and IPSASB Strategic Plans

i. Link to IPSASB Strategy

2.4 The project is consistent with the IPSASB's strategic sub-objective of "developing high-quality public sector financial reporting standards". The project is also consistent with the objective of raising awareness of IPSASs and the benefits of their adoption, because the adoption of depreciated replacement cost responds to a key characteristic of most public sector entities; that their primary objective is the delivery of services, rather than the generation of cash flows.

ii. Link to IFAC Strategic Plan

2.5 IFAC's Strategic Plan for 2013–2016, *Leading the Way*, has two strategic objectives to which this project responds:

- (a) An urgent focus on improved public sector financial reporting; and
- (b) The development, adoption and implementation of high-quality international standards.

3. Outline of the Project

(a) Project Scope

- 3.1 The scope of this project is to identify and evaluate current measurement requirements for both measurement at initial recognition and subsequent measurement and related guidance in the existing suite of IPSASs, evaluate whether they are in accordance with the Framework and propose amendments. The project also considers the need for more detailed implementation guidance for replacement cost and cost of fulfillment.

(b) Key Issues

- 3.2 The key issues are listed below:

Key Issue #1—Identifying measurement requirements in current IPSASs and evaluating extent to which they are consistent with the Framework?

- 3.3 The Framework underpins the development of IPSASB's literature. The project will identify measurement requirements in current IPSASs and evaluate whether they are in accordance with the Framework. It will then assess whether they should be amended. Changing measurement requirements imposes costs on preparers and there may be cases where existing requirements better meet user needs.

Key Issue #2 —Implementation Guidance

- 3.4 The project will consider the need for implementation guidance particularly for operationalization of replacement cost and cost of fulfillment.

Key Issue #3—Factors to be considered in determining whether an asset is specialized

- 3.5 As indicated in paragraph 3.5 above the Framework states that replacement cost is likely to be the appropriate measurement basis for specialized public sector assets. This raises the question of which factors should be taken into account in determining whether an asset is specialized. For example, should the need to locate an asset in a particular area be considered an aspect of specialization?

Key Issue #4 —Borrowing costs

- 3.6 In 2007 the IASB issued a revised IAS 23, *Borrowing Costs*. The revised IAS 23 eliminated the option of the immediate expensing of borrowing costs. In accordance with its convergence policy the IPSASB commenced a limited scope project to revise IPSAS 5, *Borrowing Costs*. The initial objective was to remove the expensing option in IPSAS 5. Following an intensive consideration of public sector circumstances, the IPSASB formed a view that in most cases the expensing of borrowing costs is the most appropriate accounting policy and that capitalization of borrowing costs should be restricted to cases where there is a direct link between the debt instrument and the qualifying asset. The IPSASB issued ED 35, *Borrowing Costs*, which proposed this approach in 2008.
- 3.6 The response to ED 35 was inconclusive and there was no clear indication of the approach that the IPSASB should take. The IPSASB therefore concluded that it was difficult to determine the appropriate treatment for borrowing costs in the public sector until the Framework had been completed.

- 3.7 This project will reopen the approach to borrowing costs. It will consider whether there should be a differential approach to borrowing costs based on whether assets are measured on historical cost or on current value.

Key Issue #5—Scope Exclusion of Property, Plant and Equipment from IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash-Generating Assets

- 3.8 Property, plant and equipment measured at revalued amounts under the revaluation model in IPSAS 17, and investment property measured at fair value in accordance with the fair value model in IPSAS 16, *Investment Property*, are currently outside the scope of IPSAS 21 and IPSAS 26. The rationale in the Basis for Conclusions (BC) of IPSAS 21 is that assets on the revaluation model and fair value model will be “revalued with sufficient regularity to ensure that they are carried at an amount that is not materially different from their fair value at the reporting date and any impairment will be taken into account in the valuation.” The BC also explains that (i) there are different methods of determining recoverable service amount in IPSAS 21 and determining recoverable amount in IAS 36, *Impairment of Assets*; and (ii) the requirement in IAS 36 to combine non-cash-generating assets with cash-generating assets to form a cash-generating unit is not replicated in IPSAS 21. The scope exclusion in IPSAS 26 was largely because it was considered inconsistent to have a scope inclusion for revalued assets in IPSAS 21, but not in IPSAS 26.
- 3.9 The exclusions have been challenged by standard setters from jurisdictions where public sector assets are generally carried at revalued amounts. The scope exclusion and the black letter requirement in IPSAS 17.51 that “if an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued” seem to have the consequence that, if impairments to assets arise then all assets within the class have to be revalued. It is unclear whether this was intended. The project will re-examine the rationale for the scope exclusion in IPSAS 21 and IPSAS 26

Key Issue #5—Disclosures

- 3.10 The project will evaluate the current disclosure requirements in IPSASs related to measurement, taking into account the concepts in Chapter 8, *Presentation in General Purpose Financial Reports*. In particular, the project will consider the rationale and cost-benefit of disclosures using alternative measurement bases to those adopted for measurements for the statement of financial position.

4. Describe the Implications for any Specific Persons or Groups

(a) Relationship to IASB

- 4.1 There are links to IFRS 13, *Fair Value Measurement*. One of the objectives of IFRS 13 is to set out in a single IFRS a framework for measuring fair value. The higher level aim is to enhance consistency of measurement requirements in the IASB’s literature. This IPSASB project has a similar aim of enhancing consistency.

(b) Relationship to Other Standards, Projects in Process or Planned Projects

- 4.2 There is a strong link to the two projects on Public Sector Assets: Infrastructure and Heritage. The Infrastructure Assets project is not projected to start until Quarter 3 2016, so that it can be informed by the approach in this project. Because infrastructure assets will be measured at replacement cost the approach developed in this project will be of particular relevance.

(c) Other—Government Finance Statistics

4.3 Measurement requirements in the Government Finance Statistics Manual 2014 for financial and non-financial assets will be considered. The *Process for Considering GFS Reporting Guidelines during Development of IPSASs* (2014) will provide the approach.

5. Development Process, Project Timetable and Project Output

(a) Development Process

5.1 The development of outputs will be subject to the IPSASB's formal due process. The approval of the ED will be subject to the usual IPSASB voting rules. As the project progresses, regular assessments will be made to confirm the proposed path in the project timetable remains the most appropriate.

(b) Project timetable

5.2 The major milestones are listed below. Staff does not think it necessary to develop a Consultation Paper.

Major Project Milestones	Expected Completion
Present revised draft Project Brief	June 2015
Development of Consultation Paper (CP)	October 2015-September 2016
Approve CP (four month comment period)	September 2016
Review of responses to CP	June 2017-September 2017
Develop draft amendments and additions to IPSASs	March 2018-September 2018
Approve ED of proposed amendments and additions to IPSASs (four month comment period)	September 2018
Review of Responses to ED	June-September 2019
Issues amendments and additions to IPSASs	December 2019

(c) Project output

5.3 The initial output will be a CP. Following the evaluation of responses to the CP, an ED containing proposed amendments to the measurement requirements and amendments and additions to guidance the existing suite of IPSASs will be issued. The final output will be revised IPSASs with amended requirements and guidance, including, potentially, additional guidance.

6. Resources Required

(a) Task Force

6.1 A Task Force will oversee the project. It is proposed that this Task Force should include a representative of the International Valuation Standards Council (IVSC) and the statistical accounting community.

(b) Staff

6.2 It is envisaged that 0.5 Full Time Equivalent (FTE) will be required to resource the project.

(c) Factors that might add to complexity and length

6.3 The range of existing measurement requirements in existing IPSASs. The complexity of certain measurement bases. The extra coordination and consultation related to a Task Force compared with a Task Based Group.

6.4 Developing a Consultation Paper extends the length of this project by 15-18 months.

7. Important Sources of Information

7.1 Important information sources include:

- Chapters 7 and 8 of the Conceptual Framework;
- Governmental Accounting Standards Board, Statement 72, *Fair Value Measurement*;
- Conseil de Normalisation des Comptes Publics (CNOCP), Standard 6, *Tangible Assets*;
- International Valuation Standards Council, Exposure Draft, *Valuations of Specialised Public Sector Assets*;
- Public Sector Accounting Group of Canadian Institute of Chartered Accountants, *Guide to Accounting for and Reporting Tangible Capital Assets*
- New South Wales Treasury, *Policy and Guidelines Paper, Valuation of Physical Non-Current Assets at Fair Value*
- CPA Australia, *Guide to Valuation and Depreciation under the International Accounting Standards for the Public Sector*
- Government Finance Statistics Manual 2014.

**INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS
BOARD****PROJECT BRIEF AND OUTLINE****1. Subject—Public Sector Assets: Heritage Assets**

- 1.1 IPSAS 17, *Property, Plant and Equipment*, was initially issued in December 2001. IPSAS 17 was primarily drawn from IAS 16, *Property, Plant and Equipment*. A revised version that reflected changes to IAS 16, resulting from the IASB's 2002-2003 General Improvements Project, was issued in December 2006. The principal requirements of IPSAS 17 relate to (a) recognition; (b) measurement at initial recognition and subsequently; (c) depreciation; (d) derecognition; and (e) disclosures.
- 1.2 IPSAS 17 provides grey letter guidance on heritage assets. There is no formal definition of heritage assets, but IPSAS 17 provides examples of such assets—historical buildings and monuments, archaeological sites, conservation areas and nature reserves. IPSAS 17 provides the following examples of the characteristics of heritage assets, noting that some also apply to other assets:
- Value in cultural, educational and historical terms unlikely to be fully reflected in a financial value based on market price;
 - There may be legal prohibitions or restrictions on their disposal;
 - Often irreplaceable and value may increase over time, even if their physical condition deteriorates; and
 - Estimation of useful lives is difficult
- 1.3 IPSAS 17 does not require an entity to recognize heritage assets that would meet the definition of property, plant and equipment. If an entity does recognize such assets it must provide the disclosures required by IPSAS 17 and may apply the measurement requirements in IPSAS 17.
- 1.4 At the time of IPSAS 17's approval in 2001 it was acknowledged that the requirements and guidance on heritage assets were provisional and that further work was necessary. In late 2004 the IPSASB therefore initiated a project on accounting for heritage assets. The IPSASB subsequently accepted an offer from the United Kingdom Accounting Standards Board's Committee on Accounting for Public-benefit Entities (UK ASB CAPE) to engage in an informal partnership; the UK ASB agreed to prepare a Discussion Paper (DP) analyzing the issue of heritage assets and proposing a possible way forward. The IPSASB agreed to make that DP, *Heritage Assets: Can Accounting Do Better?*, available for comment by the IPSASB's wider global constituency. In early 2006 the IPSASB issued a Consultation Paper (CP), *Accounting for Heritage Assets under the Accrual Basis of Accounting*, which incorporated at its core the UK ASB CAPE DP. The CP is available from staff on request.
- 1.5 The DP proposed the following definition of heritage assets:
- “An asset with historic, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture and this purpose is central to the objectives of the entity holding it.”*

- 1.6 The main, and most contentious, proposal in the DP was that heritage assets should be recognized wherever it is practicable to obtain reliable current valuations on an ongoing basis for a majority, by value, of all such assets held by the entity. Where not practicable to obtain such valuations for the majority, by value, of all heritage assets, the DP proposed that heritage assets should not be recognized. The DP also proposed a set of additional disclosures covering areas such as the entity's preservation and management policy and the sources of funding for acquisitions. These disclosures would apply regardless of the decision on recognition.
- 1.7 Respondents expressed mixed views on the proposals. There was some support for certain aspects of the definition, but reservations that similar items would be treated differently, dependent on the objectives of the entity holding them. There was considerable support for the principle of additional disclosures for heritage assets, although some disagreement with a more specific proposal requiring time series information for a number of previous years, which was considered onerous. There was little support for the "all-or-nothing" approach for recognition and measurement. A number of respondents argued that the proposal was logically flawed, because it would not be possible to make a judgment on the feasibility of obtaining reliable current valuations on an ongoing basis for a majority, by value, of heritage assets held by the entity without commissioning a full valuation in the first place.
- 1.8 Furthermore, there was no consensus on the approach to recognition. Respondents expressed very diverse views. Some respondents argued that heritage assets should be recognized on the same basis as other items of property, plant and requirements. Conversely other respondents favored the non-recognition of heritage items and a set of enhanced disclosures. Most respondents indicated a preference for heritage assets to be addressed in IPSAS 17, rather than in a separate IPSAS.
- 1.9 The IPSASB decided that, in light of the commencement of the Conceptual Framework project and the obvious links to the definition of an asset the project should be deactivated until the Framework was considerably advanced.

2. Project Rationale and Objectives

(a) Project rationale

- 2.1 The project rationale is to provide more detailed requirements and guidance on accounting for heritage assets in a revised IPSAS 17 or another IPSAS. The project may also result in more detailed requirements and guidance on accounting for heritage assets that are not property, plant and equipment, for example intangible heritage assets or heritage assets that meet the definition of biological assets. The project consider development of an IPSAS, a Recommended Practice Guideline, and the possibility of doing both in order to address both information in the financial statements and information reported outside of the financial statements.

(b) Objectives to be achieved

- 2.2 The objective is to issue a revised IPSAS 17 (or other IPSAS), with additional requirements and/or more detailed guidance on heritage assets.
- 2.3 The intermediate objectives are to produce a CP highlighting the main options for accounting and disclosure and an Exposure Draft (ED) of proposed requirements and guidance related to heritage assets.

(c) Link to IFAC and IPSASB Strategic Plans

i. Link to IPSASB Strategy

2.4 The project is consistent with the IPSASB's strategic sub-objective of "developing high-quality public sector financial reporting standards". The project is also consistent with the objective of raising awareness of IPSASs and the benefits of their adoption, because it deals with a class of assets that is particularly significant in the public sector. While private sector entities may hold heritage type assets, this is likely to be for investment purposes or for 'ambience' purposes.

ii. Link to IFAC Strategic Plan

2.5 IFAC's Strategic Plan for 2013–2016, *Leading the Way*, has two strategic objectives to which this project responds:

- (a) An urgent focus on improved public sector financial reporting; and
- (b) The development, adoption and implementation of high-quality international standards.

3. Outline of the Project

(a) Project Scope

3.1 The scope of this project is to provide more detailed requirements and guidance for the accounting and disclosure of heritage assets.

(b) Key Issues

3.2 The key issues are listed below: The list is not exhaustive.

Key Issue #1—Definition of a heritage asset

3.3 The Conceptual Framework (the Framework) defined an asset as *a resource presently controlled by the entity as a result of a past event*. The Framework describes a resource as *an item with service potential or the ability to generate economic benefits*. There is a view that many heritage items do not meet the asset definition. Some consider that they impose ongoing obligations on entities rather than providing service potential or the ability to generate economic benefits (cash or cash equivalents). A further view is that heritage items are not assets, because they are not recoverable. While it is relatively straightforward to provide the general characteristics of heritage assets it is more difficult to determine the balance between a definition that is too broad and risks including inappropriate items and a definition that is too restrictive.

3.4 The 2006 CP provides a starting point for a definition of heritage assets: *An asset with historic, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture and this purpose is central to the objectives of the entity holding it*. There was some support for aspects of this definition, although, as indicated above, reservations that whether an item meets the definition is dependent upon the characteristics and intentions of the entity holding it, rather than the attributes of the item itself. It is notable that the definition potentially includes national parks, flora and fauna, as well as the more traditional heritage items, such as art collections, building statues and monuments. Subsequent to the project the IPSASB also noted that there could be intangible heritage assets. IPSAS 31, *Intangible Assets* includes similar wording to IPSAS 17 on heritage assets.

Key Issue #2— Measurement and Cost-Benefit

- 3.5 The project will develop measurement requirements and guidance for the recognition and subsequent measurement of heritage assets taking Chapter 7, *Measurement of Assets and Liabilities in Financial Statements*, into account.
- 3.6 One of the main reasons given by preparers for not recognizing heritage items is the cost of obtaining valuations of heritage collections. While acknowledging that heritage items meet the definition of an asset they argue that the cost of obtaining valuations and other costs related to the recognition and measurement of heritage assets does not justify the benefits of reporting that information to users. The project will endeavor to provide further guidance on interpretation of the cost-benefit constraint identified in Chapter 3 of the Framework.

Key Issue #3 —Depreciation and Impairment

- 3.7 Some argue that heritage assets should be subject to the same depreciation requirements as other assets. Other take the view that there are attributes of heritage assets and features of their management that justify different depreciation requirements.
- 3.8 For heritage assets the view that there is no case for depreciation is based on the characteristics that the value of such assets may increase even if the physical condition deteriorates, and that it is frequently difficult, if not impossible, to estimate useful lives.
- 3.9 For similar reasons the assessment of impairment is not straightforward for heritage assets.

Key Issue #4—Disclosures

- 3.10 There is a view that additional disclosures need to be provided for heritage assets. Such a view is based on the characteristics of these assets; in particular that heritage assets imply stewardship responsibilities that require disclosure of conservation policies, the policy for developing and maintaining a collection, and other factors such as funding sources.
- 3.11 The rationale for additional disclosures is enhanced if it is decided that different depreciation requirements should be applied to such assets. However, the need for additional disclosures is countered by the recent emphasis on “disclosure overload”.

4. Describe the Implications for any Specific Persons or Groups

(a) Relationship to IASB

- 4.1 The IASB does not distinguish heritage assets from other items of property, plant and equipment. There are links to IAS 16, *Property, Plant and Equipment* and IFRS 13, *Fair Value Measurement*, although these are tenuous.

(b) Relationship to Other Standards, Projects in Process or Planned Projects

- 4.2 There are strong links to the Conceptual Framework and, also to the project on Public Sector Measurement. The Heritage Assets project will take into account developments in the Public Sector Measurement project, but will not await completion or significant development of that project.

(c) Other—Government Finance Statistics

- 4.3 The requirements and guidance in statistical accounting sources will be considered. The Government Finance Statistics Manual (GFSM) discusses statistical accounting for the construction of new public

monuments, as well as major improvements to existing public monuments. GFSM also discusses the initial recording of a structure or site of special archaeological, historical, or cultural significance not already recorded in the balance sheet. The *Process for Considering GFS Reporting Guidelines during Development of IPSASs* (2014) will guide the approach to evaluating approaches in the GFSM.

5. Development Process, Project Timetable and Project Output

(a) Development Process

5.1 The development of outputs will be subject to the IPSASB's formal due process. The approval of the CP and ED will be subject to the usual IPSASB voting rules. As the project progresses, regular assessments will be made to confirm the proposed path in the project timetable remains the most appropriate.

(b) Project timetable

5.2 This project will be

Major Project Milestones	Expected Completion
Present revised draft Project Brief	June 2015
Development of Consultation Paper (CP)	August 2015-June 2016
Approve CP (four month comment period)	June 2016
Review of responses to CP	March 2017-June 2017
Develop Exposure Draft (ED)	July 2017-December 2017
Approve ED (four month comment period)	December 2017
Reviews of responses to ED	June–September 2018
Approve revisions to IPSAS 17 (or new IPSAS)	March 2019

(c) Project output

5.3 Given the range of potential approaches to accounting for heritage assets, it is not feasible to go straight to ED stage. The initial output will therefore be a CP. While the IPSASB has issued a CP this was almost ten years ago and, as previously indicated, the responses to the CP expressed diverse views on recognition. Following analysis of responses to the CP, an ED will be developed. Revised requirements, if warranted, will be finalized following analysis of responses to the ED.

6. Resources Required

(a) Task Force

6.1 A Task Force will oversee the project. This should include constituents such as the valuation profession and statistical accountants. It should also include a preparer if possible.

(b) Staff

6.2 It is envisaged that 0.5 Full Time Equivalent (FTE) will be required to resource the project.

(c) Factors that might add to complexity and length

- 6.3 The range of possible approaches for heritage assets. The extra coordination and consultation that could be involved with Task Force involvement. Connections to other IPSASB projects.
- 6.4 Developing a Consultation Paper will extend the length of this project by 15-18 months.

7. Important Sources of Information

- 7.1 The principal information sources of information will be the literature of public sector standard setters who have addressed heritage assets and statistical accounting literature. These include (but are by no means limited to):

- Conseil de Normalisation des Comptes Publics (CNOCP), Standard 17, *Heritage Assets*
- Federal Accounting Standards Advisory Board, Statement of Federal Financial Accounting Standards 29, *Heritage Assets and Stewardship Land*
- United Kingdom Financial Reporting Council, Financial Reporting Statement 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland, Section 34: Heritage Assets*
- *United Kingdom Accounting Standards Board, Discussion Paper, Heritage Assets: Can Accounting Do Better* (incorporated in 2006 IPSASB Consultation Paper)
- New Zealand Treasury, *Valuation Guidance for Cultural and Heritage Assets*
- *Australian Accounting Standards Board 116, Property, Plant and Equipment*
- South African Accounting Standards Board GRAP 103, *Heritage Assets*
- Natalia Aversano & Caterina Ferrone, *The Accounting Problem of Heritage Assets*
- National Portrait Gallery (UK); *Capitalising the Gallery's Heritage Assets*
- Government Finance Statistics Manual 2014

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD

PROJECT BRIEF AND OUTLINE

1. Subject—Public Sector Assets: Infrastructure Assets

- 1.1 IPSAS 17, *Property, Plant and Equipment*, was initially issued in December 2001, IPSAS 17 was primarily drawn from IAS 16, *Property, Plant and Equipment*. A revised version that reflected changes to IAS 16, resulting from the IASB's 2002-2003 General Improvements Project, was issued in December 2006. The principal requirements of IPSAS 17 relate to (a) recognition; (b) measurement at initial recognition and subsequently; (c) depreciation; (d) derecognition; and (e) disclosures.
- 1.2 IPSAS 17 provides limited guidance on infrastructure assets. IPSAS 17 notes that there is no universally accepted definition of infrastructure assets, but provides examples of such assets—road networks, sewer systems, water and power supply systems and communication networks—and notes that infrastructure assets display some or all of the following characteristics:
- Part of a system or network
 - Specialized in nature and no alternative users
 - Immovable
 - Subject to constraints on disposal

Regardless of this guidance, IPSAS 17 states that “infrastructure assets meet the definition of property, plant and equipment and should be accounted for in accordance with this Standard.” Some standard setters have (or have had) specific requirements related to infrastructure assets and the character of infrastructure assets raises issues related to componentization and enhanced or additional disclosures.

2. Project Rationale and Objectives

(a) Project rationale

- 2.1 The project rationale is to provide more detailed requirements and guidance on accounting for infrastructure assets as revisions to IPSAS 17.

(b) Objectives to be achieved

- 2.2 The objective is to issue a revised IPSAS 17 (or other IPSAS), with additional requirements and/or more detailed guidance on infrastructure assets.
- 2.3 The intermediate objectives are to produce a Consultation Paper (CP) of viable options for accounting and disclosure and an Exposure Draft (ED) of proposed revisions to IPSAS 17 related to infrastructure assets or of an IPSAS specific to infrastructure assets.

(c) Link to IFAC and IPSASB Strategic Plans

i. Link to IPSASB Strategy

2.6 The project is consistent with the IPSASB's strategic objective of "developing high-quality public sector financial reporting standards". The project is also consistent with the objective of raising awareness of IPSASs and the benefits of their adoption, because infrastructure assets are particularly significant in the public sector.

ii. Link to IFAC Strategic Plan

2.7 IFAC's Strategic Plan for 2013–2016, *Leading the Way*, has two strategic objectives to which this project responds:

- (a) An urgent focus on improved public sector financial reporting; and
- (b) The development, adoption and implementation of high-quality international standards.

3. Outline of the Project

(a) Project Scope

3.1 The scope of this project is to provide more detailed requirements and guidance for infrastructure assets.

(b) Key Issues

3.2 The key issues are listed below:

Key Issue #1—Definition

3.3 Paragraph 1.2 above gives the characteristics of infrastructure assets identified in IPSAS 17. The project will develop a definition of infrastructure assets that seeks a balance between being too broad and therefore risks including inappropriate items and a definition that is too restrictive.

3.4 The project will also seek to provide details of some of the most common categories of infrastructure assets and, at a high level, the data necessary for an inventory to maintain valuations and assess maintenance needs and providing input to the estimation of depreciation and impairment. Such an inventory should be part of the overall management of infrastructure assets, rather than information maintained for purely accounting purposes.

Key Issue #2— Measurement at initial recognition and subsequently

3.5 The project will consider measurement requirements and guidance for infrastructure assets taking into account the recommendations from the Public Sector Measurement project and the measurement bases identified in Chapter 7, Measurement of Assets and Liabilities in Financial Statements of the Conceptual Framework. Given the nature of infrastructure, for jurisdictions adopting a current value accounting policy depreciated replacement cost will be the appropriate measurement basis. The project will seek to provide guidance on the application of depreciated replacement cost at initial recognition and for subsequent measurement.

Key Issue #3 —Depreciation and infrastructure

- 3.6 Some argue that infrastructure assets should be subject to the same depreciation requirements as other assets. There is a view that depreciation requirements should be aligned to asset management policies.
- 3.7 Some standard setters have developed approaches (or have previously had approaches in place) that permit entities not to depreciate infrastructure assets if they meet specified conditions. Such conditions typically relate to the maintenance of up-to-date inventories, the completion of regular condition assessments and financing the maintenance and preservation of such assets at a specified level in accordance with such condition assessments. Such depreciation requirements are not in accordance with the existing depreciation requirements of IPSAS 17. The project will examine whether there is a public sector rationale for differential depreciation requirements for infrastructure assets.

Key Issue#4—Componentization

- 3.8 Componentization is not an issue specific to infrastructure assets. However, because of their nature it has a particular significance for infrastructure assets and has major cost implications for preparers. Componentization involves the disaggregation of an overall network into different parts with different useful lives and replacement costs. There can be diversity of practice in what constitutes a component. Unnecessarily detailed disaggregation of a network can lead to increased costs, as each component has to be valued and has a separate useful life. The project will consider whether high-level guidance can be developed that is useful for preparers, while acknowledging that the development of detailed schedules of components for common infrastructure assets is likely to be inappropriate for a principles-based standard setter.

Key Issue#5—Disclosures

- 3.9 There is a view that the disclosure requirements in IPSAS 17 are insufficient for infrastructure assets and that additional disclosures need to be developed. Such a view is based on the fact that infrastructure assets are part of a network delivering essential services. Disclosures of condition assessments and maintenance backlogs are necessary for accountability purposes, so that users can assess whether the entity is able to provide essential services in the future. The need for additional disclosures is countered by the recent emphasis on “disclosure overload”.

4. Describe the Implications for any Specific Persons or Groups

(a) Relationship to IASB

- 4.1 There are links to IAS 16, *Property, Plant and Equipment*, and IFRS 13, *Fair Value Measurement*. Neither IPSAS 17 nor IFRS 13 address infrastructure assets separately from other items of property, plant and equipment.

(b) Relationship to Other Standards, Projects in Process or Planned Projects

- 4.2 There are links to the Conceptual Framework and, in particular, to the project on public sector measurement. There are commonalities between the Public Sector Measurement and Public sector Assets: Infrastructure projects, particularly on the application of depreciated replacement cost and valuations for subsequent measurement. The timetable indicates that the project will not start until the project on public sector measurement is well advanced.

(c) Other—Government Finance Statistics

- 4.3 The definition and measurement requirements in the Government Finance Statistics Manual and other sources of statistical accounting will be considered. The *Process for Considering GFS Reporting Guidelines during Development of IPSASs* (2014) will guide the approach to evaluating approaches in the GFSM.
- 4.4 In evaluating statistical accounting approaches the newly developed tracking table will be a useful source.

5. Development Process, Project Timetable and Project Output

(a) Development Process

- 5.1 The development of outputs will be subject to the IPSASB’s formal due process. The approval of the CP and ED will be subject to the usual IPSASB voting rules. As the project progresses, regular assessments will be made to confirm the proposed path in the project timetable remains the most appropriate.

(b) Project timetable

- 5.2 This project will be informed by the project on public sector measurement, so it will be inappropriate to activate it until the public sector measurement project is well developed. This is not estimated to be before Q3 2015.

Major Project Milestones	Expected Completion
Present revised draft Project Brief	June 2015
Development of Consultation Paper (CP)	August 2016-March 2017
Approve CP (four month comment period)	March 2017
Review of responses to CP	December 2017-March 2018
Develop Exposure Draft (ED)	April 2018-August 2018
Approve ED (four month comment period)	September 2018
Reviews of responses to ED	March-June 2019
Approve revisions to IPSAS 17 (or new IPSAS)	September 2019

(c) Project output

- 5.3 The initial output will be a CP. Following analysis of responses to the CP, an ED will be developed. Revised requirements, if warranted, will be finalized following analysis of responses to the ED.

6. Resources Required

(a) Task Force

- 6.1 A Task Force will oversee the project. This should include constituents such as the valuation profession and statistical accountants.

(b) Staff

6.2 It is envisaged that 0.4 Full Time Equivalent (FTE) staff member will be required to resource the project.

(c) Factors that might add to complexity and length

6.3 The range of infrastructure assets. The extra coordination and consultation related to a Task Force compared with a Task Based Group.

6.4 Developing a Consultation Paper will extend the length of this project by 15-18 months.

7. Important Sources of Information

7.1 The principal information sources of information will be the literature of public sector standard setters and statistical accountants. These include (but are by no means limited to):

- Conseil de Normalisation des Comptes Publics (CNOCP), Standard 6, *Tangible Assets*
- Chartered Institute of Public Finance and Accountancy (CIPFA): *Code of Practice on Transport Infrastructure Assets (and also Guidance Notes)*
- CIPFA Local Authority Technical Bulletin 100, *Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17*
- South African Accounting Standards Board (SAASB), *Accounting for Infrastructure Assets - Facts and Fiction*
- SAASB, *Summary of Results of the Post-implementation Review of Selected Standards of GRAP*
- CPA Canada, *Accounting for Infrastructure Assets*
- CPA Australia, *Guide to Valuation and Depreciation under the International Accounting Standards for the Public Sector*
- Queensland Treasury, *Non-Current Asset Policies for the Queensland Public Sector*
- International Valuation Standards Council, *Exposure Draft, Valuations of Specialised Public sector Assets*
- New South Wales Treasury, *Policy and Guidelines Paper, Valuation of Physical Non-Current Assets at Fair Value*
- International Monetary Fund, *Government Finance Statistics Manual 2014*

**INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS
BOARD****PROJECT BRIEF AND OUTLINE****1. Subject—Review of Cash Basis IPSAS**

- 1.1 The IPSAS, *Financial Reporting Under the Cash Basis of Accounting, (the Cash Basis IPSAS)* was issued in January 2003. *The Cash Basis IPSAS* was subsequently updated with additional requirements and encouragements about the presentation of budget information in 2006 and external assistance in 2007.
- 1.2 *The Cash Basis IPSAS* is in two parts. Part 1 provides requirements, while Part II provides encouraged additional disclosures.
- 1.3 In 2008 the IPSASB initiated a project, overseen by a Task Force to consider implementation issues and to make recommendations to the IPSASB on modifications to *the Cash Basis IPSAS*. The Task Force was chaired by then IPSAS Deputy Chair, Erna Swart, and included an IPSASB member, (the current Chair) and representatives of bi-lateral and multi-lateral donors. The staff lead was Paul Sutcliffe, Senior Adviser. The Task Force's work was informed by responses to a questionnaire and visits by Task Force members to national governments. In mid-2010 the Task Force agreed its recommendations, finalized its report and submitted it to the IPSASB. The IPSASB discussed the recommendations at its June 2010 meeting. The IPSASB accepted all of the Task Force's recommendations except that members expressed different views about the recommendation dealing with consolidation. However, largely because of resource issues, the IPSASB deferred work on implementation of the Task Force recommendations. The Task Force report is at Appendix A.
- 1.4 The work plan section of *the IPSASB Strategy Consultation*, issued in March 2014, addressed the future of *the Cash Basis IPSAS* and sought respondents' views on the usefulness of *the Cash Basis IPSAS* as well as recommendations for how the IPSASB should deal with it going forward. *The IPSASB Strategy Consultation* provided three options:
 - (a) Retain the Cash Basis IPSAS and complete the project to revise it;
 - (b) Retain the Cash Basis IPSAS but do no further work on it; or
 - (c) Withdraw the Cash Basis IPSAS.
- 1.5 The majority of respondents favored retention of *the Cash Basis IPSAS*. However, these respondents were almost equally split between those who did not support allocating further resources to this IPSAS and those who advocated completing a detailed project. A majority of IPSASB members agreed that a project on reviewing *the Cash Basis IPSAS* should be added to the work program and directed staff to prepare a project brief outlining a potential limited scope project for the March 2015 meeting.

2. Project Rationale and Objectives

(a) Project rationale

2.1 The project rationale is to make limited changes to *the Cash Basis IPSAS* to respond to points raised by the Task Force and preparers. The project is not a full review of *the Cash Basis IPSAS* and does not address all the recommendations of the Task Force

(b) Objectives to be achieved

2.2 The objective is to issue a revised *Cash Basis IPSAS*.

2.3 The intermediate objective is to produce an Exposure Draft of proposed changes.

(c) Link to IFAC and IPSASB Strategic Plans

i. Link to IPSASB Strategy

2.4 The project is consistent with the IPSASB's strategic objective of "developing high-quality public sector financial reporting standards". Because adoption and implementation of *the Cash Basis IPSAS* is acknowledged as a step on the way to adoption of accrual-based IPSASs the project is also consistent with the objective of raising awareness of IPSASs and the benefits of their adoption.

ii. Link to IFAC Strategic Plan

2.5 IFAC's Strategic Plan for 2013–2016, *Leading the Way*, has two strategic objectives to which this project responds:

(a) An urgent focus on improved public sector financial reporting; and

(b) The development, adoption and implementation of high-quality international standards.

3. Outline of the Project

(a) Project Scope

3.1 The scope of this project is to review the requirements in *the Cash Basis IPSAS* for Consolidation, External Assistance and Third Party Settlements. There will also be a high level "housekeeping" review of the *Cash Basis IPSAS* in response to the Task Force recommendation that *Part 1 of the Cash Basis IPSAS* should be subject to a broad "house-keeping" review periodically to ensure that its requirements remain appropriate, including any requirements derived from the equivalent accrual IPSAS. Since the Task Force reported the IPSASB has issued:

- IPSAS 31, *Intangible Assets*
- IPSAS 32, *Service Concession Arrangements: Grantor*;
- IPSAS 33, *First-time Adoption of Accrual Basis IPSAS*; and
- IPSAS 34-38, *Interests in Other Entities*.

(b) Key Issues

3.2 The key issues are listed below: The list is not exhaustive.

Key Issue #1—Consolidation

- 3.3 During the development of the Cash Basis IPSAS there was considerable discussion of consolidation with some members questioning whether the inclusion of requirements for a controlling entity to issue consolidated financial statements was too onerous. However, the IPSASB decided to include such a requirement. The Cash Basis IPSAS includes a transitional provision that provides a three-year relief period from the requirement to eliminate all cash balances and transactions between entities within the economic entity
- 3.4 The Task Force identified consolidation as a significant legal and technical issue. A number of respondents to the questionnaire cited it as an impediment to adoption of the Cash Basis IPSAS. The Task Force noted that that concerns about the practicality and usefulness of preparing consolidation financial statements encompassing all controlled entities were not really particular to application of the Cash Basis IPSAS. The experience of recent adopters of IPSASs and the comments in the 2013 Eurostat report on the feasibility of the adoption of IPSAS in the European Union have both highlighted the challenge of consolidation.
- 3.5 The Task Force recommended a transitional period of three to five years within which full consolidation of all entities is to be achieved. The project will look at implementing this recommendation and will also look at whether the consolidation provisions in Part 1 should be relocated to Part 2.

Key Issue #2—External Assistance

- 3.6 Part 1 of *the Cash Basis IPSAS* has requirements related to external assistance. External assistance is defined as all official resources which the recipient can use or otherwise benefit from in pursuit of its objectives. The definition of official resources is limited to loans, grants, technical assistance, guarantees or other assistance provided or committed under a binding agreement by multilateral or bilateral external assistance agencies or by a government, or agencies of a government, other than to a recipient of the same nation as the government or government agency providing, or committing to provide the assistance. The definition does not include assistance provided by non-governmental organizations (NGOs), even if such assistance is provided under a binding arrangement.
- 3.7 Part 2 of the Cash Basis IPSAS provides encouraged disclosures related to assistance received and used from NGOs. While acknowledging the complexities and sensitivities involved, the Task Force recommended that certain of the encourage disclosures about the sources and uses of external assistance related to NGOs in Part 2 of *the Cash Basis IPSAS*, should be relocated to Part 1 The project will examine this proposal.

Key Issue #3—Third Party Payments

- 3.8 Part 1 of the Cash Basis IPSAS requires disclosures of total payments by a third party in direct settlement of the obligations of an entity or purchases of goods and services for the benefit of the entity. The Task Force commented that it was not convinced that some preparers understood the requirements to disclose information about third party settlements and identified two main concerns:
- The timeliness of the availability of information; and
 - The distinction between third party settlements and external assistance received in the form of goods and services and the type and location of the disclosures that are to be made about each.

- 3.9 The Task Force recommended that the IPSASB clarify the relationship between third party settlements and external assistance received in the form of goods and services and the type and location of the disclosures to be made about each.
- 3.10 Staff also considers that consideration should be given to relocating the requirements related to third party settlements to Part 2 of *the Cash Basis IPSAS*.

4. Describe the Implications for any Specific Persons or Groups

(a) Relationship to IASB

- 4.1 Because the project deals with the cash basis of accounting there are no implications for the relationship with the IASB.

(b) Relationship to Other Standards, Projects in Process or Planned Projects

- 4.2 There are links to IPSAS 33, *First Time Adoption of IPSASs*. There are allusions to external assistance in IPSAS 33, but no detailed guidance. The project provides an opportunity to clarify the relationship between the *Cash Basis IPSAS* and IPSAS 33. There are indirect links to Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities*. One of the recommendations of the Task Force was that the IPSASB should clarify and reinforce the role of *the Cash Basis IPSAS* and Study 14 in supporting the movement along the spectrum from the cash to the accrual basis of financial reporting.

(c) Other—Government Finance Statistics

- 4.3 There are no direct links to the Government Finance Statistics Manual and the European System of Accounts 2010.

5. Development Process, Project Timetable and Project Output

(a) Development Process

- 5.1 The development of outputs will be subject to the IPSASB's formal due process. The approval of the ED will be subject to the usual IPSASB voting rules. As the project progresses, regular assessments will be made to confirm the proposed path in the project timetable remains the most appropriate.

(b) Project timetable

Major Project Milestones	Expected Completion
Present draft Project Brief	March 2015
Development of proposed amendments to the <i>Cash Basis IPSAS</i>	April-August 2015
Approve ED (four month comment period)	September 2015
Review of responses to ED	March-June 2016
Develop revised <i>Cash Basis IPSAS</i>	July-November December 2015
Approve revised <i>Cash Basis IPSAS</i>	December-March 2016

(c) Project output

- 5.2 The initial output will be an Exposure Draft. Following analysis of the responses to the ED a revised *Cash Basis IPSAS* will be issued. The issuance of a revised *Cash Basis IPSAS* will provide a fresh opportunity to explain the intention of the *Cash Basis IPSAS* and its role in the migration to the full accrual basis.

6. Resources Required

(a) Task Based Group

- 6.1 A Task Based Group will assist in overseeing the project. Given the limited scope of the project staff does not think it is necessary to reactivate the 2008 Task Force that produced the 2010 Task Force Report or to establish a new Task Force.

(b) Staff

- 6.2 It is envisaged that 0.2 Full Time Equivalent (FTE) will be required to resource the project.

(c) Factors that might add to complexity and length

- 6.3 The factor that will add to the complexity and length of the project is extension of the project to cover a broader range of issues identified by the Task Force

7. Important Sources of Information

- 7.1 The principal information source of information is the 2010 Task Force Report.

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD PROJECT BRIEF AND OUTLINE

1. Subject—Revenue

- 1.1 There are currently three IPSASs dealing with aspects of revenue:
- (a) IPSAS 9, *Revenue from Exchange Transactions* (July 2001);
 - (b) IPSAS 23, *Revenue from Non-Exchange Transactions (including Taxes and Transfers)* (December 2006); and
 - (c) IPSAS 11, *Construction Contracts* (July 2001).
- 1.2 All of these IPSASs were issued some time ago. Both the IPSASB and the IASB have recently completed important projects that could have an impact on how the IPSASB thinks about accounting for revenue.
- (a) In October 2014 the IPSASB issued the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework). [The Conceptual Framework will be a key influence on the project as it defines the elements of financial statements reporting and establishes recognition criteria.](#) The IPSASB has previously noted that IPSAS 23 might need to be reviewed following completion of the Conceptual Framework. In particular, the guidance in IPSAS 23 on when to recognize revenue and when to recognize liabilities should be reviewed for consistency with the Conceptual Framework.
 - (b) In May 2014 the International Accounting Standards Board (IASB) issued IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers (except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments). It therefore superseded IAS 11, *Construction Contracts* and IAS 18, *Revenue* and a number of Interpretations. IPSAS 9, *Revenue from Exchange Transactions* and IPSAS 11, *Construction Contracts* are primarily drawn from IAS 18 and IAS 11. [Although this project is not a convergence project, IFRS 15 will be used as a significant reference point.](#)
 - (c) [The IPSASB's Process for Considering GFS Reporting Guidelines during Development of IPSASs \(2014\) and the Government Finance Statistics Manual \(GFSM 2014\) and issues identified by constituents will also be considered.](#)
- 1.3 This project brief proposes that the IPSASB undertake a single revenue project to update the requirements and guidance on exchange revenue and non-exchange revenue. Reasons for proposing a single revenue project are:
- (a) The IPSASB's standards level requirements and guidance for both exchange and non-exchange revenue should be as consistent as possible. They should also be consistent with the Conceptual Framework, and, to the extent appropriate, with IFRS 15. Having a single project makes this goal more achievable.

- (b) IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. There are a number of similarities between the approach taken in IFRS 15 and the approach taken in IPSAS 23 (as set out in the flowchart at IPSAS 23.29). This raises the question of whether the IFRS 15 approach could be applied to both exchange and, with appropriate modifications, to non-exchange revenue. Even if the IPSASB decides that ~~a modified~~ the IFRS 15 approach is not appropriate for non-exchange revenue, the IFRS 15 approach could be used to challenge or rethink some aspects of the IPSAS 23 approach.
- 1.4 The project will be conducted in two phases. The initial phase will examine the implications of the Conceptual Framework and IFRS 15 for the IPSAS(s) dealing with revenue and the extent to which IFRS 15 is appropriate for revenue transactions in the public sector. Once this phase has been completed, the IPSASB will decide whether to issue a Consultation Paper and whether to issue one or more Exposure Drafts of IPSASs.
- (a) Consultation Paper: These can provide useful feedback when the IPSASB is looking to make significant changes or is looking at alternative options. The benefit of a Consultation Paper for this project should be determined once the initial phase has been completed.
- (b) One or more IPSASs: Having a single project does not mean that the IPSASB is committed to having a single standard. The first phase of the project needs to be completed before the IPSASB decides whether to develop one or more IPSASs dealing with revenue.
- 1.5 Table 1 summarizes the matters discussed above.

Table 1 Overview

Current Standards	Impetus for Change	Project Output
IPSAS 9 (2001)	Conceptual Framework (2014)	Consultation Paper – to be decided
IPSAS 23 (2006)	IFRS 15, <i>Revenue from Contracts with Customers</i> (2014)	New or revised IPSAS(s)
IPSAS 11 (2001)	Issues identified by constituents GFSM 2014	

2. Project Rationale and Objectives

- 2.1 The requirements for revenue transactions in IPSASs should be consistent with the Conceptual Framework, and to the extent appropriate, with IFRS 15.

- 2.2 The decision as to whether one or more IPSASs should be developed will be decided once the IPSASB has assessed the potential application of IFRS 15 to a wide range of revenue transactions in the public sector ~~context~~, and having regard to the Conceptual Framework.
- 2.3 The project will also consider issues raised by constituents in relation to existing IPSASs dealing with revenue.

(a) Issues Identified

- 2.4 The project will identify the similarities and differences between the approaches to revenue recognition and measurement in IPSAS 23 and IFRS 15 and consider whether an IFRS 15 approach could be applied to a wide range of revenue transactions in the public sector. The steps required by IPSAS 23 and IFRS 15 are shown in Table 2. As can be seen in Table 2, IPSAS 23 focuses on *present obligations* and IFRS 15 focuses on *performance obligations*.

Table 2 Steps in IPSAS 23 and IFRS 15

IPSAS 23	IFRS 15
<p>Does the inflow give rise to an item that meets the definition of an asset?</p> <p>Does the inflow satisfy the criteria for recognition as an asset?</p> <p>Does the inflow result from a contribution from owners? If yes, refer to other IPSASs.</p> <p>Has the entity satisfied all of the <i>present obligations</i> related to the inflow?</p> <ul style="list-style-type: none"> Recognize an asset and revenue to the extent that a liability is not also recognized. Recognize a liability to the extent that the present obligations have not been satisfied. 	<p>Identify the contract(s) with the customer</p> <p>Identify the <i>performance obligations</i> in the contract</p> <p>Determine the transaction price</p> <p>Allocate the transaction price</p> <p>Recognize revenue when a <i>performance obligation</i> is satisfied</p>

(b) Objectives to be achieved

- 2.5 The objective of the project is to develop IPSAS(s) dealing with revenue that are consistent with the Conceptual Framework, and to the extent appropriate, IFRS 15. The project should also address issues raised by constituents in relation to IPSASs 9, 11 and 23.

(c) Link to IFAC and IPSASB Strategic Plans

Link to IPSASB Strategy

- 2.6 The project is consistent with the IPSASB’s strategic objective of “developing high-quality public sector financial reporting standards”. It is also consistent with two of the factors used by the IPSASB to assess project priorities in relation to the accrual IPSASs, being:

- (a) Significance for the public sector; and
- (b) IFRS convergence.

Link to IFAC Strategy

2.7 IFAC's Strategic Plan for 2013–2016, *Leading the Way*, has two strategic objectives to which this project responds:

- (a) An urgent focus on improved public sector financial reporting; and
- (b) The development, adoption and implementation of high-quality international standards.

Relationship to Other Standards, Projects in Process or Planned

2.8 The project provides an opportunity for the IPSASB to revise three existing standards, having regard to the Conceptual Framework.

3. Outline of the Project

(a) Project Scope

3.1 The scope of this project is to develop new standards-level requirements and guidance on revenue to supersede that currently located in IPSASs 9, 11 and 23. [Because the project will deal with the recognition and measurement of revenue it will also deal with the initial recognition and measurement of any associated receivables.](#)

(b) Key Issues that should be addressed in Phase 1

Key Issue #1— What are the similarities and differences between the approach in IPSAS 23 and IFRS 15?

3.2 As Table 2 shows (see paragraph 2.4 above), revenue recognition in IPSAS 23 is based on the satisfaction of present obligations and in IFRS 15 it is based on the satisfaction of contractual performance obligations. The project will consider when these two approaches would lead to the same result and when they might differ.

Key Issue #2— What type of modifications would be required for IFRS 15 to be suitable for application to a wide range of revenue transactions in the public sector (including [some revenue transactions](#) currently within the scope of IPSAS 23)?

3.3 These issues include:

- (a) Identifying customers: IFRS 15.6 states that: "An entity shall apply this Standard to a contract only if the counterparty to the contract is a customer." It will be necessary to consider how to deal with situations in which it is difficult to identify which party is the customer.
- (b) Enforceable arrangement: Consider how the term 'enforceable arrangements' relates to the term 'binding arrangements'. IFRS 15.10, states that "A contract is an agreement between two or more parties that creates enforceable rights and obligations. IPSASs, including IPSAS 11, use the term binding arrangements.

- (c)- Performance obligation: Consider how IFRS 15 applies to a range of performance obligations in the public sector and consider whether this is consistent with the Conceptual Framework.
- (d) Non-exchange components of transactions: Consider what modifications will be required to deal with the non-exchange components of transactions.
- (e) Construction contracts: IPSAS 11 contains guidance relating to cost-based and non-commercial contracts.

Key Issue #3— How many IPSASs should the IPSASB develop (to be determined following completion of Phase 1)?

- 3.4 The IPSASB's views on Key Issue 2 will inform its judgment about whether it would be appropriate to develop a single revenue standard or whether it would be more appropriate to have more than one revenue standard.

Key Issue #4— Should the IPSASB issue a Consultation Paper before developing Exposure Drafts?

- 3.5 The IPSASB generally uses Consultation Papers to seek constituents' views on major issues. If, for example, the IPSASB were to propose removing the distinction between exchange and non-exchange revenue, a Consultation Paper would be appropriate.

(c) Key Issues that should be addressed in Phase 2

Key Issue #5— Do all of the issues that constituents have raised in respect of IPSAS 23 need to be dealt with in the proposed IPSAS(s)? If so, how?

- 3.6 The IPSASB will need to consider the issues raised by constituents and determine which of these issues should be specifically addressed in standards. To the extent that some of these issues arise because of the distinction between exchange and non-exchange revenue, the IPSASB's views on key issues 2 and 4 will influence consideration of the issues raised by constituents. Regardless, aspects of IPSAS 23 that will be considered in the context of this project include (i) time stipulations as restrictions rather than conditions and (ii) the discussion of control of assets in IPSAS 23.32 and .33.

Key Issue #6— Do all of the issues that constituents have raised in respect of IPSAS 11 need to be dealt with in the proposed IPSAS(s)? If so, how?

- 3.7 The IPSASB's 2014 Strategy Consultation noted a number of issues raised by constituents in relation to construction contracts. Some of these issues may be jurisdiction specific. The IPSASB will need to consider the relative prevalence and importance of these issues.

(d) Key Issues that might need to be addressed if the IPSASB issues a revised IPSAS 23

Key Issue #7— If the distinction between exchange and non-exchange transactions is retained, should the guidance on this distinction be improved?

- 3.8 Constituents have raised various issues about the interaction between IPSAS 23 and certain other standards such as IPSAS 13, *Leases*. There is some existing guidance in IPSASs on splitting transactions into exchange and non-exchange components. The project could look at whether there are gaps in this guidance and whether the guidance should be clarified.

4. Describe the Implications for any Specific Persons or Groups

(a) Relationship to IASB

4.1 This project will be based, at least in part, on IFRS 15. IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* will not be considered as part of this project. IAS 20 is not consistent with IPSASs as it permits a number of options for accounting for government grants. IAS 20 was not used in developing existing IPSASs. The IASB has previously expressed reservations about the requirements in IAS 20, including the fact that it is not consistent with the IASB's *Conceptual Framework*. The IASB does not currently have an active project to revise IAS 20, but the IASB's project on emissions trading schemes will lead to reconsideration of some aspects of IAS 20. Any relevant projects being undertaken by the IASB and IFRIC will be monitored as part of this project.

(b) Relationship to Other Standards, Projects in Process or Planned

4.2 The main linkage is with the Conceptual Framework, in particular the definitions of revenue and a liability. Consequential amendments to other IPSASs will be considered as a part of this project. Possible links with projects on non-exchange expenses and social benefits will also need to be considered.

(c) Other—Government Finance Statistics (GFS)

4.3 The *Process for Considering GFS Reporting Guidelines during Development of IPSASs* (2014) and the Government Finance Statistics Manual (GFSM 2014) will be [used when considering any differences between the proposed accounting for revenue transactions and GFSM 2014 requirements in developing the standard\(s\)](#).

5. Development Process, Project Timetable and Project Output

(a) Development Process

5.1 The development of outputs will be subject to the IPSASB's formal due process. The issuance of documents for public comment will be subject to the usual IPSASB voting rules. As the project progresses, regular assessments will be made to confirm the proposed path in the project timetable remains the most appropriate.

(b) Project output

5.2 The ultimate output will be one or more new or revised IPSASs. At the end of Phase 1 the IPSASB will determine its preliminary views, including whether to develop one or more IPSAS(s). The IPSASB will then consider the importance of constituent feedback on the issues considered and any preliminary views reached and decide whether to issue a Consultation Paper. The project timetable shown below provides timelines for both scenarios.

(c) Project timetable

Major Project Milestones	With Consultation Paper	Without Consultation Paper
Approve Project Brief	March 2015	March 2015
Phase 1 work	June 2015 – December 2015	June 2015 – December 2015
Form preliminary views, including a view on how many IPSASs to develop Decide whether to issue Consultation Paper	December 2015	December 2015
Develop Consultation Paper and issue (4 month comment period)	March 2016 – September 2016	
Consultation Paper comments due	End January 2017	
Consider comments on Consultation Paper and confirm how many IPSAS(s) to develop	March 2017	
Discussion of issues and development of Exposure Draft(s) (5 meetings)	June 2017 – June 2018	March 2016 – March 2017
Issue ED(s) (4 month comment period)	July 2018	April 2017
ED comments due	End November 2018	End August 2017
Consider comments and develop and approve IPSAS(s)	March 2019 – September 2019	December 2017 – June 2018
Issue IPSAS(s)	October 2019	July 2018

6. Resources Required

(a) Task Based Group

6.1 A task based group will oversee the project.

(b) Staff

6.2 It is envisaged that 0.5 full time equivalent external staff resource and 0.1 full-time equivalent IPSASB staff resource will be required to resource the project.

(c) Factors that might add to complexity and length

6.3 If the IPSASB decides to issue a Consultation Paper the project is expected to take 15 months longer than if no Consultation Paper were required.

7. Other Sources of Information

7.1 Other potential sources of information include:

- (a) Current projects of other standard setters including the Australian Accounting Standards Board (AASB), the Canadian Public Sector Accounting Board (PSAB), the Governmental Accounting Standards Board (GASB) and the South African Accounting Standards Board (ASB).

AASB project Income from Transactions of Not-For-Profit Entities

PSAB project Revenue (to develop principles that apply to revenues of governments and government organizations other than government transfers and tax revenue)

PSAB Post-Implementation Review: Section PS 3410, *Government Transfers*

GASB potential project Exchange-like revenues

GASB potential project In-kind contributions

GASB potential project Nonexchange Transactions—Reexamination of Statements 33 and 36

GASB potential project Revenue Recognition: Exchange Transactions—Reexamination of Statement 62

- (b) Pronouncements and guidance of standard setters¹ that deal with aspect of revenue including distinguishing revenue from contributions from owners.

AASB Interpretation 1038: *Contributions by owners made to wholly-owned public sector entities* (2007)

GASB Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions*

GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*

G4+1 SPECIAL REPORT *Accounting by Recipients for Non-Reciprocal Transfers, Excluding Contributions by Owners: Their Definition, Recognition and Measurement* (1999)

Financial Reporting Standards Board (FRSB) supplement to the G4+1 paper on non-reciprocal revenue (1999)

New Zealand Treasury *Guidance on Recognising Liabilities and Expenses* (2013)

PSAB Statement of Principles *Revenue*

PSAB Section PS 3410, *Government Transfers*

¹ This list includes guidance issued by bodies that can influence the accounting practices of public sector entities.

PSAB Section PS 3510, Tax revenue

- (c) Issues identified by IASB and the FASB Transition Resource Group – a group of external stakeholders established to identify and discuss issues that may arise in the implementation of IFRS 15 and Accounting Standards Update 2014-09. These issues include the identification of “distinct” performance obligations in a contract.
- (d) Statistical reporting guidelines including the Government Finance Statistics Manual (2014), the System of National Accounts (SNA) 2008, and the European System of Accounts.

**INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS
BOARD****PROJECT BRIEF AND OUTLINE****1. Subject— 1. Non-Exchange Expenses, Other Than Social Benefits**

- 1.1 There currently is one IPSAS that could be applied to some aspects of non-exchange expenses from a non-exchange transaction providers perspective, IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* (October 2002). In addition, IPSAS 23, *Revenue From Non-Exchange Transactions*, addresses many of these transactions from a recipient's perspective (which in many cases may be a public sector entity).
- 1.2 Factors that could be considered in assessing the priority of this potential project include:
 - (a) IPSAS 19 was issued some time ago and was primarily drawn from IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The IAS was not developed with non-exchange transactions in mind. Moreover, social benefits were excluded from the scope of IPSAS 19. Some have questioned whether the provisions should be applied to the non-exchange transactions that were not specifically excluded from the scope of IPSAS 19 (such as grants).
 - (b) In October 2014 the IPSASB issued the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework). In particular, the guidance in IPSAS 19 should be reviewed for consistency with the Conceptual Framework, especially the definitions of a liability and expense.
 - (c) The IPSASB also is considering a project that would address non-exchange revenues and has a project on its current agenda that is addressing social benefits. It would be beneficial to align asset and liability and revenue and expense measurement and recognition standards for all non-exchange transactions.
- 1.3 This project brief proposes that the IPSASB undertake a project to provide guidance on non-exchange expense transactions—other than social benefits.
- 1.4 The project could be conducted in two phases. The initial phase could examine the implications of the Conceptual Framework and current IASB standards dealing with recognition and measurement for provisions and contingent liabilities and consider the implications related to non-exchange expense transactions in the public sector. Once this phase had been completed, the IPSASB could then decide how to proceed with this project, and in particular, whether to issue a Consultation Paper and whether to issue a IPSAS on non-exchange expenses—other than social benefits, an IPSAS on all non-exchange expenses, an IPSAS on all non-exchange transactions (including revenue), or whether to just issue an amendment to IPSAS 19 that would clarify its application to certain non-exchange transactions.
 - (a) Consultation Paper: These can provide useful feedback when the IPSASB is looking to make significant changes or is looking at alternative options. The benefit of a

Consultation Paper for this project should be determined once the initial phase has been completed.

- (b) IPSAS: Having a non-exchange expense project does not mean that the IPSASB would be committed to issuing a non-exchange expense standard. The first phase of the project would need to be completed before the IPSASB could decide which path to take in the project.

2. Project Rationale and Objectives

- 2.1 The requirements for non-exchange expense transactions in IPSASs should be consistent with the Conceptual Framework, and to the extent appropriate, with any IPSASB standard on non-exchange revenue and social benefits.

(a) Issues Identified

- 2.2 The project should ~~identify the similarities and differences between the approaches to revenue recognition and measurement in IPSAS 23 and IFRS 15 and consider whether an IFRS 15 approach could be applied to a wide range of revenue transactions in the public sector. The steps required by IPSAS 23 and IFRS 15 are shown in Table 2. As can be seen in Table 2, IPSAS 23 focuses on present obligations and IFRS 15 focuses on performance obligations~~ be aligned with the project on Revenue, which is considering the implications for the public sector of adopting an approach that is based on performance obligations, rather than present obligations.-

(c) Link to IFAC and IPSASB Strategic Plans

Link to IPSASB Strategy

- 2.3 This would be consistent with the part of the IPSASB's strategic objective which refers to "Developing high-quality public sector financial reporting standards". It would also be consistent with one of the factors used by the IPSASB to assess project priorities in relation to the accrual IPSASs, being significance for the public sector.

Link to IFAC Strategy

- 2.4 IFAC's Strategic Plan for 2013–2016, *Leading the Way*, has two strategic objectives to which this project responds:
 - (a) An urgent focus on improved public sector financial reporting; and
 - (b) The development, adoption and implementation of high-quality international standards.

Relationship to Other Standards, Projects in Process or Planned

- 2.5 The project would provide an opportunity for the IPSASB to revise existing standards, having regard to the Conceptual Framework.

3. Outline of the Project

(a) Project Scope

3.1 The scope of this project is to develop new standards-level requirements and guidance on non-exchange expenses that would clarify or potentially supersede guidance currently located in IPSAS 19.

(b) Key Issues that should be addressed in Phase 1

Key Issue #1—What are the similarities and differences between the recognition and measurement approach being developed for the recognition of non-exchange revenues?

Key Issue #2—What are the similarities and differences between the recognition and measurement approach being developed for social benefits?

Key Issue #3—Should the IPSASB issue a Consultation Paper before developing an Exposure Draft?

Key Issue #4—What should be the scope of the IPSAS that the IPSASB would develop (for example, all non-exchange transactions, all non-exchange expense transactions, all non-exchange expense transactions other than social benefits)?

(c) Key Issues that should be addressed in Phase 2

Key Issue #5—Should specific guidance be developed for differing types of non-exchange expense transactions? If so, how?

4. Describe the Implications for any Specific Persons or Groups

(a) Relationship to IASB

4.1 Specific guidance on gifts (the private sector equivalent for many non-exchange expense transactions) is not provided in the IASB literature. However, some would assert that IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, provides general guidance that should be applied to those transactions. Any relevant projects being undertaken by the IASB and IFRIC would be monitored.

(b) Relationship to Other Standards, Projects in Process or Planned

4.2 The main linkage is with the Conceptual Framework, in particular the definitions of expense, liability, and asset. Consequential amendments to other IPSASs will be considered as a part of this project. As previously noted links with projects on non-exchange revenues and social benefits also would be considered.

(c) Other—Government Finance Statistics (GFS)

4.3 The *Process for Considering GFS Reporting Guidelines during Development of IPSASs* (2014) and the Government Finance Statistics Manual (GFSM 2014) will be considered in developing the standard(s).

5. Development Process, Project Timetable and Project Output

(a) Development Process

5.1 The development of outputs will be subject to the IPSASB's formal due process. The issuance of documents for public comment will be subject to the usual IPSASB voting rules. As the project progresses, regular assessments will be made to confirm the proposed path in the project timetable remains the most appropriate.

(b) Project output

5.2 The ultimate output will be one or more new or revised IPSASs. At the end of Phase 1 the IPSASB will decide whether to issue a Consultation Paper and form a view on whether to develop one or more IPSAS(s).

(c) Project timetable

Major Project Milestones	Without Consultation Paper	With Consultation Paper
Approve Project Brief	March 2015	March 2015
Phase 1 work	June 2015 – June 2016	June 2015 – June 2016
Decide whether to issue Consultation Paper	June 2016	June 2016
Form view on how many IPSASs to develop	June 2016	June 2016
Develop Consultation Paper and issue (4 month comment period)		July 2016 – April 2017
Consultation Paper comments due		October 2017
Consider comments on Consultation Paper and confirm how many IPSAS(s) to develop		December 2017 – March 2018
Discussion of issues and development of Exposure Draft(s) (6 meetings)	September 2016 – December 2017	December 2017 – March 2019
Issue ED(s) (4 month comment period)	January 2018	April 2019
ED comments due	May 2018	October 2019
Develop and approve IPSAS(s)	June 2018 – March 2019	November 2019 – November 2020
Issue IPSAS(s)	April 2019	December 2020

6. Resources Required

(a) Task Based Group

6.1 A task based group will oversee the project.

(b) Staff

6.2 It is envisaged that 1 full time equivalent external staff resource and 0.25 full-time equivalent IPSASB staff resource will be required to resource the project.

(c) Factors that might add to complexity and length

6.3 If the IPSASB decides to issue a Consultation Paper this would extend the completion of the project by 16 months.

7. Other Sources of Information

7.1 Other potential sources of information include:

- (a) Current projects of other standard setters including the Canadian Public Sector Accounting Board (PSAB) and the Governmental Accounting Standards Board (GASB).

PSAB Post-Implementation Review: Section PS 3410, *Government Transfers*

GASB Non-Exchange Transactions—Re-examination of Statements 33 and 36 project

- (b) Pronouncements and guidance of standard setters¹ that specifically deal with non-exchange expenses.

GASB Statement No. 33 *Accounting and Financial Reporting for Non-exchange Transactions*

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*

New Zealand Treasury *Guidance on Recognising Liabilities and Expenses* (2013)

PSAB Section PS 3410, *Government Transfers*

- (c) Statistical reporting guidelines including the Government Finance Statistics Manual (2014), the System of National Accounts (SNA) 2008, and the European System of Accounts.

¹ This list includes guidance issued by bodies that can influence the accounting practices of public sector entities.