

## IPSAS<sup>®</sup> Summary – *Financial Reporting under the Cash Basis of Accounting* (*the Cash Basis IPSAS<sup>™</sup>*)

This summary provides an overview of revisions made to the Cash Basis IPSAS

**Project objectives:**

To amend the Cash Basis IPSAS to overcome obstacles to its adoption that result from the current requirements for the preparation of consolidated financial statements and disclosures of information about external assistance and third party payments.

**Approved:**

The International Public Sector Accounting Standards Board<sup>®</sup> (IPSASB<sup>®</sup>) approved IPSAS, *Financial Reporting under the Cash Basis of Accounting*, in September 2017.

**Project History:**

The Cash Basis IPSAS was first issued in 2003 and modified in 2006 and 2007. In 2015 the IPSASB issued ED 61, *Amendments to Financial Reporting under the Cash Basis of Accounting* (the Cash Basis IPSAS) which was a limited scope project to remove obstacles to adoption of the standard which included the requirement to prepare consolidated financial statements and disclosure of information about external assistance and third party payments. This revised Cash Basis IPSAS reflects the comments received to ED 61.

## Why the IPSASB Undertook this Project

The Cash Basis IPSAS has an important role to play in the IPSASB's standard-setting strategy but feedback indicated that it is not widely adopted. This project was directed at removing the major obstacles to its adoption.

### **The Cash Basis IPSAS has not been widely adopted, but has a role to play**

The Cash Basis IPSAS plays an important role in enhancing the quality of financial reporting by entities reporting on the cash basis of accounting, and in supporting those entities as they transition to the accrual IPSAS. However, input from preparers, auditors and other constituents indicated that few jurisdictions prepare financial statements that fully comply with all requirements of the Cash Basis IPSAS.

Many respondents to the IPSASB's Strategy consultation in 2014 identified the need for the Cash Basis IPSAS to be included in the suite of IPSAS to enhance financial reporting by governments in developing economies, and as a basis for the transition to the accrual basis of financial reporting and adoption of accrual IPSAS.

### **Obstacles to adoption of the Cash Basis IPSAS**

The Cash Basis IPSAS comprises two parts. Part 1 identifies the requirements that must be adopted by a reporting entity that wishes to assert that its financial statements comply with this IPSAS. Part 2 identifies encouraged disclosures which provide additional information useful for accountability and decision-making purposes and support entities transitioning to the accrual basis of financial reporting and adoption of accrual IPSASs.

The requirements to prepare consolidated financial statements and for disclosures of information about external assistance and payments made by third parties were previously in Part 1 of the Cash Basis IPSAS. Many constituents had identified them as major obstacles to the full adoption of the IPSAS by many constituents, and by an IPSASB Task Force which reviewed the operation of this IPSAS.

## Revisions to the Cash Basis IPSAS

The revisions are intended to overcome the major obstacles to adoption of the Cash Basis IPSAS, and establish a clear and achievable transition path to adoption of the accrual IPSASs.

### Consolidation

The requirement that controlling entities prepare and present consolidated financial statements that consolidate all controlled entities has been relocated from Part 1 of the IPSAS and recast as an encouragement in Part 2. Part 2 also encourages entities that do not consolidate all controlled entities to prepare financial statements that reflect a budget sector, general government sector or other representation of core government activities.

### External assistance and third party payments

The requirements that reporting entities disclose information about external assistance and third party payments has been simplified and relocated from Part 1 of the IPSAS, to Part 2. Part 2 of the IPSAS encourages note disclosures of information about:

- (a) External and other assistance received as cash, and the amount of undrawn assistance; and
- (b) Third party payments, including those made as external or other assistance, when the entity has been formally advised, or otherwise verified, that payments have been made to directly settle its obligations or purchase goods and services for its benefit from third parties.

### Other matters

Further revisions to the Cash Basis IPSAS include:

- (a) Clarification that the role that the Cash Basis IPSAS plays in the IPSASB's overall standard-setting strategy is primarily as a step on the path to adoption of the accrual basis IPSAS, rather than as an end in itself; and
- (b) Minor "housekeeping" amendments to ensure that requirements and encouragements in the Cash Basis IPSAS are not contrary to requirements of accrual IPSAS unless this specifically reflects the cash basis focus of the Cash Basis IPSAS.

## Effective Date and Project History

The effective date of Revised IPSAS, *Financial Reporting under the Cash Basis of Accounting* is January 1, 2019.

### **Effective date of the revised Cash Basis IPSAS**

The effective date of this revised 2017 version of *Financial Reporting under the Cash Basis of Accounting* is January 1, 2019, with earlier adoption encouraged. The 2007 version of the Cash Basis IPSAS remains applicable until this revised 2017 version becomes effective or is applied, whichever is earlier.

### **Project History**

To learn more about the project history, and to view the consultation documents and responses, please visit: [www.ipsasb.org/projects/cash-basis-ipsas-limited-scope-review-2015](http://www.ipsasb.org/projects/cash-basis-ipsas-limited-scope-review-2015).