

Exposure Draft 68  
July 2019  
*Comments due: September 30, 2019*

IPSAS®

*Proposed International Public Sector Accounting  
Standard®*

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## Improvements to IPSAS, 2019

IPSASB

International Public  
Sector Accounting  
Standards Board®

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The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances.

In meeting this objective the IPSASB sets IPSAS® and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

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## REQUEST FOR COMMENTS

This Exposure Draft, *Improvements to IPSAS, 2019*, was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by September 30, 2019.**

Respondents are asked to submit their comments electronically through the IPSASB website, using the "[Submit a Comment](#)" link. Please submit comments in both a PDF and Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. This publication may be downloaded from the IPSASB website: [www.ipsasb.org](http://www.ipsasb.org). The approved text is published in the English language.

# IMPROVEMENTS TO IPSAS, 2019

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## INTRODUCTION

1. Exposure Draft (ED) 68, *Improvements to IPSAS, 2019* deals with non-substantive changes to IPSAS that arise through comments received from stakeholders and narrow scope amendment projects of the IASB.
2. In October 2018, the IASB issued *Definition of Material* (Amendments to IAS 1 and IAS 8) to clarify the definition of material and resolve difficulties that entities have experienced in making materiality judgements when preparing financial statements. The definition of material was amended in IAS 1, *Presentation of Financial Statements*, IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, IAS 10, *Events after the Reporting Period*, IAS 34, *Interim Financial Reporting*; IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, IFRS 2, *Share-based Payment*, IFRS 4, *Insurance Contracts*; *The Conceptual Framework for Financial Reporting* (Conceptual Framework) and IFRS Practice Statement 2, *Making Materiality Judgements*.
3. The IPSASB decided not to amend the definition of material in IPSAS 1, *Presentation of Financial Statements* and IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*. Before making standards-level amendments the IPSASB will review the guidance on materiality in *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework) as part of the IPSASB's committed project, *Limited Scope Review of the Conceptual Framework*, and will take account of the IASB's amendments. No revisions to the definition of materiality in IPSAS 1 and IPSAS 3 will be proposed before the completion of the Limited Scope Review of the Conceptual Framework project.
4. In October 2018, the IASB issued *Definition of Business* (Amendments to IFRS 3) to clarify the definition of a business and resolve the difficulties that arise when an entity distinguishes whether it has acquired a business or a group of assets. While IPSAS 40, *Public Sector Combinations*, does not define a business, however it does define an operation which draws on the definition of a business in IFRS 3, *Business Combinations*.
5. As part of its *2019 Improvements project*, the IPSASB considered whether to amend the definition of an operation in IPSAS 40, and the related guidance, in line with the amendments to IFRS 3. The IPSASB decided not to amend IPSAS 40, because the definition of an operation in IPSAS 40 applies to amalgamations as well as to acquisitions. The IPSASB considered that some of the additional guidance in IFRS 3, including the optional "concentration" test, would only be relevant to acquisitions. The IPSASB also noted that the modifications that would be needed to ensure that this guidance does not apply to amalgamations would go beyond the remit of the Improvements project. A separate narrow scope project to evaluate the potential impact of the IASB's revised definition of business on IPSAS 40 may be considered in the future.

## IMPROVEMENTS TO IPSAS

### Objective

1. The objective of Exposure Draft (ED) 68, *Improvements to IPSAS, 2019* is to propose improvements to IPSAS in order to address issues raised by stakeholders.

### Request for Comments

2. The IPSASB would welcome comments on all the changes proposed in ED 68. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

### IPSAS Addressed

3. The Improvements project deals with non-substantive changes to IPSAS through a collection of amendments which are unrelated. Amendments included in ED 68 arise from comments received from stakeholders.

### Improvements to IPSAS

<b>IPSAS</b>	<b>Summary of Proposed Change in ED 68</b>
<i>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</i>	
IPSAS 5, <i>Borrowing Costs</i> .	Proposed amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued (see <a href="#">Part 1a</a> ).
IPSAS 30, <i>Financial Instruments: Disclosures</i> .	Proposed amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued (see <a href="#">Part 1b</a> ).
IPSAS 30, <i>Financial Instruments: Disclosures</i> .	Proposed amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued (see <a href="#">Part 1c</a> ).
IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i> .	Proposed amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued (see <a href="#">Part 1d</a> ).

<b>IPSAS</b>	<b>Summary of Proposed Change in ED 68</b>
<i>Other Improvements to IPSAS</i>	
IPSAS 13, <i>Leases</i> .	Proposed amendments to IPSAS 13 to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks (see <a href="#">Part 2</a> ).
IPSAS 13, <i>Leases</i> and IPSAS 17, <i>Property, Plant, and Equipment</i> .	Proposed amendments to remove transitional provisions which should have been deleted when IPSAS 33, <i>First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i> was approved (see <a href="#">Part 3a</a> and <a href="#">Part 3b</a> ).
IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i> and IPSAS 26, <i>Impairment of Cash-Generating Assets</i> .	Proposed amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, <i>Property, Plant, and Equipment</i> and IPSAS 31, <i>Intangible Assets</i> (see <a href="#">Part 4a</a> and <a href="#">Part 4b</a> ).
IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i> .	Proposed amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard (see <a href="#">Part 5</a> ).
IPSAS 40, <i>Public Sector Combinations</i> .	Proposed amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued (see <a href="#">Part 6</a> ).

## Amendment: Part 1a

### Amendments to IPSAS 5, *Borrowing Costs*

Paragraph 6 is amended and paragraph 42E is added. New text is underlined and deleted text is struck through.

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#### Definitions

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#### Borrowing Costs

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6. Borrowing costs may include:

- (a) ~~Interest on bank overdrafts and short-term and long-term borrowings~~ Interest expense calculated using the effective interest method as described in IPSAS 41, *Financial Instruments*;
- (b) ~~Amortization of discounts or premiums relating to borrowings;~~ ~~[Deleted]~~
- (c) ~~Amortization of ancillary costs incurred in connection with the arrangement of borrowings;~~ ~~[Deleted]~~
- (d) Finance charges in respect of finance leases and service concession arrangements; and
- (e) Exchange differences arising from foreign currency borrowings, to the extent that they are regarded as an adjustment to interest costs.

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#### Effective Date

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42E. Paragraph 6 was amended by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2022. Earlier application is permitted. If an entity applies this amendment for a period beginning before January 1, 2022, it shall disclose that fact and apply IPSAS 41 at the same time.

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#### Basis for Conclusions

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#### Revision of IPSAS 5 as a result of [draft] *Improvements to IPSAS, 2019*

BC2. The amendments to paragraph 6 update the guidance related to the components of borrowing costs resulting from IPSAS 41, *Financial Instruments* which were inadvertently omitted when IPSAS 41 was issued. The IPSASB agreed to include these minor amendments in [draft] *Improvements to IPSAS, 2019*.

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**Amendment: Part 1b**

**Amendments to IPSAS 30, *Financial Instruments: Disclosures***

Paragraphs IG13A–IG13C and IG22A–IG22D are added. Paragraph IG23 is amended. New text is underlined and deleted text is struck through.

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**Implementation Guidance**

*This guidance accompanies, but is not part of, IPSAS 30.*

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**Hedge Accounting (paragraphs 28A–28C)**

IG13A. Paragraph 28A of IPSAS 30 requires that an entity discloses amounts related to items designated as hedging instruments in a tabular format. The following example illustrates how that information might be disclosed.

	<u>Nominal amount of the hedging instrument</u>	<u>Carrying amount of the hedging instrument</u>		<u>Line item in the statement of financial position where the hedging instrument is located</u>	<u>Changes in fair value used for calculating hedge ineffectiveness for 20X1</u>
		<u>Assets</u>	<u>Liabilities</u>		
<b><u>Cash flow hedges</u></b>					
<b><u>Commodity price risk</u></b> - Forward sales contracts	xx	xx	xx	Line item XX	xx
<b><u>Fair value hedges</u></b>					
<b><u>Interest rate risk</u></b> - Interest rate swaps	xx	xx	xx	Line item XX	xx
<b><u>Foreign exchange risk</u></b> - Foreign currency loan	xx	xx	xx	Line item XX	xx

IG13B. Paragraph 28B of IPSAS 30 requires that an entity discloses amounts related to items designated as hedged items in a tabular format. The following example illustrates how that information might be disclosed.

	<u>Carrying amount of the hedged item</u>		<u>Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item</u>		<u>Line item in the statement of financial position in which the hedged item is included</u>	<u>Change in value used for calculating hedge ineffectiveness for 20X1</u>	<u>Cash flow hedge reserve</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>			
<b>Cash flow hedges</b>							
<b>Commodity price risk</b>							
- Forecast sales	n/a	n/a	n/a	n/a	n/a	xx	xx
- Discontinued hedges (forecast sales)	n/a	n/a	n/a	n/a	n/a	n/a	xx
<b>Fair value hedges</b>							
<b>Interest rate risk</b>					<u>Line item XX</u>		
- Loan payable	=	xx	=	xx		xx	n/a
- Discontinued hedges (Loan payable)	=	xx	=	xx	<u>Line item XX</u>	n/a	n/a
<b>Foreign exchange risk</b>					<u>Line item XX</u>		
- Firm commitment	xx	xx	xx	xx		xx	n/a

IG13C. Paragraph 28C of IPSAS 30 requires that an entity disclose amounts that have affected the statement of financial performance as a result of applying hedge accounting in a tabular format. The following example illustrates how that information might be disclosed.

<u>Cash flow hedges<sup>(a)</sup></u>	<u>Separate line item recognized in surplus or deficit as a result of a hedge of a net position<sup>(b)</sup></u>	<u>Change in the value of the hedging instrument recognized in net assets/equity</u>	<u>Hedge ineffectiveness recognized in surplus or deficit</u>	<u>Line item in surplus or deficit (that includes hedge ineffectiveness)</u>	<u>Amount reclassified from the cash flow hedge reserve to surplus or deficit</u>	<u>Line item affected in surplus or deficit because of the reclassification</u>
Commodity price risk Commodity X - Discontinued hedge	n/a n/a	xx n/a	xx n/a	<u>Line item XX</u> n/a	xx xx	<u>Line item XX</u> <u>Line item XX</u>
(a) The information disclosed in the statement of changes in net assets/equity (cash flow hedge reserve) should have the same level of detail as these disclosures.						
(b) This disclosure only applies to cash flow hedges of foreign currency risk.						

<u>Fair value hedges</u>	<u>Ineffectiveness recognized in surplus or deficit</u>	<u>Line item(s) in surplus or deficit (that include(s) hedge ineffectiveness)</u>
Interest rate risk	xx	Line item XX
Foreign exchange risk	xx	Line item XX

...

**Credit Risk (paragraphs 42A–43, AG8A–43–45, AG9 and AG10)**

IG22A. The following examples illustrate possible ways in which an entity might provide the disclosures required by paragraphs 42A–42N of IPSAS 30. However, these illustrations do not address all possible ways of applying the disclosure requirements.

*Illustrating the Application of Paragraphs 42H and 42I*

IG22B. The following example illustrates one way of providing information about the changes in the loss allowance and the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance as required by paragraphs 42H–42I. This example does not illustrate the requirements for financial assets that are purchased or originated credit-impaired.

<u>Mortgage loans—loss allowance</u>	<u>12-month expected credit losses</u>	<u>Lifetime expected credit losses (collectively assessed)</u>	<u>Lifetime expected credit losses (individually assessed)</u>	<u>Credit-impaired financial assets (lifetime expected credit losses)</u>
CU'000				
<b>Loss allowance as at January 1</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<u>Changes due to financial instruments recognized as at January 1:</u>				
- <u>Transfer to lifetime expected credit losses</u>	(X)	X	X	=
- <u>Transfer to credit-impaired financial assets</u>	(X)	=	(X)	X
- <u>Transfer to 12-month expected credit losses</u>	X	(X)	(X)	=
- <u>Financial assets that have been derecognized during the period</u>	(X)	(X)	(X)	(X)
<u>New financial assets originated or purchased</u>	X	=	=	=
<u>Write-offs</u>	=	=	(X)	(X)
<u>Changes in models/risk parameters</u>	X	X	X	X
<u>Foreign exchange and other movements</u>	X	X	X	X
<b>Loss allowance as at December 31</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

Significant changes in the gross carrying amount of mortgage loans that contributed to changes in the loss allowance were:

- The acquisition of Region Y’s prime mortgage portfolio increased the residential mortgage book by x percent, with a corresponding increase in the loss allowance measured on a 12-month basis.
- The write off of the CUXX Region Z’s mortgage portfolio following the collapse of the local market in the region reduced the loss allowance for financial assets with objective evidence of impairment by CUX.
- The expected increase in unemployment in Region X caused a net increase in financial assets whose loss allowance is equal to lifetime expected credit losses and caused a net increase of CUX in the lifetime expected credit losses allowance.

The significant changes in the gross carrying amount of mortgage loans are further explained below:

<u>Mortgage loans–gross carrying amount</u>	<u>12-month expected credit losses</u>	<u>Lifetime expected credit losses (collectively assessed)</u>	<u>Lifetime expected credit losses (individually assessed)</u>	<u>Credit- impaired financial assets (lifetime expected credit losses)</u>
<u>CU'000</u>				
<b><u>Gross carrying amount as at January 1</u></b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<u>Individual financial assets transferred to lifetime expected credit losses</u>	(X)	=	X	=
<u>Individual financial assets transferred to credit-impaired financial assets</u>	(X)	=	(X)	X
<u>Individual financial assets transferred from credit-impaired financial assets</u>	X	=	X	(X)
<u>Financial assets assessed on collective basis</u>	(X)	X	=	=
<u>New financial assets originated or purchased</u>	X	=	=	=
<u>Write-offs</u>	=	=	(X)	(X)
<u>Financial assets that have been derecognized</u>	(X)	(X)	(X)	(X)
<u>Changes due to modifications that did not result in derecognition</u>	(X)	=	(X)	(X)
<u>Other changes</u>	X	X	X	X
<b><u>Gross carrying amount as at December 31</u></b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

*Illustrating the Application of Paragraphs 42M and 42N*

IG22C. The following example illustrates some ways of providing information about an entity's credit risk exposure and significant credit risk concentrations in accordance with paragraph 42M of IPSAS 30. The number of grades used to disclose the information in accordance with paragraph 42M of IPSAS 30 shall be consistent with the number that the entity uses to report internally to key management personnel for internal credit risk management purposes. However, if information about credit risk rating grades is not available without undue cost or effort and an entity uses past due information to assess whether credit risk has increased significantly since initial recognition in accordance with paragraph 83 of IPSAS 41, the entity shall provide an analysis by past due status for those financial assets.

<b><u>Loan credit risk exposure by internal rating grades</u></b>				
<u>20XX</u>	<b><u>Mortgage Loans</u></b>		<b><u>Agriculture Loans</u></b>	
<u>CU'000</u>	<b><u>Gross carrying amount</u></b>		<b><u>Gross carrying amount</u></b>	
	<b><u>Lifetime</u></b>	<b><u>12-month</u></b>	<b><u>Lifetime</u></b>	<b><u>12-month</u></b>
<u>Internal Grade 1–2</u>	X	X	X	X
<u>Internal Grade 3–4</u>	X	X	X	X
<u>Internal Grade 5–6</u>	X	X	X	X
<u>Internal Grade 7</u>	X	X	X	X
<b>Total</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

<b><u>Loan credit risk profile by external rating grades</u></b>				
<u>20XX</u>	<b><u>Mortgage Loans</u></b>		<b><u>Agriculture Loans</u></b>	
<u>CU'000</u>	<b><u>Gross carrying amount</u></b>		<b><u>Gross carrying amount</u></b>	
	<b><u>Lifetime</u></b>	<b><u>12-month</u></b>	<b><u>Lifetime</u></b>	<b><u>12-month</u></b>
<u>AAA-AA</u>	X	X	X	X
<u>A</u>	X	X	X	X
<u>BBB-BB</u>	X	X	X	X
<u>B</u>	X	X	X	X
<u>CCC-CC</u>	X	X	X	X
<u>C</u>	X	X	X	X
<u>D</u>	X	X	X	X
<b>Total</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

<b><u>Loan risk profile by probability of default</u></b>				
<b><u>20XX</u></b>	<b><u>Mortgage Loans</u></b>		<b><u>Agriculture Loans</u></b>	
<b><u>CU'000</u></b>	<b><u>Gross carrying amount</u></b>		<b><u>Gross carrying amount</u></b>	
	<b><u>Lifetime</u></b>	<b><u>12-month</u></b>	<b><u>Lifetime</u></b>	<b><u>12-month</u></b>
<b><u>0.00 – 0.10</u></b>	X	X	X	X
<b><u>0.11 – 0.40</u></b>	X	X	X	X
<b><u>0.41 – 1.00</u></b>	X	X	X	X
<b><u>1.01 – 3.00</u></b>	X	X	X	X
<b><u>3.01 – 6.00</u></b>	X	X	X	X
<b><u>6.01 – 11.00</u></b>	X	X	X	X
<b><u>11.01 – 17.00</u></b>	X	X	X	X
<b><u>17.01 – 25.00</u></b>	X	X	X	X
<b><u>25.01 – 50.00</u></b>	X	X	X	X
<b><u>50.01+</u></b>	X	X	X	X
<b><u>Total</u></b>	<b><u>X</u></b>	<b><u>X</u></b>	<b><u>X</u></b>	<b><u>X</u></b>

IG22D. The Department of Agriculture provides short-term financing to both small-scale and large-scale farmers. The purpose of the financing is to purchase inputs such as fertilizers, seeds and pesticides. The Department of Agriculture discloses its small-scale farmers financing and large-scale farmers financing as separate classes of financial instruments and applies the simplified approach to its trade receivables so that the loss allowance is always measured at an amount equal to lifetime expected credit losses. The following table illustrates the use of a provision matrix as a risk profile disclosure under the simplified approach:

IMPROVEMENTS TO IPSAS, 2019

<b>20XX</b> CU'000	<b>Trade receivables days past due</b>				
	<b>Current</b>	<b>More than 30 days</b>	<b>More than 60 days</b>	<b>More than 90 days</b>	<b>Total</b>
<b>Small-scale farmers financing</b>					
Expected credit loss rate	<u>0.10%</u>	<u>2%</u>	<u>5%</u>	<u>13%</u>	
Estimated total gross carrying amount at default	<u>CU20,777</u>	<u>CU1,416</u>	<u>CU673</u>	<u>CU235</u>	<u>CU23,101</u>
Lifetime expected credit losses—small-scale farmers financing	<u>CU21</u>	<u>CU28</u>	<u>CU34</u>	<u>CU31</u>	<u>CU114</u>
<b>Large-scale farmers financing</b>					
Expected credit loss rate	<u>0.20%</u>	<u>3%</u>	<u>8%</u>	<u>15%</u>	
Estimated total gross carrying amount at default	<u>CU19,222</u>	<u>CU2,010</u>	<u>CU301</u>	<u>CU154</u>	<u>CU21,687</u>
Lifetime expected credit losses—large-scale farmers financing	<u>CU38</u>	<u>CU60</u>	<u>CU24</u>	<u>CU23</u>	<u>CU145</u>

IG23. Paragraph 43 requires an entity to disclose information about its exposure to credit risk by class of financial instrument. Financial instruments in the same class share economic characteristics with respect to the risk being disclosed (in this case, credit risk). For example, an entity might determine that residential mortgages, unsecured ~~consumer~~ agricultural loans and ~~commercial~~ research and development loans each have different economic characteristics.

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## Amendment: Part 1c

### Amendments to IPSAS 30, *Financial Instruments: Disclosures*

Paragraph AG5 is amended and paragraph 52G is added. New text is underlined and deleted text is struck through.

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#### Application Guidance

*This Appendix is an integral part of IPSAS 30.*

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### Significance of Financial Instruments for Financial Position and Financial Performance

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*Other Disclosure-Accounting Policies (paragraph 25)*

AG5. Paragraph 25 requires disclosure of the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. For financial instruments, such disclosure may include:

- (a) ...
- (h) For financial guarantee contracts issued through a non-exchange transaction, where no fair value can be determined and on initial recognition the financial guarantee contract is measured at the amount of the loss allowance in accordance with paragraph AG136 of IPSAS 41, a provision is recognized in accordance with IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, disclosure of the circumstances that result in fair value not being determinable ~~a provision being recognized~~.

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#### Effective Date

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52G. Paragraph AG5 was amended by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2022. Earlier application is permitted. If an entity applies this amendment for a period beginning before January 1, 2022, it shall disclose that fact and apply IPSAS 41 at the same time.

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## Basis for Conclusions

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### **Revision of IPSAS 30 as a result of [draft] *Improvements to IPSAS, 2019***

BC7. The amendments to paragraph AG5 update the guidance on accounting for financial guarantee contracts resulting from IPSAS 41, *Financial Instruments* which were inadvertently omitted when IPSAS 41 was issued. The IPSASB agreed to include these minor amendments in [draft] *Improvements to IPSAS, 2019*.

...

**Amendment: Part 1d**

**Amendments to IPSAS 33, *First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)***

Paragraph 114 is deleted, and paragraphs 114A and 154H are added. New text is underlined and deleted text is struck through.

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**Exemptions that Do Not Affect Fair Presentation and Compliance with Accrual Basis IPSASs During the Period of Adoption**

...

**IPSAS ~~29~~41, Financial Instruments: Recognition and Measurement**

*Designation of Financial Instruments on the Date of Adoption of IPSAS or During the Period of Transition*

...

114. ~~IPSAS 29 permits a financial asset to be designated on initial recognition as available for sale or a financial instrument (provide it meets certain criteria) to be designated as a financial asset or financial liability at fair value through surplus or deficit. Despite this requirement, exceptions apply in the following circumstances: [Deleted]~~
- ~~(a) A first-time adopter is permitted to make an available-for-sale designation at the date of adoption of IPSASs. [Deleted]~~
  - ~~(b) A first-time adopter is permitted to designate, at the date of adoption of IPSASs, any financial asset or financial liability as at fair value through surplus or deficit provided the asset or liability meets the criteria in paragraph 10(b)(i), 10(b)(ii) or 13 of IPSAS 29 at that date. [Deleted]~~
- 114A. IPSAS 29~~41~~ permits a financial asset or financial liability to be designated on initial recognition ~~as available for sale or a financial instrument~~ (provided~~ed~~ it meets certain criteria) ~~to be designated~~ as a financial asset or financial liability at fair value through surplus or deficit. Despite this requirement, an exceptions applies when a first-time adopter is permitted to designate, at the date of adoption of IPSASs, any financial asset or financial liability as at fair value through surplus or deficit provided the asset meets the criteria in paragraph 44 of IPSAS 41 or liability meets the criteria in paragraph 46 of IPSAS 41 ~~10(b)(i), 10(b)(ii) or 13 of IPSAS 29~~ at that date.

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## Effective Date

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154H. Paragraph 114 was deleted and paragraph 114A was added by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2022. Earlier application is permitted. If an entity applies these amendments for a period beginning before January 1, 2022, it shall disclose that fact and apply IPSAS 41 at the same time.

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## Basis for Conclusions

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### Revision of IPSAS 33 as a result of [draft] *Improvements to IPSAS, 2019*

BC119. The amendments to paragraphs 114 and 114A updates the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS resulting from IPSAS 41, *Financial Instruments* which were inadvertently omitted when IPSAS 41 was issued. The IPSASB agreed to include these minor amendments in [draft] *Improvements to IPSAS, 2019*.

## **Amendment: Part 2**

### **Amendments to IPSAS 13, Leases**

Paragraphs 67 and 76 are amended and paragraph 85E is added. New text is underlined and deleted text is struck through.

...

#### **Leases in the Financial Statements of Lessors**

...

##### **Operating Leases**

...

67. To determine whether a leased asset has become impaired, an entity applies relevant impairment tests in ~~international and/or national accounting standards~~ accordance with IPSAS 21, *Impairment of Non-Cash-Generating Assets* or IPSAS 26, *Impairment of Cash-Generating Assets*, where appropriate.

...

#### **Sale and Leaseback Transactions**

...

76. For finance leases, no such adjustment is necessary unless (a) there has been an impairment in value, and (b) that impairment is required to be recognized ~~by any international and/or national accounting standard on impairment that has been adopted by the entity~~ in accordance with IPSAS 21 or IPSAS 26, where appropriate.

...

#### **Effective Date**

...

- 85E. Paragraphs 67 and 76 were amended by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted.

...

#### **Basis for Conclusions**

...

##### **Revision of IPSAS 13 as a result of [draft] *Improvements to IPSAS, 2019***

- BC9. Stakeholders noted that the impairment requirements should reference relevant IPSAS rather than other international and/or national accounting standards. The IPSASB agreed to amend paragraphs 67 and 76 to include references to IPSAS 21, *Impairment of Non-Cash-Generating Assets* and IPSAS 26, *Impairment of Cash-Generating Assets* in [draft] *Improvements to IPSAS, 2019*.

## **Amendment: Part 3a**

### **Amendments to IPSAS 13, Leases**

Paragraph 84 is deleted and paragraph 85F is added. New text is underlined and deleted text is struck through.

...

### **Transitional Provisions**

...

84. ~~Transitional provisions in IPSAS 13 (2001) provide entities with a period of up to five years to recognize all leases from the date of its first application. Entities that have previously applied IPSAS 13 (2001) may continue to take advantage of this five-year transitional period from the date of first application of IPSAS 13 (2001). [Deleted]~~

...

### **Effective Date**

...

- 85F. Paragraph 84 was deleted by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted.

...

### **Basis for Conclusions**

...

#### **Revision of IPSAS 13 as a result of [draft] *Improvements to IPSAS, 2019***

- BC10. Paragraph 84 includes transitional provisions for entities to recognize leases over a period of five years. These transitional provisions have been restated following the deletion of other transitional provisions as a result of the issuance of IPSAS 33, *First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*.

## Amendment: Part 3b

### Amendments to IPSAS 17, *Property, Plant, and Equipment*

Paragraph 5 is amended, paragraph 106 is deleted and paragraph 107P is added. New text is underlined and deleted text is struck through.

...

#### Scope

...

5. This standard applies to property, plant, and equipment including:

- (a) Weapons systems;
- (b) Infrastructure assets; and
- (c) Service concession arrangement assets after initial recognition and measurement in accordance with IPSAS 32, *Service Concession Arrangements: Grantor*.

~~The transitional provisions in paragraphs 95 to 104 provide relief from the requirement to recognize all property, plant, and equipment during the five-year transitional period.~~

...

#### Transitional Provisions

...

~~106. Transitional provisions in IPSAS 17 (2001) provide entities with a period of up to five years to recognize all property, plant, and equipment and make the associated measurement and disclosure from the date of its first application. Entities that have previously applied IPSAS 17 (2001) may continue to take advantage of this five-year transitional period from the date of first application of IPSAS 17 (2001). These entities shall also continue to make disclosures required by paragraph 104. [Deleted]~~

...

#### Effective Date

...

107P. Paragraph 5 was amended and paragraph 106 was deleted by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted.

...

## Basis for Conclusions

...

### **Revision of IPSAS 17 as a result of [draft] *Improvements to IPSAS, 2019***

BC15. Paragraphs 5 and 106 include transitional provisions for entities to recognize property, plant, and equipment over a period of five years. These transitional provisions have been restated following the deletion of other transitional provisions as a result of the issuance of IPSAS 33, *First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*.

## **Amendment: Part 4a**

### **Amendments to IPSAS 21, *Impairment of Non-Cash-Generating Assets***

Paragraphs 54A and 69A are amended and paragraph 82J is added. New text is underlined and deleted text is struck through.

...

#### **Recognizing and Measuring an Impairment Loss**

...

54A. An impairment loss on a non-revalued asset is recognized in surplus or deficit. However, an impairment loss on a revalued asset is recognized in revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that individual asset or class of assets in accordance with the relevant standard. Such an impairment loss on a revalued asset reduces the revaluation surplus for that individual asset or class of assets in accordance with the relevant standard.

...

#### **Reversing an Impairment Loss**

...

69A. A reversal of an impairment loss on a revalued asset is recognized directly in the revaluation reserve and increases the revaluation surplus for that individual asset or class of assets in accordance with the relevant standard. However, to the extent that an impairment loss on the same individual revalued asset or class of revalued assets was previously recognized in surplus or deficit, a reversal of that impairment loss is also recognized in surplus or deficit in accordance with the relevant standard.

...

#### **Effective Date**

...

**82J. Paragraphs 54A and 69A were amended by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted.**

...



## Basis for Conclusions

...

### **Revision of IPSAS 21 as a result of [draft] *Improvements to IPSAS, 2019***

BC27. Paragraphs 54A and 69A only provide guidance for the impairment of revalued assets in the scope of IPSAS 17, *Property, Plant, and Equipment*. Stakeholders have raised concerns that the standard does not provide guidance for the impairment of revalued assets in the scope of IPSAS 31, *Intangible Assets*. Consequently, the IPSASB agreed to provide guidance for the impairment of revalued assets in the scope of IPSAS 17 and IPSAS 31.

## **Amendment: Part 4b**

### **Amendments to IPSAS 26, *Impairment of Cash-Generating Assets***

Paragraphs 73A and 108A are amended and paragraph 126L is added. New text is underlined and deleted text is struck through.

...

#### **Recognizing and Measuring an Impairment Loss**

...

73A. An impairment loss on a non-revalued asset is recognized in surplus or deficit. However, an impairment loss on a revalued asset is recognized in revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that individual asset or class of assets in accordance with the relevant standard. Such an impairment loss on a revalued asset reduces the revaluation surplus for that individual asset or class of assets in accordance with the relevant standard.

...

#### **Reversing an Impairment Loss**

...

##### **Reversing an Impairment Loss for an Individual Asset or Class of Asset**

...

108A. A reversal of an impairment loss on a revalued asset is recognized directly in the revaluation reserve and increases the revaluation surplus for that individual asset or class of assets in accordance with the relevant standard. However, to the extent that an impairment loss on the same individual revalued asset or class of revalued assets was previously recognized in surplus or deficit, a reversal of that impairment loss is also recognized in surplus or deficit in accordance with the relevant standard.

...

#### **Effective Date**

...

126L. Paragraphs 73A and 108A were amended by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted.

...

## Basis for Conclusions

...

### **Revision of IPSAS 26 as a result of [draft] *Improvements to IPSAS, 2019***

BC21. Paragraphs 73A and 108A only provide guidance for the impairment of revalued assets in the scope of IPSAS 17, *Property, Plant, and Equipment*. Stakeholders have raised concerns that the standard does not provide guidance for the impairment of revalued assets in the scope of IPSAS 31, *Intangible Assets*. Consequently, the IPSASB agreed to provide guidance for impairment of revalued assets in the scope of IPSAS 17 and IPSAS 31.

...

## Amendment: Part 5

### Amendments to IPSAS 33, *First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*

Paragraph IG39 is amended. New text is underlined and deleted text is struck through.

...

#### Implementation Guidance

*This guidance accompanies, but is not part of, IPSAS 33.*

...

#### Deemed Cost

IG39. IPSAS 33 allows a first-time adopter to determine a deemed cost as a substitute for acquisition cost or depreciated cost at the date of adoption of IPSASs, where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets and/or liabilities. A deemed cost may however only be determined if no cost information is available about the historical cost of the asset and/or liability. When a first-time adopter initially measures these assets and/or liabilities on the date of adoption of IPSASs, or when the transitional exemptions that provided the first-time adopter with a three year relief period to not recognize and/or measure certain assets and/or liabilities have expired, it recognizes the effect: directly in accumulated surplus or deficit in the opening statement of financial position in the period in which the deemed cost is determined.:

- (a) ~~As an adjustment to the opening balance of accumulated surplus or deficit in the opening statement of financial position in the period in which the deemed is determined; or [Deleted]~~
- (b) ~~In the revaluation surplus if the first-time adopter adopts the revaluation model in IPSAS 17 or in IPSAS 31, *Intangible Assets*. [Deleted]~~

...

## Amendment: Part 6

### Amendments to IPSAS 40, *Public Sector Combinations*

Paragraphs 126C and 126D are added. New text is underlined.

...

#### Effective Date

...

126C. When an entity adopts the accrual basis IPSASs as defined in IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*, for financial reporting purposes subsequent to this effective date, this Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption of IPSASs.

126D. Paragraph 126C was amended by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted.

...

#### Basis for Conclusions

...

#### Revision of IPSAS 40 as a result of [draft] *Improvements to IPSAS, 2019*

BC95. The paragraph related to IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)* was inadvertently omitted when IPSAS 40 was issued. The IPSASB added paragraph 126C to ensure consistency with IPSAS 33.

...

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