Final Pronouncement
January 2015

International Public Sector Accounting Standard

Improvements to IPSASs 2014

International Public Sector Accounting Standards Board®

This document was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

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 International Public Sector Accounting Standards™ (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.

The structures and processes that support the operations of the IPSASB® are facilitated by the International Federation of Accountants® (IFAC®).

IMPROVEMENTS TO IPSASs 2014

CONTENTS

Amendments to IPSAS 1, *Presentation of Financial Statements*

Paragraphs 21, 53 and 54 are amended (new text is underlined and deleted text is struck through) and paragraphs 53A and 153F are inserted.

Components of Financial Statements

21. A complete set of financial statements comprises:

- **(a) A statement of financial position;**
- **(b) A statement of financial performance;**
- **(c) A statement of changes in net assets/equity;**
- **(d) A cash flow statement;**
- **(e) When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements; ~~and~~**
- **(f) Notes, comprising a summary of significant accounting policies and other explanatory notes~~.~~; and**
- **(g) Comparative information in respect of the preceding period as specified in paragraphs 53 and 53A of IPSAS 1.**

Comparative information

Minimum comparative information

53. Except when an IPSAS permits or requires otherwise, an entity shall present comparative information ~~shall be disclosed~~ in respect of the ~~previous~~ preceding period for all amounts reported in the financial statements. An entity shall include ~~C~~comparative information ~~shall be included~~ for narrative and descriptive information ~~when~~ if it is relevant to ~~an~~ understanding ~~of~~ the current period's financial statements.

53A. An entity shall present, as a minimum, one statement of financial position with comparative information for the preceding period, one statement of financial performance with comparative information for the preceding period, one cash flow statement with comparative information for the preceding period and one statement of changes in net assets/equity with comparative information for the preceding period, and related notes.

54. In some cases, narrative information provided in the financial statements for the ~~previous~~ preceding period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute, the outcome of which was uncertain at the ~~last reporting date~~ end of the preceding period and is yet to be resolved~~, are disclosed in the current period~~. Users may benefit from the disclosure of information ~~(a)~~ that the uncertainty existed at the ~~last reporting date,~~ end of the preceding period and ~~(b)~~ from disclosure of information about the steps that have been taken during the period to resolve the uncertainty.

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Effective Date

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153F. Paragrahs 21, 53 and 54 were amended and paragraph 53A added by *Improvements to IPSASs 2014,* issued in January 2015. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2015. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2015, it shall disclose that fact.

Basis for Conclusions

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Revision of IPSAS 1 as a result of IASB's Improvements to IFRSs issued May 2012

BC13. The IPSASB reviewed the revisions to IAS 1 included in the *Improvements to IFRSs* issued by the IASB in May 2012 and generally concurred that there was no public sector specific reason for not adopting certain amendments. The IPSASB noted some of the amendments impact IFRS 1, *First-time Adoption of International Financial Reporting Standards* and IAS 34, *Interim Financial Reporting* for which equivalent standards do not exist in IPSASs, and therefore such amendments have been excluded. Further, a portion of the amendments propose changes related to presenting a statement of financial position at the beginning of a preceding period for retrospective changes resulting from accounting policy changes, restatements and reclassifications. Presentation of an opening statement of financial position is currently not a requirement of IPSAS 1 and introducing changes related to these IASB amendments, is not considered minor and therefore these have been excluded. A further portion of the amendment related to presenting additional comparative information was not considered a minor change and has also been excluded.

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

Paragraphs 17, 50 and 72 are amended (new text is underlined and deleted text is struck through) and paragraphs 78A, 106A and 107E are inserted.

Recognition

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17. ~~Spare~~ Items such as spare parts, stand-by equipment and servicing equipment are recognized in accordance with this IPSAS ~~are usually carried as inventory and recognized in surplus or deficit as consumed. However, major spare parts and stand-by equipment qualify as property, plant, and equipment~~ when they meet the definition of property, plant, and equipment. Otherwise, such items are classified as inventory. ~~an entity expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant, and equipment, they are accounted for as property, plant, and equipment.~~

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Revaluation Model

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50. When an item of property, plant, and equipment is revalued, ~~any accumulated depreciation~~ the carrying amount of that asset is adjusted to the revalued amount. A~~a~~t the date of the revaluation, the asset is treated in one of the following ways:

    (a) ~~Restated proportionately~~ The gross carrying amount is adjusted in a manner that is consistent with the ~~change in the gross carrying amount of the asset, so that~~ revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or ~~after revaluation equals its revalued amount. This method is often used when an asset is revalued by means of applying an index to its depreciated replacement cost~~.

    (b) The accumulated depreciation is ~~E~~eliminated against the gross carrying amount of the asset. ~~and the net amount restated to the revalued amount of the asset. This method is often used for buildings.~~

    The amount of the adjustment ~~arising on the restatement or elimination~~ of accumulated depreciation forms part of the increase or decrease in carrying amount that is accounted for in accordance with paragraphs 54 and 55.

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Depreciable Amount and Depreciation Period

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72. The future economic benefits or service potential embodied in an item of property, plant, and equipment are consumed by the entity principally through the use of the asset. However, other factors such as technical or commercial obsolescence and wear and tear while an asset remains

idle often result in the diminution of the economic benefits or service potential that might have been obtained from the asset. Consequently, all the following factors are considered in determining the useful life of an asset:

(a) Expected usage of the asset. Usage is assessed by reference to the asset's expected capacity or physical output.

(b) Expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance program, and the care and maintenance of the asset while idle.

(c) Technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset. Expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technical or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits or service potential embodied in the asset.

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Depreciation method

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78A. A depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits or service potential of the asset. For example, revenue is affected by other inputs and processes, selling activities and changes in sales volumes and prices. The price component of revenue may be affected by inflation, which has no bearing upon the way in which an asset is consumed.

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Transitional Provisions

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106A. Paragraph 50 was amended by *Improvements to IPSASs 2014* issued in January 2015. An entity shall apply those amendments to all revaluations recognized in annual periods beginning on or after the date of initial application of that amendment and in the immediately preceding annual period.

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Effective Date

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107E. Paragrahs 17, 50 and 72 were amended and paragraphs 78A and 106A added by *Improvements to IPSASs 2014* issued in January 2015. An entity shall apply those amendments prospectively for annual financial statements covering periods beginning on or after January 1, 2015. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2015, it shall disclose that fact.

Basis for Conclusions

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Revision of IPSAS 17 as a result of IASB's *Improvements to IFRSs* and *Narrow Scope Amendments* issued in May 2012, December 2013 and May 2014

BC9. The IPSASB reviewed the revisions to IAS 16 included in the *Improvements to IFRSs* and *Clarification of Acceptable Methods of Depreciation and Amortisation* issued by the IASB in May 2012, December 2013 and May 2014 and generally concurred that there was no public sector specific reason for not adopting the amendments.

Amendments to IPSAS 28, *Financial Instruments: Presentation*

Paragraphs 40, 42 and 44 are amended (new text is underlined and deleted text is struck through) and paragraphs 40A and 61B are inserted.

Interest, Dividends or Similar Distributions, Losses and Gains (see also paragraph AG62)

40. Interest, dividends, losses and gains relating to a financial instrument or a component that is a financial liability shall be recognized as revenue or expense in surplus or deficit. Distributions to holders of an equity instrument shall be recognized ~~debited~~ by the entity directly ~~to~~ in net assets/equity~~, net of any related income tax benefit~~. Transaction costs incurred on transactions in net assets/equity shall be accounted for as a deduction from net assets/equity~~, net of any related income tax benefit~~.

40A. Income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with the relevant international or national accounting standard dealing with income taxes.

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42. An entity typically incurs various costs in issuing or acquiring its own equity instruments. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. Any related transaction costs are accounted for as a deduction from net assets/equity ~~(net of any related income tax benefit)~~ to the extent that they are incremental costs directly attributable to the transaction that otherwise would have been avoided. The costs of such a transaction that is abandoned are recognized as an expense.

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44. The amount of transaction costs accounted for as a deduction from net assets/equity in the period is disclosed separately ~~under~~ in accordance with IPSAS 1.

Effective Date

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61B. Paragraphs 40, 42 and 44 were amended and paragraph 40A added by *Improvements to IPSASs 2014* issued in January 2015. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2015. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2015, it shall disclose that fact.

Basis for Conclusions

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Revision of IPSAS 28 as a result of IASB's *Improvements to IFRSs* issued in May 2012

BC27. The IPSASB reviewed the revisions to IAS 32 included in the *Improvements to IFRSs* issued by the IASB in May 2012 and generally concurred that there was no public sector specific reason for not adopting the amendments.

Amendments to IPSAS 31, *Intangible Assets*

Paragraph 79, 91 and 97 are amended (new text is underlined and deleted text is struck through) and paragraphs 97A, 97B, 97C, 131A, and 134 are inserted.

Revaluation Model

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79. ~~If~~When an intangible asset is revalued, ~~any accumulated amortization~~ the carrying amount of that asset is adjusted to the revalued amount. A~~a~~t the date of the revaluation, the asset is ~~either~~ treated in one of the following ways:

    (a) ~~Restated proportionately~~ The gross carrying amount is adjusted in a manner that is consistent with the ~~change in the gross carrying amount of the asset so that~~ revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated amortization at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses ~~after revaluation equals its revalued amount~~; or

    (b) The accumulated amortization is ~~E~~eliminated against the gross carrying amount of the asset. ~~and the net amount restated to the revalued amount of the asset.~~

    The amount of the adjustment of accumulated amortization forms part of the increase or decrease in the carrying amount that is accounted for in accordance with paragraphs 84 and 85.

Useful life

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91. Given the history of rapid changes in technology, computer software and many other intangible assets are susceptible to technological obsolescence. Therefore, it ~~is likely~~ will often be the case that their useful life is short. Expected future reductions in the selling price of an item that was produced using an intangible asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits or service potential embodied in the asset.

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Amortization Period and Amortization Method

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97. A variety of amortization methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method and the units of production method. The method used is selected on the basis of the expected pattern of consumption of the expected future economic benefits or service potential embodied in the asset and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits or service potential.

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97A. There is a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate. The revenue generated by an activity that includes the use of an intangible asset typically reflects factors that are not directly linked to the consumption of the economic benefits or service potential embodied in the intangible asset. For example, revenue is affected by other inputs and processes, selling activities and changes in sales volumes and prices. The price component of revenue may be affected by inflation, which has no bearing upon the way in which an asset is consumed. This presumption can be overcome only in the limited circumstances:

(a) In which the intangible asset is expressed as a measure of revenue, as described in paragraph 97C; or

(b) When it can be demonstrated that revenue and the consumption of the economic benefits or service potential of the intangible asset are highly correlated.

97B. In choosing an appropriate amortization method in accordance with paragraph 97, an entity could determine the predominant limiting factor that is inherent in the intangible asset. For example, the contract that sets out the entity's rights over its use of an intangible asset might specify the entity's use of the intangible asset as a predetermined number of years (i.e., time), as a number of units produced or as a fixed total amount of revenue to be generated. Identification of such a predominant limiting factor could serve as the starting point for the identification of the appropriate basis of amortization, but another basis may be applied if it more closely reflects the expected pattern of consumption of economic benefits or service potential.

97C. In the circumstance in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold, the revenue to be generated can be an appropriate basis for amortization. For example, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged (for example, a contract could allow operation of the toll road until the cumulative amount of tolls generated from operating the road reaches CU100 million). In the case in which revenue has been established as the predominant limiting factor in the contract for the use of the intangible asset, the revenue that is to be generated might be an appropriate basis for amortizing the intangible asset, provided that the contract specifies a fixed total amount of revenue to be generated on which amortization is to be determined.

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Transitional Provisions

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131A. Paragraph 79 was amended by *Improvements to IPSASs 2014* issued in January 2015. An entity shall apply that amendment to all revaluations recognized in annual periods beginning on or after the date of initial application of that amendment and in the immediately preceding annual period.

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Effective Date

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134. Paragraphs 79, 91 and 97 were amended and paragraphs 97A, 97B, 97C and 131A added by *Improvements to IPSASs 2014* issued in January 2015. An entity shall apply those

amendments prospectively for annual financial statements covering periods beginning on or after January 1, 2015. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2015, it shall disclose that fact.

Basis for Conclusions

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Revision of IPSAS 31 as a result of IASB's *Improvements to IFRSs* and *Narrow Scope Amendments* issued in December 2013 and May 2014

BC10. The IPSASB reviewed the revisions to IAS 38 included in the *Improvements to IFRSs* and *Clarification of Acceptable Methods of Depreciation and Amortisation* issued by the IASB in December 2013 and May 2014 and generally concurred that there was no public sector specific reason for not adopting the amendments.

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