

**Process for Reviewing and Modifying IASB
Documents**

October 2008



**International Federation
of Accountants**

Introduction

The mission of the International Public Sector Accounting Standards Board (IPSASB) is:

“To serve the public interest by developing high-quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements.”

Accomplishing this mission will enhance the quality and transparency of public sector financial reporting and provide better information for public sector financial management and decision-making.

The IPSASB develops accrual-based International Public Sector Accounting Standards (IPSASs) to address public sector financial reporting issues in two different ways:

- By addressing public sector financial reporting issues (a) that have not been comprehensively or appropriately dealt with in existing International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), or (b) for which there is no related IFRS; and
- By developing IPSASs that are converged with IFRSs by adapting them to the public sector context.

The following pages set out the process for considering IASB documents for convergence. The IPSASB will use the analysis resulting from this process to determine whether identified public sector issues warrant departures from the IASB document when developing the related IPSASB document.

It is important to note that the IPSASB will use professional judgment in reaching its conclusions. After reaching a conclusion, the IPSASB will apply its standard-setting due process in developing final standards. As part of this due process, reasons for conclusions will be documented in the related Basis for Conclusions.

This process of reviewing IASB documents is ongoing and will be regularly assessed to determine if any changes are needed to enhance the process.

Step 1: Are there public sector issues that warrant departure?

The goal of this step is to assess public sector issues to determine if they warrant a departure in recognition or measurement, or in presentation or disclosure.

In determining whether public sector issues warrant a departure from an IASB document, the IPSASB will consider the following:

- i) Whether applying the requirements of the IASB document would mean that the objectives of public sector financial reporting would not be adequately met (see IPSAS 1 paragraph 15 and Consultation Paper, Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities, September 30, 2008).
- ii) Whether applying the requirements of the IASB document would mean that the qualitative characteristics of public sector financial reporting would not be adequately met (see IPSAS 1, Appendix B and Consultation Paper, Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities, September 30, 2008).
- iii) Whether applying the requirements of the IASB document would require undue cost or effort.

All decisions will be made in the context of considering:

- Consistency with the IPSASB Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities as it develops;
- Internal consistency with existing IPSASs; and
- Consistency with the statistical bases.

Items that might affect the above consideration include:

- The existence of sovereign powers;
- The existence of contributed/donated assets or non-exchange activities;
- The existence of non-cash-generating activities or assets;
- The impact of social benefits;
- Accountability/stewardship differences;
- Governance or management of structural differences;
- Sustainability issues; and
- Differences related to the structure or service potential of assets.

If the consideration of Step 1 identifies public sector issues that warrant departure, go to Step 2.

If the public sector issues do not warrant departure, go to Step 4.

Step 2: Should a separate public sector project be initiated?

The goal of this step is to determine whether to initiate a separate public sector project.

In assessing whether to initiate a separate public sector project, the nature of the identified public sector issue would be considered.

Considering the nature of the identified public sector issue will arise, for example, when that public sector issue is not dealt with at all in an IASB document. In this case, it is likely that a separate public sector project will be initiated. As an example, the IPSASB initiated its project on service concession arrangements because the IASB's International Financial Reporting Interpretations Committee dealt only with the operator side of these transactions. Public sector entities are often involved in such transactions as grantors. The lack of guidance on such an important issue resulted in approval by the IPSASB of a new project on service concessions arrangements for the public sector.

In other situations, the IASB document may deal with an issue but may not address public sector circumstances, or if it does, does not do so adequately. In deciding whether to amend an IASB document or to initiate a separate public sector project in that situation, it will be important to assess (a) the importance and prevalence of the issue in the public sector, and (b) the adequacy with which it has been dealt with in the IASB document.

If the consideration of Step 2 identifies public sector issues that warrant a separate public sector project, a project brief would be prepared for the IPSASB's approval and the project would follow the standard-setting due process.

If the public sector issues can be addressed within a document that is converged with the related IASB document, go to Step 3.

Step 3: Modify IASB documents

The goal of this step is to set parameters for modifying an IASB document to address public sector departures.

When a decision has been made that public sector issues warranting departure can be addressed within an IPSASB document that is converged with a related IASB document, with some modification, it is important to establish parameters for the extent of modification. Modifications would only be made to address the public sector issue that triggered the amendment. In determining appropriate modifications, the following would be considered:

- i) Recognition and measurement requirements may be modified if doing so would result in the objectives or qualitative characteristics of public sector financial reporting being better met, or there would be undue cost or effort in applying the requirements.
- ii) Where appropriate, deletions from, or other amendments to, an IASB document could be replaced by an alternative that better achieves the objective of public sector financial reporting.
- iii) Amendments would occur to eliminate options in accounting treatments if one option is clearly inappropriate for the public sector. Likewise, options in accounting treatments could be added if doing so would result in the objectives of public sector financial reporting being better met.
- iv) Guidance may be added that provides public sector context.
- v) Disclosures in an IASB document may be added or deleted where (a) they relate to recognition and measurement requirements in accordance with i) above, or (b) the objectives or qualitative characteristics of public sector financial reporting would be better met or there would be undue cost or effort in applying the disclosures.
- vi) Public sector examples may be added. Examples would be deleted if they are clearly inappropriate for or inapplicable to the public sector.
- vii) Amendments may be made to the scope or other aspects for consistency with existing IPSASs.

Having amended the IASB document as necessary, go to Step 4.

Step 4: Make IPSASB style and terminology changes to IASB documents

The goal of this step is to identify changes in style and terminology to be applied to all IPSASs.

In many cases, the style and terminology of an IPSASB document that is converged with a related IASB document will require changes. In that context, amendments, which will be limited, could result from the following considerations:

- i) The text and style of the IASB document will be maintained as much as possible. Changes in style would simplify or clarify the document from a public sector perspective, and would be consistent with the prescribed style for IPSASB documents.
- ii) A boxed rubric will be included at the front of each IPSAS. The rubric will identify the material that constitutes the IPSAS, and the documents that provide the context in which the IPSAS should be read.
- iii) Definitions in IASB documents that have no public sector context may be deleted.
- iv) References to an IASB document for which an equivalent IPSAS has not been issued will be replaced with “the relevant international or national accounting standard dealing with [specific topic].”
- v) Certain terminology changes may be made to better reflect the public sector scope of the documents. For example, “business” will be replaced with “entity” or “operation.”
- vi) The authoritative or non-authoritative nature of Appendices will be addressed within individual IPSASs.
- vii) Each IPSAS will be accompanied by a Basis for Conclusions that does not form part of that IPSAS. The Basis for Conclusions will focus on the modifications to the IASB document. Specifically, it will include a detailed description of the public sector issue, the rationale for departing from the related IASB document, and the implications of the changes.
- viii) Initial adoption and transitional provisions may differ to reflect public sector circumstances.

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