October 2011

International
Public Sector
Accounting
Standards Board

Improvements to IPSASs 2011

International Public Sector Accounting Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

These Improvements to International Public Sector Accounting Standards were prepared by the International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the 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. This will enhance the quality and transparency of public sector financial reporting and strengthen public confidence in public sector financial management. This publication may be downloaded free-of-charge from the IFAC website: www.ifac.org. The approved text is published in the English language. The mission of IFAC is to serve the public interest, strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession's expertise is most relevant.

ISBN: XXX

October 2011

IMPROVEMENTS TO IPSASs 2011

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IPSASs Addressed

Part I: Deletion of Introduction Paragraphs

1. Part I deletes the Introduction section of each IPSAS which has one, i.e., 21 of 31 IPSASs.

Part II: General Improvements

2. Part II contains amendments that relate to the following IPSASs for the reasons set out below.

Standard	*Proposed Change*
IPSAS 10, *Financial Reporting in Hyperinflationary Economies*	Amended to insert an Objective paragraph.
IPSAS 17, *Property, Plant, and Equipment*	Amended to include reference to IPSAS 26, *Impairment of Cash-Generating Assets*, where appropriate.
	Amended to delete the final sentence in paragraph 83. The IPSASB use the term "revenue" in a broader sense than the IASB. The IPSASB's definition of revenue includes income and gains.
IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*	Amended to delete reference to insurance entities and to amend references to the exclusion of financial instruments within the scope of IPSAS 29, *Financial Instruments: Recognition and Measurement* from IPSAS 19. Amended IG14 to update the example of a single guarantee to refer to IPSAS 29 which deals with financial guarantee contracts.
IPSAS 21, *Impairment of Non-Cash-Generating Assets*	Amended to include another indicator of impairment – where an asset's useful life has been reassessed as finite rather than indefinite.

PART I: DELETION OF INTRODUCTION

The amendments in Part I shall be applied for annual financial statements covering periods beginning on or after January 1, 2013. Earlier application is encouraged.

Part I: Deletion of Introduction	**Paragraph Numbers to be deleted**
IPSAS 1, *Presentation of Financial Statements*	IN1–IN23
IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*	IN1–IN20
IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*	IN1–IN6
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IPSAS 29, *Financial Instruments: Recognition and Measurement*	IN1–IN15
IPSAS 30, *Financial Instruments: Disclosures*	IN1–IN8
IPSAS 31, *Intangible Assets*	IN1–IN4

PART II: GENERAL IMPROVEMENTS

Amendments to International Public Sector Accounting Standard 10, *Financial Reporting in Hyperinflationary Economies*

A new paragraph 1 is inserted and existing paragraph 1 is renumbered to 1A (new text is underlined).

Objective

1. The objective of this Standard is to prescribe the accounting treatment in the consolidated and individual financial statements of an entity whose functional currency is the currency of a hyperinflationary economy. The Standard also specifies the accounting treatment where the economy ceases to be hyperinflationary.

Scope

1A. **An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard to the primary financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.**

Effective Date

38B. **Existing paragraph 1 was renumbered to 1A and a new paragraph 1 was inserted by *Improvements to IPSASs 2011* issued in September 2011. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2013. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2013, it shall disclose that fact.**

Amendments to International Public Sector Accounting Standard 17, *Property, Plant, and Equipment*

Paragraphs 79, 81, 83, 88 and 93 are amended (new text is underlined and deleted text is struck through) and paragraph 107C is inserted.

Measurement at Recognition

…

Impairment

79. To determine whether an item of property, plant, and equipment is impaired, an entity applies IPSAS 21 or IPSAS 26, *Impairment of Cash-Generating Assets*, as appropriate. ~~That Standard explains~~These Standards explain how an entity reviews the carrying amount of its assets, how it determines the recoverable service amount or recoverable amount of an asset, and when it recognizes, or reverses the recognition of, an impairment loss.

Compensation for Impairment

…

81. Impairments or losses of items of property, plant, and equipment, related claims for or payments of compensation from third parties, and any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately as follows:

    (a) Impairments of items of property, plant, and equipment are recognized in accordance with IPSAS 21 or IPSAS 26, as appropriate;

Derecognition

…

83. **The gain or loss arising from the derecognition of an item of property, plant, and equipment shall be included in surplus or deficit when the item is derecognized (unless IPSAS 13 requires otherwise on a sale and leaseback). ~~Gains shall not be classified as revenue.~~**

Disclosure

88. **The financial statements shall disclose, for each class of property, plant, and equipment recognized in the financial statements:**

    …

    (e) **A reconciliation of the carrying amount at the beginning and end of the period showing:**

…

(iv) **Increases or decreases resulting from revaluations under paragraphs 44, 54, and 55 and from impairment losses (if any) recognized or reversed directly in net assets/equity in accordance with IPSAS 21 <u>or IPSAS 26, as appropriate</u>;**

(v) **Impairment losses recognized in surplus or deficit in accordance with IPSAS 21 <u>or IPSAS 26, as appropriate</u>;**

(vi) **Impairment losses reversed in surplus or deficit in accordance with IPSAS 21 <u>or IPSAS 26, as appropriate</u>;**

...

93. In accordance with IPSAS 21 <u>and IPSAS 26</u>, an entity discloses information on impaired property, plant, and equipment in addition to the information required by paragraph 88(e)(iv)–(vi).

Effective Date

<u>107C.</u> **<u>Paragraph 79, 81, 83, 88 and 93 were amended by *Improvements to IPSASs 2011* issued in September 2011. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2013. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2013, it shall disclose that fact.</u>**

Amendments to International Public Sector Accounting Standard 19, *Provisions, Contingent Liabilities and Contingent Assets*

Paragraphs 1 and 4 are amended (new text is underlined and deleted text is struck through). Paragraph 5 is deleted and paragraph 111A is inserted.

Scope

1. **An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for provisions, contingent liabilities, and contingent assets, except:**

   (a) **Those provisions and contingent liabilities arising from social benefits provided by an entity for which it does not receive consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of those benefits;**

   (b) [Deleted]~~**Those resulting from financial instruments that are carried at fair value;**~~

   (c) **Those resulting from executory contracts, other than where the contract is onerous, subject to other provisions of this paragraph;**

   (d) **Insurance contracts within the scope of the relevant international or national accounting standard dealing with insurance contracts**~~**Those arising in insurance entities from contracts with policyholders;**~~

…

4. This Standard does not apply ~~applies~~ to financial instruments (including guarantees) that are within the scope of IPSAS 29, *Financial Instruments: Recognition and Measurement* ~~not carried at fair value~~.

5. [Deleted]~~This Standard applies to provisions, contingent liabilities, and contingent assets of insurance entities other than those arising from contracts with policyholders.~~

Effective Date

111A. **Paragraph 5 was deleted and paragraphs 1 and 4 were amended by *Improvements to IPSASs 2011* issued in September 2011. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2013. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2013, it shall disclose that fact.**

Implementation Guidance

…

A Single Guarantee

IG14. During 2004, a provincial government gives a guarantee of certain borrowings of a private sector operator providing public services for a fee, whose financial condition at that time is sound. During 2005, the financial condition of the operator deteriorates and, at June 30, 2005, the operator files for protection from its creditors.

This contract meets the definition of a financial guarantee contract in IPSAS 29, except those where the issuer elects to treat such contracts as insurance contracts in accordance with the relevant international or national accounting standard dealing with insurance contracts. The following is an example of an accounting policy that complies with the requirements in IPSAS 29 for financial guarantee contracts within the scope of IPSAS 29.

Analysis

(a) At December 31, 2004

…

Conclusion

The guarantee is recognized at fair value. ~~No provision is recognized (see paragraphs 22 and 31). The guarantee is disclosed as a contingent liability unless the probability of any outflow is regarded as remote (see paragraphs 100 and 109).~~

Analysis

(a) At December 31, 2005

Conclusion

The guarantee is subsequently measured at the higher of (a) ~~A provision is recognized for~~ the best estimate of the obligation (see paragraphs 22, 31 and 109), and (b) the amount initially recognized less, when appropriate, cumulative amortization in accordance with IPSAS 9, *Revenue from Exchange Transactions*.

~~Note: This example deals with a single guarantee. If an entity has a portfolio of similar guarantees, it will assess that portfolio as a whole in determining whether an outflow of resources embodying economic benefits or service potential is probable (see paragraph 32). Where an entity gives guarantees in exchange for a fee, revenue is recognized under IPSAS 9, Revenue from Exchange Transactions.~~

Amendments to International Public Sector Accounting Standard 21, *Impairment of Non-Cash-Generating Assets*

Paragraph 27 is amended (new text is underlined and deleted text is struck through). Paragraph 82B is inserted.

Identifying an Asset that may be Impaired

…

27. **In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:**

…

Internal sources of information

…

(d) **Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, ~~or~~ plans to dispose of an asset before the previously expected date <u>and reassessing the useful life of an asset as finite rather than indefinite</u>;**

…

Transitional Provisions

<u>80A. **The amendment to paragraph 27 shall be applied prospectively from the date of its application.**</u>

Effective Date

<u>82B. **Paragraph 27 was amended by *Improvements to IPSASs 2011* issued in September 2011. An entity shall apply that amendment for annual financial statements covering periods beginning on or after January 1, 2013. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2013, it shall disclose that fact.**</u>

International Federation of Accountants
545 Fifth Avenue, 14th Floor, New York, NY 10017 USA
Tel +1 (212) 286-9344 Fax +1 (212) 286-9570 www.ifac.org