

**Final Pronouncement  
October 2018**

**IPSAS®**

*International Public Sector Accounting Standard®*

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## **Improvements to IPSAS, 2018**

**IPSASB**

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 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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# IMPROVEMENTS TO IPSAS, 2018

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## PART I: GENERAL IMPROVEMENTS TO IPSAS

### Objective

1. The objective of Part I of *Improvements to IPSAS, 2018* is to make improvements to IPSAS in order to address issues raised by stakeholders.

### IPSAS Addressed

2. *Improvements to IPSAS, 2018* deals with non-substantive changes to IPSAS through a collection of unrelated amendments. Amendments included in Part I arise from comments received from stakeholders.

### Improvements to IPSAS

Amendment	IPSAS	Summary of Change
Part I-1a Part I-1b Part I-1c	IPSAS 10, <i>Financial Reporting in Hyperinflationary Economies</i> ; IPSAS 22, <i>Disclosure of Financial Information about the General Government Sector</i> ; IPSAS 24, <i>Presentation of Budget Information in Financial Statements</i>	Replacement of the term “primary financial statements” (which is not defined in IPSAS) with the term “financial statements” (which is a defined term) to ensure consistency within the Standards and across all IPSAS.
Part I-2	IPSAS 16, <i>Investment Property</i>	Update the requirements regarding the transfer of investment property when an entity completes the construction or development of a self-constructed investment property that will be carried at fair value. Following the amendments made by <i>Improvements to IPSASs</i> issued in January 2010, investment property under construction is within the scope of IPSAS 16, and hence is not transferred from another class of asset on completion of the construction. A new heading is inserted before paragraph 76 to clarify that the paragraph provides guidance on initially measuring self-constructed investment property at fair value. Paragraph 76 is also amended to clarify that this could be prior to completion.
Part I-3a Part I-3b	IPSAS 16, <i>Investment Property</i> ; IPSAS 17, <i>Property, Plant, and Equipment</i>	Amend the transitional disclosure requirements to ensure consistency with other amendments made by IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i> .

IMPROVEMENTS TO IPSAS, 2018

Amendment	IPSAS	Summary of Change
Part I-4	IPSAS 31, <i>Intangible Assets</i>	Extend the requirement to consider whether reassessing the useful life of an intangible asset as finite rather than indefinite is an indicator that the asset may be impaired to include revalued intangible assets, following the publication of <i>Impairment of Revalued Assets</i> (Amendments to IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i> , and IPSAS 26, <i>Impairment of Cash-Generating Assets</i> ).
Part I-5	IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i>	Clarify that the exemption from providing comparative information applies only to the first financial statements issued following the adoption of accrual basis IPSAS.
Part I-6	IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i>	Update the Basis for Conclusions and Implementation Guidance to reflect the fact that relief from the requirement to disclose experience adjustments in respect of defined benefit schemes is no longer required. This disclosure was previously required by IPSAS 25, <i>Employee Benefits</i> , but was not carried forward to the replacement Standard, IPSAS 39, <i>Employee Benefits</i> .
Part I-7	IPSAS 34, <i>Separate Financial Statements</i>	Amendments to correct the measurement and presentation of controlled investment entities in the separate financial statements of controlling entities that are not themselves investment entities.

## **Amendment: Part I-1a**

### **Amendments to IPSAS 10, *Financial Reporting in Hyperinflationary Economies***

Paragraphs 1A and 9 are amended and paragraph 38F is added. New text is underlined and deleted text is struck through.

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#### **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.**

...

9. In a hyperinflationary economy, financial statements are useful only if they are expressed in terms of the measuring unit current at the reporting date. As a result, this Standard applies to the ~~primary~~ financial statements of entities reporting in the currency of a hyperinflationary economy. Presentation of the information required by this Standard as a supplement to unrestated financial statements is not permitted. Furthermore, separate presentation of the financial statements before restatement is discouraged.

...

#### **Effective Date**

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**38F. Paragraphs 1A and 9 were amended by *Improvements to IPSAS, 2018*, issued in October 2018. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is permitted.**

...

#### **Basis for Conclusions**

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#### **Revision of IPSAS 10 as a result of *Improvements to IPSAS, 2018***

**BC3. Paragraphs 1A and 9 referred to the “primary financial statements.” Stakeholders have raised concerns that this term is not defined in IPSAS and could therefore cause confusion. The IPSASB noted that the term “financial statements” is used elsewhere in IPSAS with the same meaning. Similarly, IAS 29, *Financial Reporting in Hyperinflationary Economies*, uses the term “financial statements” rather than “primary financial statements” in its equivalent paragraphs. Consequently the IPSASB agreed to standardize the terminology and to replace the term “primary financial statements” with the term “financial statements” wherever this term occurred.**

## **Amendment: Part I-1b**

### **Amendments to IPSAS 22, *Disclosure of Financial Information about the General Government Sector***

Paragraph 37 is amended and paragraph 47E is added. New text is underlined and deleted text is struck through.

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#### **Disclosure**

37. This Standard requires disclosure of the major classes of assets, liabilities, revenues, expenses, and cash flows reflected in the financial statements. This Standard does not specify the manner in which the GGS disclosures shall be made. Governments electing to make GGS disclosures in accordance with this Standard may make such disclosures by way of (a) note disclosure, (b) separate columns in the ~~primary~~ financial statements, or (c) otherwise, as considered appropriate in their jurisdiction. However, the manner of presentation of the GGS disclosures will be no more prominent than the consolidated financial statements prepared in accordance with IPSASs.

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#### **Effective Date**

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**47E. Paragraph 37 was amended by *Improvements to IPSAS, 2018*, issued in October 2018. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is permitted.**

...

#### **Basis for Conclusions**

...

#### **Revision of IPSAS 22 as a result of *Improvements to IPSAS, 2018***

**BC16. Paragraph 37 referred to the “primary financial statements.” Stakeholders have raised concerns that this term is not defined in IPSAS and could therefore cause confusion. The IPSASB noted that the term “financial statements” is used elsewhere in IPSAS with the same meaning. Consequently the IPSASB agreed to standardize the terminology and to replace the term “primary financial statements” with the term “financial statements” wherever this term occurred.**

## **Amendment: Part I-1c**

### **Amendments to IPSAS 24, *Presentation of Budget Information in Financial Statements***

Paragraphs 21, 22 and 24 are amended and paragraph 54D is added. New text is underlined and deleted text is struck through.

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### **Presentation of a Comparison of Budget and Actual Amounts**

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#### **Presentation and Disclosure**

21. **An entity shall present a comparison of budget and actual amounts as additional budget columns in the ~~primary~~-financial statements only where the financial statements and the budget are prepared on a comparable basis.**
22. Comparisons of budget and actual amounts may be presented in a separate financial statement, (Statement of Comparison of Budget and Actual Amounts or a similarly titled statement) included in the complete set of financial statements as specified in IPSAS 1. Alternatively, where the financial statements and the budget are prepared on a comparable basis – that is, on the same basis of accounting for the same entity and reporting period, and adopt the same classification structure – additional columns may be added to the existing ~~primary~~-financial statements presented in accordance with IPSASs. These additional columns will identify original and final budget amounts and, if the entity so chooses, differences between the budget and actual amounts.

...

24. In those jurisdictions where budgets are prepared on the accrual basis and encompass the full set of financial statements, additional budget columns can be added to all the ~~primary~~-financial statements required by IPSASs. In some jurisdictions, budgets prepared on the accrual basis may be presented in the form of only certain of the ~~primary~~-financial statements that comprise the full set of financial statements as specified by IPSASs – for example, the budget may be presented as a statement of financial performance or a cash flow statement, with additional information provided in supporting schedules. In these cases, the additional budget columns can be included in the ~~primary~~-financial statements that are also adopted for presentation of the budget.

...

#### **Effective Date**

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- 54D. **Paragraphs 21, 22 and 24 were amended by *Improvements to IPSAS, 2018*, issued in October 2018. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is permitted.**

...



## Basis for Conclusions

...

### **Revision of IPSAS 24 as a result of *Improvements to IPSAS, 2018***

BC24. Paragraphs 21, 22 and 24 referred to the “primary financial statements.” Stakeholders have raised concerns that this term is not defined in IPSAS and could therefore cause confusion. The IPSASB noted that the term “financial statements” is used elsewhere in IPSAS with the same meaning. Consequently the IPSASB agreed to standardize the terminology and to replace the term “primary financial statements” with the term “financial statements” wherever this term occurred.

## **Amendment: Part I-2**

### **Amendments to IPSAS 16, *Investment Property***

Paragraph 76 is amended and paragraph 101F is added. A new heading is inserted before paragraph 76. New text is underlined and deleted text is struck through.

...

#### **Guidance on Initially Measuring Self-Constructed Investment Property at Fair Value**

76. **When an entity completes the construction or development of a self-constructed investment property that will be carried at fair value, or when its fair value becomes reliably measurable (whichever is earlier), any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in surplus or deficit.**

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#### **Effective Date**

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101F. **Paragraphs 76 and 97 were amended by *Improvements to IPSAS, 2018*, issued in October 2018. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is permitted.**<sup>1</sup>

...

#### **Basis for Conclusions**

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#### **Revision of IPSAS 16 as a result of *Improvements to IPSAS 2018***

BC9. Paragraph 76 included requirements regarding the measurement of self-constructed investment property that will be carried at fair value following its transfer from another class of asset once an entity completed its construction or development. As a result of the amendments made by *Improvements to IPSASs* issued in January 2010, investment property under construction is now within the scope of IPSAS 16, and fair value measurement may commence during construction. Consequently, the IPSASB decided to amend paragraph 76.

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<sup>1</sup> This paragraph includes the effective date for Amendment: Part I-3a below.

## **Amendment: Part I-3a**

### **Amendments to IPSAS 16, *Investment Property***

Paragraph 97 is amended and paragraph 101G is added. New text is underlined and deleted text is struck through.

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#### **Transitional Provisions**

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#### **Fair Value Model**

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97. An entity that (a) has previously applied IPSAS 16 (2001), and (b) elects for the first time to classify and account for some or all eligible property interests held under operating leases as investment property, shall recognize the effect of that election as an adjustment to the opening balance of accumulated surpluses or deficits for the period in which the election is first made. In addition, ~~if the entity has previously disclosed publicly (in financial statements or otherwise) the fair value of those property interests in earlier periods, paragraph 94(a) applies. If the entity has not previously disclosed publicly the information related to those property interests described in paragraph 94(a), paragraph 94(b) applies.~~

(a) If the entity has previously disclosed publicly (in financial statements or otherwise) the fair value of its investment property in earlier periods (determined on a basis that satisfies the definition of fair value and the guidance in paragraphs 45–61), the entity is encouraged, but not required:

(i) To adjust the opening balance of accumulated surpluses or deficits for the earliest period presented for which such fair value was disclosed publicly; and

(ii) To restate comparative information for those periods; and

(b) If the entity has not previously disclosed publicly the information described in (a), it shall not restate comparative information and shall disclose that fact.

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#### **Effective Date**

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[See paragraph 101F, included in Amendment: Part I-2 above.]

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#### **Basis for Conclusions**

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#### **Revision of IPSAS 16 as a result of *Improvements to IPSAS, 2018***

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BC10. Paragraph 97 includes transitional provisions for those entities that elect, for the first time, to classify and account for some or all eligible property interests held under operating leases as investment

property. These provisions have been restated following the deletion of other transitional provisions (to which paragraph 97 previously referred) as a result of the issuance of IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*.

## **Amendment: Part I-3b**

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

Paragraph 106 is amended and paragraph 107O is added. New text is underlined and deleted text is struck through.

#### **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~~ disclose the fact that they are relying on these transitional provisions. Information on the major classes of asset that have not been recognized shall also be disclosed. When an entity takes advantage of the transitional provisions for a second or subsequent reporting period, details of the assets or classes of asset that were not recognized at the previous reporting date but that are now recognized shall be disclosed.

#### **Effective Date**

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107O. Paragraph 106 was amended by *Improvements to IPSAS, 2018*, issued in October 2018. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is permitted.

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#### **Basis for Conclusions**

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#### **Revision of IPSAS 17 as a result of *Improvements to IPSAS, 2018***

BC15. Paragraph 106 includes transitional provisions for those entities that were already taking advantage of the five-year transitional period previously included in IPSAS 17. These provisions have been restated following the deletion of other transitional provisions (to which paragraph 106 previously referred) as a result of the issuance of IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*.

## **Amendment: Part I-4**

### **Amendments to IPSAS 31, *Intangible Assets***

Paragraph 109 is amended and paragraph 132J is added. New text is underlined and deleted text is struck through.

#### **Intangible Assets with Indefinite Useful Lives**

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##### **Review of Useful Life Assessment**

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109. ~~For intangible assets measured under the cost model, reassessing the useful life of an intangible asset as finite rather than indefinite~~ In accordance with either IPSAS 21 or IPSAS 26, as appropriate, reassessing the useful life of an intangible asset as finite rather than indefinite is an indicator that the asset may be impaired. As a result, the entity tests the asset for impairment by comparing its recoverable service amount or its recoverable amount, determined in accordance with either IPSAS 21 or IPSAS 26, as appropriate, with its carrying amount, and recognizing any excess of the carrying amount over the recoverable service amount or recoverable amount as appropriate, as an impairment loss.

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##### **Effective Date**

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132J. Paragraph 109 was amended by *Improvements to IPSAS, 2018*, issued in October 2018. An entity shall apply this amendment prospectively for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is permitted. If an entity applies this amendment for a period beginning before January 1, 2019, it shall disclose that fact and at the same time apply *Impairment of Revalued Assets (Amendments to IPSAS 21, Impairment of Non-Cash-Generating Assets, and IPSAS 26, Impairment of Cash-Generating Assets)*.

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##### **Basis for Conclusions**

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##### **Revision of IPSAS 31 as a result of *Improvements to IPSAS, 2018***

BC13. Paragraph 109 requires an entity to test an intangible asset for impairment when reassessing its useful life. When this standard was issued, such a test was only required for intangible assets measured under the cost model. Following the publication of *Impairment of Revalued Assets (Amendments to IPSAS 21, Impairment of Non-Cash-Generating Assets, and IPSAS 26, Impairment of Cash-Generating Assets)* in July 2016, this test is required for all intangible assets, and paragraph 109 has been amended accordingly.

## **Amendment: Part I-5**

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

Paragraphs 78, 79, 123 and 142 are amended and paragraph 154E is added. New text is underlined.

...

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

...

#### **IPSAS 1, Presentation of Financial Statements**

##### *Comparative Information*

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78. **Where a first-time adopter elects to present comparative information, the first transitional IPSAS financial statements or the first IPSAS financial statements presented in accordance with this IPSAS shall include:**
- (a) **One statement of financial position with comparative information for the preceding period, and an opening statement of financial position as at the beginning of the reporting period prior to the date of adoption of accrual basis IPSAS;**
  - (b) **One statement of financial performance with comparative information for the preceding period;**
  - (c) **One statement of changes in net assets/equity with comparative information for the preceding period;**
  - (d) **One cash flow statement with comparative information for the preceding period;**
  - (e) **A comparison of budget and actual amounts for the current year as a separate additional financial statement or as a budget column in the financial statements if the first-time adopter makes its approved budget publicly available; and**
  - (f) **Related notes including comparative information, and the disclosure of narrative information about material adjustments as required by paragraph 142.**
79. **Where a first-time adopter elects to not present comparative information, its first transitional IPSAS financial statements following the adoption of accrual basis IPSASs or its first IPSAS financial statements presented in accordance with this IPSASs shall include:**
- (a) **One statement of financial position, and an opening statement of financial position at the date of adoption of accrual basis IPSAS;**
  - (b) **One statement of financial performance;**
  - (c) **One statement of changes in net assets/equity;**
  - (d) **One cash flow statement;**

- (e) A comparison of budget and actual amounts for the current year as a separate additional financial statement or as a budget column in the financial statements if the first-time adopter makes its approved budget publicly available; and
- (f) Related notes and the disclosure of narrative information about material adjustments as required by paragraph 142.

...

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

123. Where the first-time adopter elects to present comparative information in accordance with paragraph 78, it is not required to present information about the nature and extent of risks arising from financial instruments for the comparative period in its first transitional IPSAS financial statements or its first IPSAS financial statements.

...

#### **Reconciliations**

142. A first-time adopter shall present in the notes to its first transitional IPSAS financial statements or its first IPSAS financial statements:
- (a) A reconciliation of its balance of net assets/equity reported in accordance with its previous basis of accounting to its opening balance of net assets/equity at the date of adoption of IPSASs; and
  - (b) A reconciliation of its accumulated surplus or deficit in accordance with its previous basis of accounting to its ~~opening balance of~~ accumulated surplus or deficit at the date of adoption of IPSASs.

A first-time adopter that has applied a cash basis of accounting in its previous financial statements is not required to present such reconciliations.

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#### **Effective Date**

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154E. Paragraphs 78, 79, 123 and 142 were amended by *Improvements to IPSAS, 2018*, issued in October 2018. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is permitted.

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#### **Basis for Conclusions**

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#### **Presentation of Information on First-Time Adoption**

*Presenting Comparative Information Following the Adoption of Accrual Basis IPSASs*

...

BC25. In considering the cost-benefit criterion, the IPSASB confirmed that the current approach in IPSAS 1 for the presentation of comparative information should be retained to promote the adoption



of accrual IPSASs. This IPSAS therefore only encourages the provision of comparative information, with no requirement that a first-time adopter should provide comparative information in its first transitional IPSAS financial statements, or first IPSAS financial statements.

- BC26. Where a first-time adopter elects to not present comparative information, the IPSASB agreed that, as a minimum, a first-time adopter's first transitional IPSAS financial statements, should include one statement of financial position and an opening statement of financial position at the date of adoption of accrual basis IPSASs.

...

**Revision of IPSAS 33 as a result of *Improvements to IPSAS, 2018***

BC119. Following the issue of IPSAS 33, the IPSASB became aware that stakeholders were uncertain whether the exemption from providing comparative information applied to the first financial statements issued following the adoption of accrual basis IPSAS, or all financial statements issued during the transition period. Paragraph 77 referred to an entity's 'first transitional IPSAS financial statements' whereas other paragraphs referred to an entity's 'transitional IPSAS financial statements.' The IPSASB agreed to amend the other paragraphs to clarify that the exemption applies only to the first financial statements issued following the adoption of accrual basis IPSAS.

**Implementation Guidance**

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

...

**Presenting Comparative Information**

- IG29. Paragraph 78 of IPSAS 33 encourages, but does not require an entity to present comparative information in its first transitional IPSAS financial statements or its first IPSAS financial statements in accordance with this IPSAS. The decision to present comparative information affects not only the extent of the information presented, but also the date of adoption of IPSASs.
- IG35. Paragraph 142 of IPSAS 33 requires a first-time adopter to present a reconciliation of its closing balances reported under its previous basis of accounting, to its net assets/equity in accordance with IPSASs for ~~the~~ its first transitional IPSAS financial statements or its first IPSAS financial statements. A reconciliation is also presented of its accumulated surplus or deficit in accordance with its previous basis of accounting to its ~~opening balance of~~ accumulated surplus or deficit at the date of adoption of IPSASs.

## **Amendment: Part I-6**

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

Paragraphs BC109 and IG91 are amended. New text is underlined and deleted text is struck through.

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#### **Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, IPSAS 33.*

...

#### **Exemptions that Do Not Affect Fair Presentation and Compliance with Accrual Basis IPSAS**

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*IPSAS 39, Employee Benefits*

BC109. In developing IPSAS 33, the IPSASB also agreed that, where a first-time adopter ~~takes~~ took advantage of the exemptions that provide relief for the recognition and/or measurement of liabilities, it should provide information about amounts for the current and previous four annual periods of the present value of the defined benefit obligation, the fair value of the plan assets, and the surplus or deficit in the plan and adjustments as required by IPSAS ~~39-25~~ prospectively. IPSAS 39, *Employee Benefits*, was issued in July 2016. IPSAS 39 deleted paragraph 107 of this Standard as the requirement in paragraph 141(p) of IPSAS 25 to disclose information on experience adjustments was not adopted in IPSAS 39.

...

#### **Implementation Guidance**

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

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#### **Presentation and Disclosure**

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#### **Summary of Transitional Exemptions and Provisions Included in IPSAS 33 First-time Adoption of Accrual Basis IPSASs**

IG91. The diagram below summarizes the transitional exemptions and provisions included in other accrual basis IPSASs

...

IMPROVEMENTS TO IPSAS, 2018

	Transitional exemption provided							
	NO	YES						
		Deemed cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
IPSAS 25, <i>Employee Benefits</i> (IPSAS 39, <i>Employee Benefits</i> )			✓ defined benefit plans and other long-term employee benefits not recognized under previous basis of accounting	✓ for defined benefit and other long-term employee benefits recognized under previous basis of accounting				<ul style="list-style-type: none"> <li>• Provisions on how to determine initial liability</li> <li>• Provision to not separate cumulative actuarial gains and losses</li> <li>• Prospective disclosure on experience adjustments</li> </ul>

## Amendment: Part I-7

### Amendments to IPSAS 34, *Separate Financial Statements*

Paragraphs 14, 22 and 30 are amended and paragraph 32C is added. New text is underlined and deleted text is struck through.

...

#### Preparation of Separate Financial Statements

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14. If a controlling entity is required, in accordance with paragraph 56 of IPSAS 35, to measure its investment in a controlled entity at fair value through surplus or deficit in accordance with IPSAS 29 (or IPSAS 41 when an entity applies that Standard), it shall also account for that investment in the same way in its separate financial statements. ~~If a~~A controlling entity that is not itself an investment entity ~~is required, shall measure its investments in a controlled investment entity~~ in accordance with paragraph ~~1258 of IPSAS 35, to measure the investments of a controlled investment entity at fair value through surplus or deficit in accordance with IPSAS 29 and consolidate the other assets and liabilities and revenue and expenses of the controlled investment entity, it shall also account for that investment in the controlled investment entity in the same way~~ in its separate financial statements.

...

#### Disclosure

...

22. If a controlling entity that is not itself an investment entity is required to apply the requirements of paragraph 58 of IPSAS 35, in accordance with paragraph 56 of IPSAS 35, to measure the investments of a controlled investment entity at fair value through surplus or deficit in accordance with IPSAS 29 and consolidate the other assets and liabilities and revenue and expenses of the controlled investment entity, it shall disclose that fact. The entity shall also ~~it shall disclose its accounting policy choice for measuring its investment in the investment entity in its separate financial statements, and present the disclosures relating to investment entities required by IPSAS 38, *Disclosure of Interests in Other Entities*.~~

...

#### Transitional Provisions

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30. At the date of initial application, a controlling entity that is not itself an investment entity but which is required, in accordance with paragraph ~~56~~ 58 of IPSAS 35, to measure ~~the~~ its investments ~~of~~ in a controlled investment entity at fair value through surplus or deficit in accordance with ~~IPSAS 29<sup>2</sup> and consolidate the other assets and liabilities and revenue and expenses of the controlled investment entity,~~ shall use the transitional provisions in paragraphs 24–29 in accounting for its investment in the controlled investment entity in its separate financial statements.

...

## Effective Date

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**32C Paragraphs 14, 22 and 30 were amended by *Improvements to IPSAS, 2018*, issued in October 2018. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is permitted. If an entity applies these amendments for a period beginning before January 1, 2019, it shall disclose that fact.**

...

## Basis for Conclusions

...

*Revision of IPSAS 34 as a result of Improvements to IPSAS, 2018*

**BC9A. Following the issue of IPSAS 34 the IPSASB became aware that the requirements in paragraphs 14 and 30 (which referred to the consolidation of certain balances of a controlled investment entity in separate financial statements) needed to be amended, as a controlling entity does not consolidate items in its separate financial statements. The IPSASB decided to permit a controlling entity that is not itself an investment entity to measure its investments in a controlled investment entity in accordance with paragraph 12 of IPSAS 34 in its separate financial statements. The IPSASB gave effect to this amendment in *Improvements to IPSAS, 2018*.**

## PART II: IFRS ALIGNMENT AMENDMENTS

### Objective

3. The objective of Part II of *Improvements to IPSAS, 2018* is to make Improvements to IPSAS in order to align with amendments to International Financial Reporting Standards based on the IASB's *Improvements to IFRS* projects, *Narrow Scope Amendments* projects, and Interpretations of the IFRS Interpretations Committee.

### IPSAS Addressed

4. *Improvements to IPSAS, 2018* deals with non-substantive changes to IPSAS through a collection of unrelated amendments. Amendments included in Part II arise through consideration of the annual improvements and narrow scope amendments projects of the IASB, and Interpretations of the IFRS Interpretations Committee.

The amendments in Part II are from the following IASB amendments:

Amendment	IPSAS	Summary of Change
<i>Annual Improvements to IFRSs 2011–2013 Cycle</i> (issued December 2013)		
Part II-1	IPSAS 16, <i>Investment Property</i>	Update the headings in relation to the interrelationship between IPSAS 40, <i>Public Sector Combinations</i> , and IPSAS 16 when classifying property as investment property or owner-occupied property (the substantive changes have already been made by IPSAS 40).
<i>Disclosure Initiative</i> (Amendments to IAS 7) (issued January 2016)		
Part II-2	IPSAS 2, <i>Cash Flow Statements</i>	Add disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To allow entities time to prepare for this disclosure, this amendment has an effective date of January 1, 2021.
<i>Transfers of Investment Property</i> (Amendments to IAS 40) (issued December 2016)		
Part II-3	IPSAS 16, <i>Investment Property</i>	Amend the requirements relating to transfers of investment property to reflect the principle that a change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred. The list of circumstances in which a transfer occurs is re-characterized as a non-exhaustive list of examples to be consistent with this principle.

<i>Annual Improvements to IFRSs 2014–2016 Cycle (issued December 2016)</i>		
Part II-4	IPSAS 36, <i>Investments in Associates and Joint Ventures</i>	Clarify that an entity is able to choose between applying the equity method or measuring the investment at fair value for each investment in an associate or joint venture.
<i>IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (issued December 2016)</i>		
Part II-5a	IPSAS 4, <i>The Effects of Changes in Foreign Exchange Rates;</i>	Clarify how to account for a transaction when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or revenue.
Part II-5b	IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i>	
<i>Annual Improvements to IFRS® Standards 2015–2017 Cycle (issued December 2017)</i>		
Part II-6	IPSAS 37, <i>Joint Arrangements</i>	Clarify the accounting for a previously held interest in a joint operation when a party obtains joint control.
Part II-7	IPSAS 40, <i>Public Sector Combinations.</i>	Clarify the accounting for a previously held interest in a joint operation when a party obtains control of the joint operation.
Part II-8	IPSAS 5, <i>Borrowing Costs</i>	Clarify that an entity includes borrowings made specifically to obtain a qualifying asset in general borrowings when that qualifying asset is ready for its intended use or sale.
<i>Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) (issued February 2018)</i>		
Part II-9	IPSAS 39, <i>Employee Benefits</i>	Require an entity to use the updated assumptions from the remeasurement associated with a change to a plan (an amendment, curtailment or settlement) to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

## **Amendment: Part II-1**

### **Amendments to IPSAS 16, *Investment Property***

The existing headings before paragraphs 8 and 9 are deleted, and a new heading added before paragraph 8. Paragraphs 8 and 9 have been included for ease of reference but are not amended. New text is underlined and deleted text is struck through.

...

### **Classification of Property as Investment Property or Owner-Occupied Property**

#### **~~Property Interest Held by a Lessee under an Operating Lease~~**

8. **A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property if, and only if, (a) the property would otherwise meet the definition of an investment property, and (b) the lessee uses the fair value model set out in paragraphs 42–64 for the asset recognized. This classification alternative is available on a property-by-property basis. However, once this classification alternative is selected for one such property interest held under an operating lease, all property classified as investment property shall be accounted for using the fair value model. When this classification alternative is selected, any interest so classified is included in the disclosures required by paragraphs 85–89.**

#### **~~Investment Property~~**

9. There are a number of circumstances in which public sector entities may hold property to earn rental and for capital appreciation. For example, a public sector entity may be established to manage a government's property portfolio on a commercial basis. In this case, the property held by the entity, other than property held for resale in the ordinary course of operations, meets the definition of an investment property. Other public sector entities may also hold property for rentals or capital appreciation, and use the cash generated to finance their other (service delivery) activities. For example, a university or local government may own a building for the purpose of leasing on a commercial basis to external parties to generate funds, rather than to produce or supply goods and services. This property would also meet the definition of investment property.



**Amendment: Part II-2****Amendments to IPSAS 2, *Cash Flow Statements***

Paragraphs 55A–55E and the related heading are added. Paragraph 63F is also added. New text is underlined.

...

**Changes in Liabilities Arising from Financing Activities**

**55A. An entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.**

55B. To the extent necessary to satisfy the requirement in paragraph 55A, an entity shall disclose the following changes in liabilities arising from financing activities:

- (a) Changes from financing cash flows;
- (b) Changes arising from obtaining or losing control of controlled entities or other operations;
- (c) The effect of changes in foreign exchange rates;
- (d) Changes in fair values; and
- (e) Other changes.

55C. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities. In addition, the disclosure requirement in paragraph 55A also applies to changes in financial assets (for example, assets that hedge liabilities arising from financing activities) if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

55D. One way to fulfil the disclosure requirement in paragraph 55A is by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including the changes identified in paragraph 55B. Where an entity discloses such a reconciliation, it shall provide sufficient information to enable users of the financial statements to link items included in the reconciliation to the statement of financial position and the cash flow statement.

55E. If an entity provides the disclosure required by paragraph 55A in combination with disclosures of changes in other assets and liabilities, it shall disclose the changes in liabilities arising from financing activities separately from changes in those other assets and liabilities.

...

**Effective Date**

...

**63F. Paragraphs 55A–55E were added by *Improvements to IPSAS, 2018*, issued in October 2018. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2021. Earlier application is permitted. When the entity first applies those amendments, it is not required to provide comparative information for preceding periods.**

...

**Basis for Conclusions**

...

**Revision of IPSAS 2 as a result of *Improvements to IPSAS, 2018***

BC3. The IPSASB reviewed the revisions to IAS 7 included in the narrow scope amendments titled *Disclosure Initiative (Amendments to IAS 7)* issued by the IASB in January 2016, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions, and generally concurred that there was no public sector specific reason for not adopting the amendments. The IPSASB acknowledged that entities would need time to implement this amendment, and therefore set an effective date for this amendment of January 1, 2021, two years later than the other amendments in *Improvements to IPSAS, 2018*.

...

**Illustrative Examples**

*These examples accompany, but are not part of, IPSAS 2.*

...

**Cash Flow Statement (For an Entity Other Than a Financial Institution)**

**Direct Method Cash Flow Statement (paragraph 27(a))**

...

**Notes to the Cash Flow Statement**

...

**(d) Reconciliation of Liabilities Arising from Financing Activities**

	<u>20X1</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>20X2</u>
			<u>Acquisition</u>	<u>New leases</u>	
<u>Long-term borrowings</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>Lease liabilities</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>Long-term debt</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>

...

**Indirect Method Cash Flow Statement (paragraph 27(b))**

**Public Sector Entity—Consolidated Cash Flow Statement for Year Ended December 31, 20X2 (In Thousands of Currency Units)**

...

**Notes to the Cash Flow Statement**

...

(c) Reconciliation of Liabilities Arising from Financing Activities

	<u>20X1</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>20X2</u>
			<u>Acquisition</u>	<u>New leases</u>	
<u>Long-term borrowings</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>Lease liabilities</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>Long-term debt</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>

**Reconciliation of Liabilities Arising from Financing Activities**

- 1 This example illustrates one possible way of providing the disclosures required by paragraphs 55A–55E.
- 2 The example shows only current period amounts. Corresponding amounts for the preceding period are required to be presented in accordance with IPSAS 1, *Presentation of Financial Statements*.

	<u>20X1</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>20X2</u>
			<u>Acquisition</u>	<u>Foreign exchange movement</u>	<u>Fair value changes</u>	
<u>Long-term borrowings</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>Short-term borrowings</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>Lease liabilities</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>Assets held to hedge long-term borrowings</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>Total liabilities from financing activities</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>

**Amendment: Part II-3****Amendments to IPSAS 16, *Investment Property***

Paragraphs 66 and 68 are amended and paragraphs 100B–100D and 101H are added. New text is underlined and deleted text is struck through.

...

**Transfers**

66. ~~Transfers~~An entity shall transfer a property to or from investment property shall be made when, and only when, there is a change in use, evidenced by. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. Examples of evidence of a change in use include:

- (a) Commencement of owner-occupation, or of development with a view to owner-occupation, for a transfer from investment property to owner-occupied property;
- (b) Commencement of development with a view to sale, for a transfer from investment property to inventories;
- (c) End of owner-occupation, for a transfer from owner-occupied property to investment property; ~~or~~and
- (d) ~~Commencement~~Inception of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property.
- (e) [Deleted]

...

68. ~~Paragraph 66(b) requires an entity to transfer a property from investment property to inventories when, and only when, there is a change in use, evidenced by commencement of development with a view to sale.~~ When an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not ~~treat~~reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment.

...

**Transitional Provisions**

...

**Transfers of Investment Property**

100B. Improvements to IPSAS, 2018, issued in October 2018, amended paragraphs 66 and 68. An entity shall apply those amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments (the date of initial application). At the date of initial application, an entity shall reassess the classification of property held at that date

and, if applicable, reclassify property applying paragraphs 9–18 to reflect the conditions that exist at that date.

100C. Notwithstanding the requirements in paragraph 100B, an entity is permitted to apply the amendments to paragraphs 66 and 68 retrospectively in accordance with IPSAS 3 if, and only if, that is possible without the use of hindsight.

100D. If, in accordance with paragraph 100B, an entity reclassifies property at the date of initial application, the entity shall:

(a) Account for the reclassification applying the requirements in paragraphs 70–75. In applying paragraphs 70–75, an entity shall:

(i) Read any reference to the date of change in use as the date of initial application; and

(ii) Recognize any amount that, in accordance with paragraphs 70–75, would have been recognized in surplus or deficit as an adjustment to the opening balance of accumulated surplus or deficit at the date of initial application.

(b) Disclose the amounts reclassified to, or from, investment property in accordance with paragraph 100B. The entity shall disclose those amounts reclassified as part of the reconciliation of the carrying amount of investment property at the beginning and end of the period as required by paragraphs 87 and 90.

...

## **Effective Date**

...

101G. Paragraphs 66 and 68 were amended, and paragraphs 100B–100D added, by *Improvements to IPSAS, 2018*, issued in October 2018. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is permitted. If an entity applies this amendment for a period beginning before January 1, 2019, it shall disclose that fact.

...

## **Basis for Conclusions**

...

### **Revision of IPSAS 16 as a result of *Improvements to IPSAS, 2018***

...

BC11. The IPSASB reviewed the revisions to IAS 40 included in the narrow scope amendments titled *Transfers of Investment Property* (Amendments to IAS 40) issued by the IASB in December 2016, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions, and generally concurred that there was no public sector specific reason for not adopting the amendments.

## **Amendment: Part II-4**

### **Amendments to IPSAS 36, *Investments in Associates and Joint Ventures***

Paragraph 24 is amended and paragraph 51E is added. New text is underlined and deleted text is struck through.

...

#### **Application of the Equity Method**

...

#### **Exemptions from Applying the Equity Method**

...

24. When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investments ~~in these associates and joint ventures~~ at fair value through surplus or deficit in accordance with IPSAS 41<sup>2</sup>. An entity shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture. An investment entity will, by definition, have made this election for its investments.

...

#### **Effective Date**

...

- 51E. Paragraph 24 was amended by *Improvements to IPSAS, 2018*, issued in October 2018. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is permitted. If an entity applies this amendment for a period beginning before January 1, 2019, it shall disclose that fact.

...

#### **Basis for Conclusions**

...

#### **Revision of IPSAS 36 as a result of *Improvements to IPSAS, 2018***

BC17. The IPSASB reviewed the revisions to IAS 28, *Investments in Associates and Joint Ventures*, included in *Annual Improvements to IFRS Standards 2014–2016 Cycle* issued by the IASB in December 2016, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions. These amendments clarify that an entity is able to choose between applying the equity method or measuring the investment at fair value for each investment in an associate or joint venture.

BC18. In respect of an investment in an associate or a joint venture that is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar

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<sup>2</sup> Or IPSAS 29, *Financial Instruments: Recognition and Measurement*, where an entity has not yet applied IPSAS 41.

entities including investment-linked insurance funds, the IPSASB generally concurred that there was no public sector specific reason for not adopting the amendments.

BC19. However, in respect of an interest in an associate or a joint venture that is an investment entity, the IPSASB had already determined, in approving IPSAS 36 (and in contrast to the approach taken in IAS 28), to mandate fair value measurement. Consequently, the IPSASB did not adopt the amendments made to IAS 28, paragraph 36A.

**Amendment: Part II-5a**

**Amendments to IPSAS 4, *The Effects of Changes in Foreign Exchange Rates***

Paragraphs 70A, 70B and 71E, and Appendix A (paragraphs A1–A9) are added. New text is underlined.

...

**Transitional Provisions**

...

**Foreign Currency Transactions and Advance Consideration (Amendments made by *Improvements to IPSAS, 2018*)**

70A. On initial application, an entity shall apply the requirements of Appendix A either:

- (a) Retrospectively applying IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors*; or
- (b) Prospectively to all assets, expenses and revenue in the scope of Appendix A initially recognized on or after:
  - (i) The beginning of the reporting period in which the entity first applies Appendix A; or
  - (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies Appendix A.

70B. An entity that applies paragraph 70A(b) shall, on initial application, apply Appendix A to assets, expenses and revenue initially recognized on or after the beginning of the reporting period in paragraph 70A(b)(i) or (ii) for which the entity has recognized non-monetary assets or non-monetary liabilities arising from advance consideration before that date.

**Effective Date**

...

71E. **Paragraphs 70A and 70B, and Appendix A (paragraphs A1–A9) were added by *Improvements to IPSAS, 2018*, issued in October 2018. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is permitted. If an entity applies these amendments for a period beginning before January 1, 2019, it shall disclose that fact.**

...

**Appendix A**

**Foreign Currency Transactions and Advance Consideration**

*This Appendix is an integral part of IPSAS 4*

**Introduction**

A1. Paragraph 24 of IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*, requires an entity to record a foreign currency transaction, on initial recognition in its functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign



currency (the exchange rate) at the date of the transaction. Paragraph 25 of IPSAS 4 states that the date of the transaction is the date on which the transaction first qualifies for recognition in accordance with IPSAS.

- A2. When an entity pays or receives consideration in advance in a foreign currency, it generally recognizes a non-monetary asset or non-monetary liability before the recognition of the related asset, expense or revenue. The related asset, expense or revenue (or part of it) is the amount recognized applying relevant IPSAS, which results in the derecognition of the non-monetary asset or non-monetary liability arising from the advance consideration.
- A3. This Appendix clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue when an entity has received or paid advance consideration in a foreign currency.

### **Scope**

- A4. This Appendix applies to a foreign currency transaction (or part of it) when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or revenue (or part of it).
- A5. This Appendix does not apply when an entity measures the related asset, expense or revenue on initial recognition:
- (a) At fair value; or
  - (b) At the fair value of the consideration paid or received at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability arising from advance consideration (for example, the measurement of goodwill applying IPSAS 40, *Public Sector Combinations*).
- A6. An entity is not required to apply this Appendix to:
- (a) Income taxes; or
  - (b) Insurance contracts (including reinsurance contracts) that it issues or reinsurance contracts that it holds.

### **Application of IPSAS 4 to Foreign Currency Transactions and Advance Consideration**

- A7. This Appendix addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.
- A8. Applying paragraphs 24–25 of IPSAS 4, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.
- A9. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 4.*

...

### **Revision of IPSAS 4 as a result of *Improvements to IPSAS, 2018***

BC7. The IPSASB reviewed the requirements of IFRIC 22, *Foreign Currency Transactions and Advance Consideration*, issued by the IASB in December 2016, and the considerations of the IFRS Interpretations Committee in reaching its consensus as set out in its Basis for Conclusions. The IPSASB generally concurred that there was no public sector specific reason for not incorporating these requirements into IPSAS 4.

## **Illustrative Examples**

*These Illustrative Examples accompany, but are not part of, IPSAS 4*

### **Foreign Currency Transactions and Advance Consideration**

*In these Illustrative Examples, foreign currency amounts are 'Foreign Currency' (FC) and functional currency amounts are 'Local Currency' (LC).*

IE1. The objective of these examples is to illustrate how an entity determines the date of the transaction when it recognizes a non-monetary asset or non-monetary liability arising from advance consideration in a foreign currency before it recognizes the related asset, expense or revenue (or part of it) applying relevant IPSAS.

#### *Example 1—A Single Advance Payment for the Purchase of a Single Item of Property, Plant and Equipment*

IE2. On March 1, 20X1, Entity A entered into a contract with a supplier to purchase a machine for use in its operations. Under the terms of the contract, Entity A pays the supplier a fixed purchase price of FC1,000 on April 1, 20X1. On April 15, 20X1, Entity A takes delivery of the machine.

IE3. Entity A initially recognizes a non-monetary asset translating FC1,000 into its functional currency at the spot exchange rate between the functional currency and the foreign currency on April 1, 20X1. Applying paragraph 27(b) of IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*, Entity A does not update the translated amount of that non-monetary asset.

IE4. On April 15, 20X1, Entity A takes delivery of the machine. Entity A derecognizes the non-monetary asset and recognizes the machine as property, plant and equipment applying IPSAS 17, *Property, Plant and Equipment*. On initial recognition of the machine, Entity A recognizes the cost of the machine using the exchange rate at the date of the transaction, which is April 1 20X1 (the date of initial recognition of the non-monetary asset).

#### *Example 2—Multiple Receipts for Revenue Recognized at a Single Point in Time*

IE5. On June 1, 20X2, Entity B entered into a contract with a customer to deliver goods on September 1, 20X2. The total fixed contract price is an amount of FC100, of which FC40 is due and received on August 1, 20X2 and the balance is receivable on September 30, 20X2.

IE6. Entity B initially recognizes a non-monetary contract liability translating FC40 into its functional currency at the spot exchange rate between the functional currency and the foreign currency on

August 1, 20X2. Applying paragraph 27(b) of IPSAS 4, Entity B does not update the translated amount of that non-monetary liability.

IE7. Applying paragraph 28 of IPSAS 9, Revenue from Exchange Transactions, Entity B recognizes revenue on September 1, 20X2, the date on which it transfers the goods to the customer.

IE8. Entity B determines that the date of the transaction for the revenue relating to the advance consideration of FC40 is August 1, 20X2. Applying paragraph 25 of IPSAS 4, Entity B determines that the date of the transaction for the remainder of the revenue is September 1, 20X2.

IE9. On September 1, 20X2, Entity B:

(a) Derecognizes the contract liability of FC40 and recognizes revenue using the exchange rate on August 1, 20X2; and

(b) Recognizes revenue of FC60 and a corresponding receivable using the exchange rate on that date (September 1 20X2).

IE10. The receivable of FC60 recognized on September 1, 20X2 is a monetary item. Entity B updates the translated amount of the receivable until the receivable is settled.

*Example 3—Multiple Payments for Purchases of Services Over a Period of Time*

IE11. On May 1 20X3, Entity C entered into a contract with a supplier for services. The supplier will provide the services to Entity C evenly over the period from July 1, 20X3 to December 31 20X3. The contract requires Entity C to pay the supplier FC200 on June 15, 20X3 and FC400 on December 31, 20X3. Entity C has determined that, for this contract, the payment of FC200 on June 15 20X3 relates to the services to be received in the period July 1–August 31, 20X3, and the payment of FC400 on December 31, 20X3 relates to the services to be received in the period September 1–December 31, 20X3.

IE12. Entity C initially recognizes a non-monetary asset translating FC200 into its functional currency at the spot exchange rate between the functional currency and the foreign currency on June 15, 20X3.

IE13. In the period July 1–August 31, 20X3, Entity C derecognizes the non-monetary asset and recognizes an expense of FC200 in surplus or deficit as it receives the services from the supplier. Entity C determines that the date of the transaction for the expense related to the advance consideration of FC200 is June 15, 20X3 (the date of initial recognition of the non-monetary asset).

IE14. In the period September 1–December 31, 20X3, Entity C initially recognizes the expense in surplus or deficit as it receives the services from the supplier. In principle, the dates of the transaction are each day in the period September 1–December 31, 20X3. However, if exchange rates do not fluctuate significantly, Entity C may use a rate that approximates the actual rates as permitted by paragraph 25 of IPSAS 4. If that is the case, Entity C may, for example, translate each month's expense of FC100 ( $FC400 \div 4$ ) into its functional currency using the average exchange rate for each month for the period September 1–December 31, 20X3.

IE15. As Entity C recognizes the expense in the period September 1–December 31, 20X3, it recognizes a corresponding liability in respect of its obligation to pay the supplier. The liability is a monetary item. Entity C updates the translated amount of the liability until the liability is settled.

Example 4—Multiple Receipts for Revenue Recognized at Multiple Points in Time

IE16. On January 1, 20X4, Entity D enters into a contract to sell two products to a customer. Entity D transfers one product on March 1, 20X4 and the second on June 1 20X4. As required by the contract, the customer pays a fixed purchase price of FC1,000, of which FC200 is due and received in advance on January 31, 20X4 and the balance is due and received on June 1, 20X4.

IE17. The following facts are relevant:

- (a) The price of the first product is FC450 and the price of the second product is FC550.
- (b) Entity D has determined that, for this contract, the consideration of FC200 received on January 31, 20X4 relates to the first product transferred on March 1, 20X4. On transfer of that product to the customer, Entity D has an unconditional right to FC250 of the remaining consideration.

IE18. The spot exchange rates are:

<u>Date</u>	<u>Spot exchange rate FC:LC</u>
<u>January 31, 20X4</u>	<u>1:1.5</u>
<u>March 1, 20X4</u>	<u>1:1.7</u>
<u>June 1, 20X4</u>	<u>1:1.9</u>

IE19. The following journal entries illustrate how Entity D accounts for the foreign currency aspects of the contract:

- (a) Entity D receives the advance payment of FC200 on January 31, 20X4, which it translates into its functional currency using the exchange rate at January 31, 20X4.

<u>Dr Cash (FC200)</u>	<u>LC300</u>	
<u>Cr Contract liability (FC200)</u>		<u>LC300</u>

- (b) Applying paragraph 27(b) of IPSAS 4, Entity D does not update the translated amount of the non-monetary contract liability.

- (c) Entity D transfers the first product with a price of FC450 on March 1, 20X4. Entity D derecognizes the contract liability and recognizes revenue of LC300. Entity D recognizes the remaining revenue of FC250 relating to the first product and a corresponding receivable, both of which it translates at the exchange rate at the date that it initially recognizes the remaining revenue of FC250, i.e., March 1, 20X4.

<u>Dr Contract liability (FC200)</u>	<u>LC300</u>	
<u>Dr Receivable (FC250)</u>	<u>LC425</u>	
<u>Cr Revenue (FC450)</u>		<u>LC725</u>

- (d) The receivable of FC250 is a monetary item. Entity D updates the translated amount of the receivable until the receivable is settled (June 1, 20X4). At June 1, 20X4, the receivable of

FC250 is equivalent to LC475. As required by paragraph 32 of IPSAS 4, Entity D recognizes an exchange gain of LC50 in surplus or deficit.

<u>Dr Receivable</u>	<u>LC50</u>	
	<u>Cr Foreign exchange gain</u>	<u>LC50</u>

(e) Entity D transfers the second product with a price of FC550 on June 1, 20X4. Entity D recognizes revenue of FC550 using the exchange rate at the date of the transaction, which is the date that Entity D first recognizes this part of the transaction in its financial statements, i.e., June 1, 20X4.

(f) Entity D also receives the remaining consideration of FC800 on June 1, 20X4. FC250 of the consideration received settles the receivable of FC250 arising on the transfer of the first product. Entity D translates the cash at the exchange rate at June 1, 20X4.

<u>Dr Cash (FC800)</u>	<u>LC1,520</u>	
	<u>Cr Receivable (FC250)</u>	<u>LC475</u>
	<u>Cr Revenue (FC550)</u>	<u>LC1,045</u>

## **Amendment: Part II-5b**

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

Paragraphs 85A and 154F are added. New text is underlined.

...

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

...

#### **IPSAS 4, The Effects of Changes in Foreign Exchange Rates**

...

**85A. A first-time adopter need not apply Appendix A of IPSAS 4 to assets, expenses and revenue in the scope of Appendix A initially recognized before the date of adoption of IPSASs.**

...

#### **Effective Date**

...

**154F. Paragraph 85A was added by *Improvements to IPSAS, 2018*, issued in October 2018. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is permitted. If an entity applies this amendment for a period beginning before January 1, 2019 it shall disclose that fact and apply the amendments to IPSAS 4 included in *Improvements to IPSAS, 2018* at the same time.**

...

### **Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, IPSAS 33.*

...

#### **Revision of IPSAS 33 as a result of *Improvements to IPSAS, 2018***

...

**BC120. The IPSASB reviewed the requirements of IFRIC 22, *Foreign Currency Transactions and Advance Consideration*, issued by the IASB in December 2016, and the considerations of the IFRS Interpretations Committee in reaching its consensus as set out in its Basis for Conclusions. The IPSASB generally concurred that there was no public sector specific reason for not incorporating these requirements into IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*. Consequently, the IPSASB agreed to incorporate the requirements of IFRIC 22 into Appendix A of IPSAS 4. The IPSASB noted that entities are permitted to apply the requirements of Appendix A prospectively, and therefore agreed that first-time adopters need not apply the requirements to assets, expenses and revenue in the scope of Appendix A initially recognized before the date of adoption of IPSAS.**

...

## Implementation Guidance

...

### Summary of Transitional Exemptions and Provisions Included in IPSAS 33 First-time Adoption of Accrual Basis IPSASs

IG91. The diagram below summarizes the transitional exemptions and provisions included in other accrual basis IPSASs

IPSAS	Transitional exemption provided							
	NO	YES						
		Deemed cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
... IPSAS 4, <i>The Effects of Changes in Foreign Exchange Rates</i>								Exemption to comply with requirements for cumulative translation <u>Not required to apply Appendix A to items initially recognized before the date of adoption of IPSASs</u>

...

## Appendix

### Differentiation between transitional exemptions and provisions that a first-time adopter is required to apply and/or can elect to apply on adoption of accrual basis IPSASs

This Appendix summarises how the transitional exemptions and provisions that a first-time adopter is required to apply in terms of this IPSAS, and those that a first-time adopter may elect to apply on adoption of accrual basis IPSASs.

As the transitional exemptions and provisions that may be elected can also affect the fair presentation and the first-time adopter’s ability to assert compliance with accrual basis IPSASs as explained in paragraphs 27 to 32 of IPSAS 33, the Appendix makes a distinction between those transitional exemptions and provisions that affect fair presentation and the ability to assert compliance with accrual basis IPSASs, and those that do not.

Transitional exemption or provision	Transitional exemptions or provisions that have to be applied	Transitional exemptions or provisions that may be applied or elected	
	Do not affect fair presentation and compliance with accrual basis IPSAS	Do not affect fair presentation and compliance with accrual basis IPSAS	Affect fair presentation and compliance with accrual basis IPSAS
<p>...</p> <p>IPSAS 4</p> <ul style="list-style-type: none"> <li>• Cumulative transitional differences at the date of adoption</li> <li>• <u>Not required to apply Appendix A to items initially recognized before the date of adoption of IPSASs</u></li> </ul>		<p>√</p> <p>√</p>	



## **Amendment: Part II-6**

### **Amendments to IPSAS 37, *Joint Arrangements***

Paragraphs 42E and AG33CA are added. New text is underlined.

...

#### **Effective Date**

...

**42E. Paragraph AG33CA was added by *Improvements to IPSAS, 2018*, issued in October 2018. An entity shall apply this amendment to transactions in which it obtains joint control on or after the beginning of the first annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is permitted. If an entity applies this amendment for a period beginning before January 1, 2019, it shall disclose that fact.**

...

#### **Application Guidance**

*This Appendix is an integral part of IPSAS 37.*

...

### **Financial Statements of Parties to a Joint Arrangement (paragraphs 23–28)**

#### **Accounting for aAcquisitions of interests in joint eOperations**

...

**AG33CA. A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes an operation as defined in IPSAS 40. In such cases, previously held interests in the joint operation are not remeasured.**

...

#### **Basis for Conclusions**

...

#### **Revision of IPSAS 37 as a result of *Improvements to IPSAS, 2018***

**BC10. The IPSASB reviewed the revisions to IFRS 11, *Joint Arrangements*, included in *Annual Improvements to IFRS® Standards 2015–2017 Cycle* issued by the IASB in December 2017, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions, and generally concurred that there was no public sector specific reason for not adopting the amendments.**

## **Amendment: Part II-7**

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

Paragraphs 100A and 126B are added. New text is underlined.

...

#### **The Acquisition Method of Accounting**

...

##### **An Acquisition Achieved in Stages**

...

100A. When a party to a joint arrangement (as defined in IPSAS 37, *Joint Arrangements*) obtains control of an operation that is a joint operation (as defined in IPSAS 37), and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is an acquisition achieved in stages. The acquirer shall therefore apply the requirements for an acquisition achieved in stages, including remeasuring its previously held interest in the joint operation in the manner described in paragraph 100. In doing so, the acquirer shall remeasure its entire previously held interest in the joint operation.

...

#### **Effective Date**

...

126B. Paragraph 100A was added by *Improvements to IPSAS, 2018*, issued in October 2018. An entity shall apply this amendment to public sector combinations for which the acquisition date is on or after the beginning of the first annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is permitted. If an entity applies this amendment for a period beginning before January 1, 2019, it shall disclose that fact.

...

#### **Basis for Conclusions**

...

##### **Revision of IPSAS 40 as a result of *Improvements to IPSAS, 2018***

BC94. The IPSASB reviewed the revisions to IFRS 3, *Business Combinations*, included in *Annual Improvements to IFRS® Standards 2015–2017 Cycle* issued by the IASB in December 2017, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions. The IPSASB concurred that, as the accounting for an acquisition achieved in stages was the same in IPSAS 40 as in IFRS 3, there was no public sector specific reason for not adopting the amendments.

## Amendment: Part II-8

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

Paragraph 25 is amended and paragraphs 41A and 42D are added. New text is underlined and deleted text is struck through.

...

#### **Borrowing Costs—Allowed Alternative Treatment**

...

##### **Borrowing Costs Eligible for Capitalization**

...

25. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the outlays on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to ~~the~~ all borrowings of the entity that are outstanding during the period, ~~other than borrowings~~. However, an entity shall exclude from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

...

#### **Transitional Provisions**

...

- 41A. Improvements to IPSAS, 2018, issued in October 2018, amended paragraph 25. An entity shall apply this amendment to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

””

#### **Effective Date**

...

- 42D. Paragraph 25 was amended and paragraph 41A added by *Improvements to IPSAS, 2018*, issued in October 2018. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is permitted. If an entity applies these amendments for a period beginning before January 1, 2019, it shall disclose that fact.

...

#### **Basis for Conclusions**

...

**Revision of IPSAS 5 as a result of *Improvements to IPSAS, 2018***

BC2. The IPSASB reviewed the revisions to IAS 23, *Borrowing Costs*, included in *Annual Improvements to IFRS® Standards 2015–2017 Cycle* issued by the IASB in December 2017, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions. The IPSASB noted that, although IPSAS 5 and IAS 23 have diverged, the accounting for the allowed alternative treatment in IPSAS 5 is consistent with the accounting in IAS 23. The IPSASB agreed, therefore, that there was no public sector specific reason for not adopting the amendments. The IPSASB concurred with the IASB's view that the costs of applying the amendments retrospectively might exceed the potential benefits of doing so. Consequently, an entity applies the amendments only to borrowing costs incurred on or after the date it first applies the amendments.

**Amendment: Part II-9**

**Amendments to IPSAS 39, *Employee Benefits***

Paragraphs 59, 101, 122, 125, 127, 128, and 159 are amended and paragraphs 103A, 124A, 125A and 176A, and a new heading before paragraph 124A, are added. New text is underlined and deleted text is struck through.

...

**Post-Employment Benefits—Defined Benefit Plans**

...

**Recognition and Measurement**

...

59. Accounting by an entity for defined benefit plans involves the following steps:

...

- (c) Determining amounts to be recognized in surplus or deficit:
  - (i) Current service cost (see paragraphs 72–76 and paragraph 124A).

...

**Past Service Cost and Gains and Losses on Settlement**

101. ~~Before~~ When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices), reflecting:

- (a) ~~†The benefits offered under the plan and the plan assets before the plan amendment, curtailment or settlement; and~~
- (b) The benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.

...

103A. When a plan amendment, curtailment or settlement occurs, an entity shall recognize and measure any past service cost, or a gain or loss on settlement, in accordance with paragraphs 101–103 and paragraphs 104–114. In doing so, an entity shall not consider the effect of the asset ceiling. An entity shall then determine the effect of the asset ceiling after the plan amendment, curtailment or settlement and shall recognize any change in that effect in accordance with paragraph 59(d).

...

**Components of Defined Benefit Cost**

122. **An entity shall recognize the components of defined benefit cost, except to the extent that another IPSAS requires or permits their inclusion in the cost of an asset, as follows:**

- (a) **Service cost (see paragraphs 68–114 and paragraph 124A) in surplus or deficit;**

...

Current Service Cost

**124A. An entity shall determine current service cost using actuarial assumptions determined at the start of the annual reporting period. However, if an entity remeasures the net defined benefit liability (asset) in accordance with paragraph 101, it shall determine current service cost for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) in accordance with paragraph 101(b).**

Net Interest on the Net Defined Benefit Liability (Asset)

**125. An entity shall determine net interest on the net defined benefit liability (asset) shall be determined by multiplying the net defined benefit liability (asset) by the discount rate specified in paragraph 85, both as determined at the start of the reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.**

**125A. To determine net interest in accordance with paragraph 125, an entity shall use the net defined benefit liability (asset) and the discount rate determined at the start of the annual reporting period. However, if an entity remeasures the net defined benefit liability (asset) in accordance with paragraph 101, the entity shall determine net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using:**

- (a) The net defined benefit liability (asset) determined in accordance with paragraph 101(b); and**
- (b) The discount rate used to remeasure the net defined benefit liability (asset) in accordance with paragraph 101(b).**

**In applying paragraph 125A, the entity shall also take into account any changes in the net defined benefit liability (asset) during the period resulting from contributions or benefit payments.**

...

**127. Interest revenue on plan assets is a component of the return on plan assets, and is determined by multiplying the fair value of the plan assets by the discount rate specified in paragraph 125A. 85, both as determined An entity shall determine the fair value of the plan assets at the start of the reporting period, taking account of any changes in the plan assets held during the period as a result of contributions and benefit payments. However, if an entity remeasures the net defined benefit liability (asset) in accordance with paragraph 101, the entity shall determine interest revenue for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the plan assets used to remeasure the net defined benefit liability (asset) in accordance with paragraph 101(b). In applying paragraph 127, the entity shall also take into account any changes in the plan assets held during the period resulting from contributions or benefit payments. The difference between the interest revenue on plan assets and the return on plan assets is included in the remeasurement of the net defined benefit liability (asset).**

**128. Interest on the effect of the asset ceiling is part of the total change in the effect of the asset ceiling, and is determined by multiplying the effect of the asset ceiling by the discount rate specified in**

paragraph ~~125A-85~~, both as determined at the start of the reporting period. An entity shall determine the effect of the asset ceiling at the start of the annual reporting period. However, if an entity remeasures the net defined benefit liability (asset) in accordance with paragraph 101, the entity shall determine interest on the effect of the asset ceiling for the remainder of the annual reporting period after the plan amendment, curtailment or settlement taking into account any change in the effect of the asset ceiling determined in accordance with paragraph 103A. The difference between ~~that amount~~ interest on the effect of the asset ceiling and the total change in the effect of the asset ceiling is included in the remeasurement of the net defined benefit liability (asset).

...

## Other Long-Term Employee Benefits

...

### Recognition and Measurement

...

159. For other long-term employee benefits, an entity shall recognize the net total of the following amounts in surplus or deficit, except to the extent that another IPSAS requires or permits their inclusion in the cost of an asset:

- (a) Service cost (see paragraphs 68–114 and paragraph 124A);

...

### Effective Date

...

176A. Paragraphs 59, 101, 122, 125, 127, 128 and 159 were amended, and paragraphs 103A, 124A and 125A added by *Improvements to IPSAS, 2018*, issued in October 2018. An entity shall apply these amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Earlier application is permitted. If an entity applies these amendments earlier, it shall disclose that fact.

...

### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 39.*

...

### Revision of IPSAS 39 as a result of *Improvements to IPSAS, 2018*

BC23. The IPSASB reviewed the revisions to IAS 19, *Employee Benefits*, included in *Plan Amendment, Curtailment or Settlement* (Amendments to IAS 19) issued by the IASB in February 2018, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions. The IPSASB generally concurred that there was no public sector specific reason for not adopting the amendments.

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