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Improvements to IPSASs

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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: http://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.

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IMPROVEMENTS TO IPSASs

Acknowledgment

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IMPROVEMENTS TO IPSASs

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Introduction

IN1. This document sets out amendments to IPSASs and the related Bases for Conclusions, Comparisons with IFRSs/IASs and guidance. These amendments are drawn from the IASB document, "Improvements to IFRS" issued in May 2008. The IASB's rationale for its amendments is documented in the related Bases for Conclusions in that IASB document.

IN2. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IPSASs. Some amendments involve consequential amendments to other IPSASs. Those consequential amendments are set out in the IPSASs primarily affected.

IN3. The effective date of each amendment is included in the IPSAS affected.

IPSASs addressed

IN4. The following table shows the topics addressed by these amendments.

IPSAS	Subject of Amendment
IPSAS 1, "Presentation of Financial Statements"	Editorial changes
IPSAS 3, "Accounting Policies, Changes in Accounting Estimates and Errors"	Status of Implementation Guidance
IPSAS 7, "Investments in Associates"	Required disclosures when investments in associates are accounted for at fair value through surplus or deficit
IPSAS 8, "Interests in Joint Ventures"	Required disclosures when interests in jointly controlled entities are accounted for at fair value through surplus or deficit
IPSAS 10, "Financial Reporting in Hyperinflationary Economies"	Editorial changes
IPSAS 14, "Events After the Reporting Date"	Dividends or similar distributions declared after the end of the reporting period
IPSAS 16, "Investment Property"	Property under construction or development for future use as investment property
	Consistency of terminology with IPSAS 3
	Investment property held under a lease
IPSAS 17, "Property, Plant and Equipment"	Sale of assets held for rental
IPSAS 25, "Employee Benefits"	Replacement of term "fall due"
	Curtailments and negative past service cost
	Guidance on contingent liabilities
IPSAS 26, "Impairment of Cash-Generating Assets"	Disclosure of estimates used to determine recoverable amount

Amendments to International Public Sector Accounting Standard 1, "Presentation of Financial Statements"

Paragraphs 79, 82, and Comparison with IAS 1 are amended (deleted text is struck through and new text is underlined). Paragraphs 153A, BC11, and associated headings are added.

Structure and Content

Statement of Financial Position

Current Assets

79. Current assets include assets (such as taxes receivable, user charges receivable, fines and regulatory fees receivable, inventories and accrued investment revenue) that are either realized, consumed or sold, as part of the normal operating cycle even when they are not expected to be realized within twelve months after the reporting date. Current assets also include assets held primarily for the purpose of ~~being traded~~ trading (examples include some financial assets classified as held for trading in accordance with IPSAS 29, "Financial Instruments: Recognition and Measurement" ~~guidance on classification of financial assets can be found in the relevant international or national accounting standard dealing with the recognition and measurement of financial instruments~~) and the current portion of non-current financial assets.

Current Liabilities

82. Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within twelve months after the reporting date or held primarily for the purpose of being traded. Examples are some financial liabilities classified as held for trading ~~(guidance on classification of financial liabilities can be found in the relevant international or national accounting standard dealing with the recognition and measurement of financial instruments)~~ in accordance with IPSAS 29, bank overdrafts, and the current portion of non-current financial liabilities, dividends payable, income taxes and other non-trade payables. Financial liabilities that provide financing on a long-term basis (i.e., are not part of the working capital used in the entity's normal operating cycle) and are not due for settlement within twelve months after the reporting date are non-current liabilities, subject to paragraphs 85 and 86.

Effective Date

153A. **Paragraphs 79 and 82 were amended by "Improvements to IPSASs" issued in January 2010. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2011. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2011, it shall disclose that fact.**

Basis for Conclusions

Revision of IPSAS 1 as a result of the IASB's General Improvements Project 2003

Background

BC1–BC10

Revision of IPSAS 1 as a result of the IASB's Improvements to IFRSs issued in 2008

BC11. The IPSASB reviewed the revisions to IAS 1 included in the "Improvements to IFRSs" issued by the IASB in May 2008 and generally concurred with the IASB's reasons for revising the standard. The IPSASB concluded that there was no public sector specific reason for not adopting the amendments.

Comparison with IAS 1

IPSAS 1 is drawn primarily from IAS 1 (2003)~~.~~ and includes amendments made to IAS 1 as part of the "Improvements to IFRSs" issued in May 2008. …

Amendments to International Public Sector Accounting Standard 3, "Accounting Policies, Changes in Accounting Estimates and Errors"

Paragraphs 9, 11, 14, and Comparison with IAS 8 are amended (deleted text is struck through and new text is underlined). Paragraphs 59A, BC7, and associated headings are added.

Accounting Policies

Selection and Application of Accounting Policies

9. **When an IPSAS specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the Standard. ~~and considering any relevant Implementation Guidance issued by the IPSASB for the Standard.~~**

11. IPSASs are accompanied by guidance to assist entities in applying their requirements. All such guidance states whether it is an integral part of IPSASs. ~~Implementation~~ Guidance that is an integral part of IPSASs is mandatory. ~~for Standards issued by the IPSASB does not form part of those Standards, and therefore~~ Guidance that is not an integral part of IPSASs does not contain requirements for financial statements.

14. **In making the judgment, described in paragraph 12, management shall refer to, and consider the applicability of, the following sources in descending order:**

    (a) **The requirements ~~and guidance~~ in IPSASs dealing with similar and related issues; and**

    (b) **The definitions, recognition and measurement criteria for assets, liabilities, revenue and expenses described in other IPSASs.**

Effective Date

59A. **Paragraphs 9, 11, and 14 were amended by "Improvements to IPSASs" issued in January 2010. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2011. Earlier application is encouraged.**

Basis for Conclusions

Revision of IPSAS 3 as a result of the IASB's General Improvements Project 2003

Background

BC1–BC6

Revision of IPSAS 3 as a result of the IASB's Improvements to IFRSs issued in 2008

BC7. The IPSASB reviewed the revisions to IAS 8 included in the "Improvements to IFRSs" issued by the IASB in May 2008 and generally concurred with the IASB's reasons for revising the standard. The IPSASB concluded that there was no public sector specific reason for not adopting the amendments.

Comparison with IAS 8

International Public Sector Accounting Standard IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors” is drawn primarily from International Accounting Standard IAS 8 (2003), “Accounting Policies, Changes in Accounting Estimates and Errors~~.~~” and includes amendments made to IAS 8 as part of the “Improvements to IFRSs” issued in May 2008. …

Amendment to International Public Sector Accounting Standard 7, "Investments in Associates"

Paragraph 1 and Comparison with IAS 28 are amended (deleted text is struck through and new text is underlined). Paragraphs 47A, BC7, and associated headings are added. (The amendment to paragraph 39 which is the equivalent of the IASB's amendment to paragraph 33 of IAS 28 has not been included in Improvements to IPSASs as the IPSASB does not have a standard on business combinations. The amendment to paragraph 39 will be considered in the IPSASB's project on entity combinations.)

Scope

1. **An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting by an investor for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other formal equity structure. However, it does not apply to investments in associates held by:**

   (a) **Venture capital organizations; or**

   (b) **Mutual funds, unit trusts and similar entities including investment-linked insurance funds**

   that are measured at fair value, with changes in fair value recognized in surplus or deficit in the period of the change in accordance with ~~the relevant international or national accounting standard dealing with the recognition and measurement of financial instruments~~ <u>IPSAS 29, "Financial Instruments: Recognition and Measurement." An entity holding such an investment shall make the disclosures required by paragraph 43(f).</u>

Effective Date

<u>47A. **Paragraph 1 was amended by "Improvements to IPSASs" issued in January 2010. An entity shall apply that amendment for annual financial statements covering periods beginning on or after January 1, 2011. If an entity applies the amendment for a period beginning before January 1, 2011, it shall disclose that fact and apply for that earlier period paragraph 3 of IPSAS 28, "Financial Instruments: Presentation," paragraph 1 of IPSAS 8, "Interests in Joint Ventures," and paragraph 3 of IPSAS 30, "Financial Instruments: Disclosures." An entity is encouraged to apply the amendments prospectively.**</u>

Basis for Conclusions

<u>**Revision of IPSAS 7 as a result of the IASB's General Improvements Project 2003**</u>

Background

BC1–BC6

Revision of IPSAS 7 as a result of the IASB's Improvements to IFRSs issued in 2008

BC7. The IPSASB reviewed the revisions to IAS 28 included in the "Improvements to IFRSs" issued by the IASB in May 2008 and generally concurred with the IASB's reasons for revising the standard. The IPSASB concluded that there was no public sector specific reason for not adopting the amendment.

Comparison with IAS 28

IPSAS 7, "Investments in Associates" is drawn primarily from IAS 28, "Investments in Associates" ~~(Revised 2003)~~ and includes an amendment made to IAS 28 as part of the "Improvements to IFRSs" issued in May 2008. …

Amendment to International Public Sector Accounting Standard 8, "Interests in Joint Ventures"

Paragraph 1 and Comparison with IAS 31 are amended (deleted text is struck through and new text is underlined). Paragraphs 69A, BC7, and associated headings are added.

Scope

1. **An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, revenue and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place. However, it does not apply to venturers' interests in jointly controlled entities held by:**

    (a) **Venture capital organizations; or**

    (b) **Mutual funds, unit trusts and similar entities including investment linked insurance funds**

    that are measured at fair value, with changes in fair value recognized in surplus or deficit in the period of the change in accordance with ~~the relevant international or national accounting standard dealing with the recognition and measurement of financial instruments~~ <u>IPSAS 29, "Financial Instruments: Recognition and Measurement." A venturer holding such an interest shall make the disclosures required by paragraphs 62 and 63.</u>

Effective Date

<u>69A. **Paragraph 1 was amended by "Improvements to IPSASs" issued in January 2010. An entity shall apply that amendment for annual financial statements covering periods beginning on or after January 1, 2011. If an entity applies the amendment for a period beginning before January 1, 2011, it shall disclose that fact and apply for that earlier period paragraph 3 of IPSAS 28, "Financial Instruments: Presentation," paragraph 1 of IPSAS 7, "Investments in Associates," and paragraph 3 of IPSAS 30, "Financial Instruments: Disclosures." An entity is encouraged to apply the amendments prospectively.**</u>

Basis for Conclusions

<u>**Revision of IPSAS 8 as a result of the IASB's General Improvements Project 2003**</u>

Background

BC1–BC6

<u>**Revision of IPSAS 8 as a result of the IASB's Improvements to IFRSs issued in 2008**</u>

<u>BC7. The IPSASB reviewed the revisions to IAS 31 included in the "Improvements to IFRSs" issued by the IASB in May 2008 and generally concurred with the IASB's reasons for</u>

revising the standard. The IPSASB concluded that there was no public sector specific reason for not adopting the amendment.

Comparison with IAS 31

IPSAS 8, “Interests in Joint Ventures” is drawn primarily from IAS 31, “Interests in Joint Ventures~~.~~” and includes an amendment made to IAS 31 as part of the “Improvements to IFRSs” issued in May 2008. …

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

Paragraphs 17, 18, 22, and Comparison with IAS 29 are amended (deleted text is struck through and new text is underlined). Paragraph 38A and a Basis for Conclusions section are added.

The Restatement of Financial Statements

Statement of Financial Position

17. All other assets and liabilities are non-monetary. Some non-monetary items are carried at amounts current at the reporting date, such as net realizable value and ~~market~~ fair value, so they are not restated. All other non-monetary assets and liabilities are restated.

18. Most non-monetary items are carried at cost or cost less depreciation; hence they are expressed at amounts current at their date of acquisition. The restated cost, or cost less depreciation, of each item is determined by applying to its historical cost and accumulated depreciation the change in a general price index from the date of acquisition to the reporting date. ~~Hence~~For example, property, plant and equipment, ~~investments carried at cost,~~ inventories of raw materials and merchandise, goodwill, patents, trademarks and similar assets are restated from the dates of their purchase. Inventories of partly finished and finished goods are restated from the dates on which the costs of purchase and of conversion were incurred.

22. To determine whether the restated amount of a non-monetary item has become impaired and should be reduced an entity apples relevant impairment tests in IPSAS 21, "Impairment of Non-Cash-Generating Assets," IPSAS 26, "Impairment of Cash-Generating Assets" or international and/or national accounting standards addressing impairment of goodwill. ~~Hence~~For example, ~~in such cases,~~ restated amounts of property, plant and equipment, goodwill, patents and trademarks are reduced to recoverable amount or recoverable service amount where appropriate, and restated amounts of inventories are reduced to net realizable value or current replacement cost~~, and restated amounts of current investments are reduced to market value~~. An investee that is accounted for under the equity method may report in the currency of a hyperinflationary economy. The statement of financial position and statement of financial performance of such an investee are restated in accordance with this Standard in order to calculate the investor's share of its net assets/equity and ~~results of operations~~surplus or deficit. Where the restated financial statements of the investee are expressed in a foreign currency they are translated at closing rates.

Effective Date

38A. **Paragraphs 17, 18, and 22 were amended by "Improvements to IPSASs" issued in January 2010. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2011. Earlier application is encouraged.**

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 10.

Revision of IPSAS 10 as a result of the IASB's Improvements to IFRSs issued in 2008

BC1. The IPSASB reviewed the revisions to IAS 29 included in the "Improvements to IFRSs" issued by the IASB in May 2008 and generally concurred with the IASB's reasons for revising the standard. The IPSASB concluded that there was no public sector specific reason for not adopting the amendments.

Comparison with IAS 29

IPSAS 10, "Financial Reporting in Hyperinflationary Economies" is drawn primarily from IAS 29, "Financial Reporting in Hyperinflationary Economies~~.~~" and includes amendments made to IAS 29 as part of the "Improvements to IFRSs" issued in May 2008. …

Amendment to International Public Sector Accounting Standard 14, "Events After the Reporting Date"

Paragraph 16 and Comparison with IAS 10 are amended (deleted text is struck through and new text is underlined). Paragraphs 32A, BC7, and associated headings are added.

Recognition and Measurement

Dividends or Similar Distributions

16. If dividends or similar distributions to owners are declared (i.e., the dividends or similar distributions are appropriately authorized and no longer at the discretion of the entity) after the reporting date but before the financial statements are authorized for issue, the dividends or similar distributions are not recognized as a liability at the reporting date because no obligation exists at that time ~~they do not meet the criteria of a present obligation in IPSAS 19~~. Such dividends or similar distributions are disclosed in the notes in accordance with IPSAS 1, "Presentation of Financial Statements." Dividends and similar distributions do not include a return of capital.

Effective Date

32A. **Paragraph 16 was amended by "Improvements to IPSASs" issued in January 2010. An entity shall apply that amendment for annual financial statements covering periods beginning on or after January 1, 2011. Earlier application is encouraged.**

Basis for Conclusions

Revision of IPSAS 14 as a result of the IASB's General Improvements Project 2003

Background

BC1–BC6

Revision of IPSAS 14 as a result of the IASB's Improvements to IFRSs issued in 2008

BC7. The IPSASB reviewed the revisions to IAS 10 included in the "Improvements to IFRSs" issued by the IASB in May 2008 and generally concurred with the IASB's reasons for revising the standard. The IPSASB concluded that there was no public sector specific reason for not adopting the amendment.

Comparison with IAS 10

IPSAS 14, "Events After the Reporting Date" is drawn primarily from IAS 10 (revised 2003), "Events After the Balance Sheet Date~~.~~" and includes an amendment made to IAS 10 as part of the "Improvements to IFRSs" issued in May 2008. …

Amendments to International Public Sector Accounting Standard 16, "Investment Property"

Paragraphs 12, 13, 40, 57, 59, 62, 63, 66, and Comparison with IAS 40 are amended (deleted text is struck through and new text is underlined). Paragraph 29 is deleted and new paragraphs 62A, 62B, 101A, BC7, and associated headings are added. The Illustrative Decision Tree is amended.

Definitions

Investment Property

12. The following are examples of investment property:

    (a) …

    (e) Property that is being constructed or developed for future use as investment property.

13. The following are examples of items that are not investment property and are therefore outside the scope of this Standard:

    (a) …

    (d) [deleted] ~~Property that is being constructed or developed for future use as investment property. IPSAS 17 applies to such property until construction or development is complete, at which time the property becomes investment property and this Standard applies. However, this Standard applies to existing investment property that is being redeveloped for continued future use as investment property (see paragraph 68).~~

    (e) …

Measurement at Recognition

29. [deleted] ~~The cost of a self-constructed investment property is its cost at the date when the construction or development is complete. Until that date, an entity applies IPSAS 17. At that date, the property becomes investment property and this Standard applies (see paragraphs 66(e) and 76).~~

Measurement After Recognition

Accounting Policy

40. IPSAS 3, "Accounting Policies, Changes in Accounting Estimates and Errors" states that a voluntary change in accounting policy shall be made only if the change results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows~~will result in a more appropriate presentation of transactions, other events or conditions in the entity's financial statements~~. It is highly unlikely that a

change from the fair value model to the cost model will result in a more ~~appropriate~~ relevant presentation.

Fair Value Model

57. In exceptional cases, there is clear evidence when an entity first acquires an investment property (or when an existing property first becomes an investment property ~~following the completion of construction or development, or~~ after a change in use) that the variability in the range of reasonable fair value estimates will be so great, and the probabilities of the various outcomes so difficult to assess, that the usefulness of a single estimate of fair value is negated. This may indicate that the fair value of the property will not be reliably determinable on a continuing basis (see paragraph 62).

59. In determining the carrying amount of investment property under the fair value model~~fair value of investment property~~, an entity does not double-count assets or liabilities that are recognized as separate assets or liabilities. For example:

    (a) …

    (d) The fair value of investment property held under a lease reflects expected cash flows (including contingent rent that is expected to become payable). Accordingly, if a valuation obtained for a property is net of all payments expected to be made, it will be necessary to add back any recognized lease liability, to arrive at the ~~fair value~~ carrying amount of the investment property using the fair value model~~for accounting purposes~~.

Inability to Determine Fair Value Reliably

62. **There is a rebuttable presumption that an entity can reliably determine the fair value of an investment property on a continuing basis. However, in exceptional cases, there is clear evidence when an entity first acquires an investment property (or when an existing property first becomes investment property ~~following the completion of construction or development, or~~ after a change in use) that the fair value of the investment property is not reliably determinable on a continuing basis. This arises when, and only when, comparable market transactions are infrequent and alternative reliable estimates of fair value (for example, based on discounted cash flow projections) are not available. If an entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). ~~In such cases, an~~If an entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity shall measure that investment property using the cost model in IPSAS 17, "Property, Plant and Equipment." The residual value of the investment property shall be assumed to be zero. The entity shall apply IPSAS 17 until disposal of the investment property.**

62A. Once an entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it shall measure that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, in accordance with paragraph 62, the property shall be accounted for using the cost model in accordance with IPSAS 17.

62B. The presumption that the fair value of investment property under construction can be measured reliably can be rebutted only on initial recognition. An entity that has measured an item of investment property under construction at fair value may not conclude that the fair value of the completed investment property cannot be determined reliably.

63. In the exceptional cases when an entity is compelled, for the reason given in ~~the previous~~ paragraph 62, to measure an investment property using the cost model in accordance with IPSAS 17, it measures at fair value all its other investment property, including investment property under construction ~~at fair value~~. In these cases, although an entity may use the cost model for one investment property, the entity shall continue to account for each of the remaining properties using the fair value model.

Transfers

66. **Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:**

(a) **…**

(c) **End of owner-occupation, for a transfer from owner-occupied property to investment property; or**

(d) **Commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property~~; or~~.**

~~(e) **End of construction or development, for a transfer from property in the course of construction or development (covered by IPSAS 17) to investment property.**~~

Effective Date

101A. **Paragraphs 12, 13, 40, 57, 59, 62, 63, and 66 were amended, paragraph 29 was deleted and paragraphs 62A and 62B were added by "Improvements to IPSASs" issued in January 2010. An entity shall apply those amendments prospectively for annual financial statements covering periods beginning on or after January 1, 2011. An entity is encouraged to apply the amendments to investment property under construction from any date before January 1, 2011 provided that the fair values of investment properties under construction were determined at those dates. If an entity applies the amendments for a period beginning before January 1, 2011, it shall disclose that fact and at the same time apply the amendments to paragraphs 7 and 107A of IPSAS 17, "Property, Plant and Equipment."**

Basis for Conclusions

Revision of IPSAS 16 as a result of the IASB's General Improvements Project 2003

Background

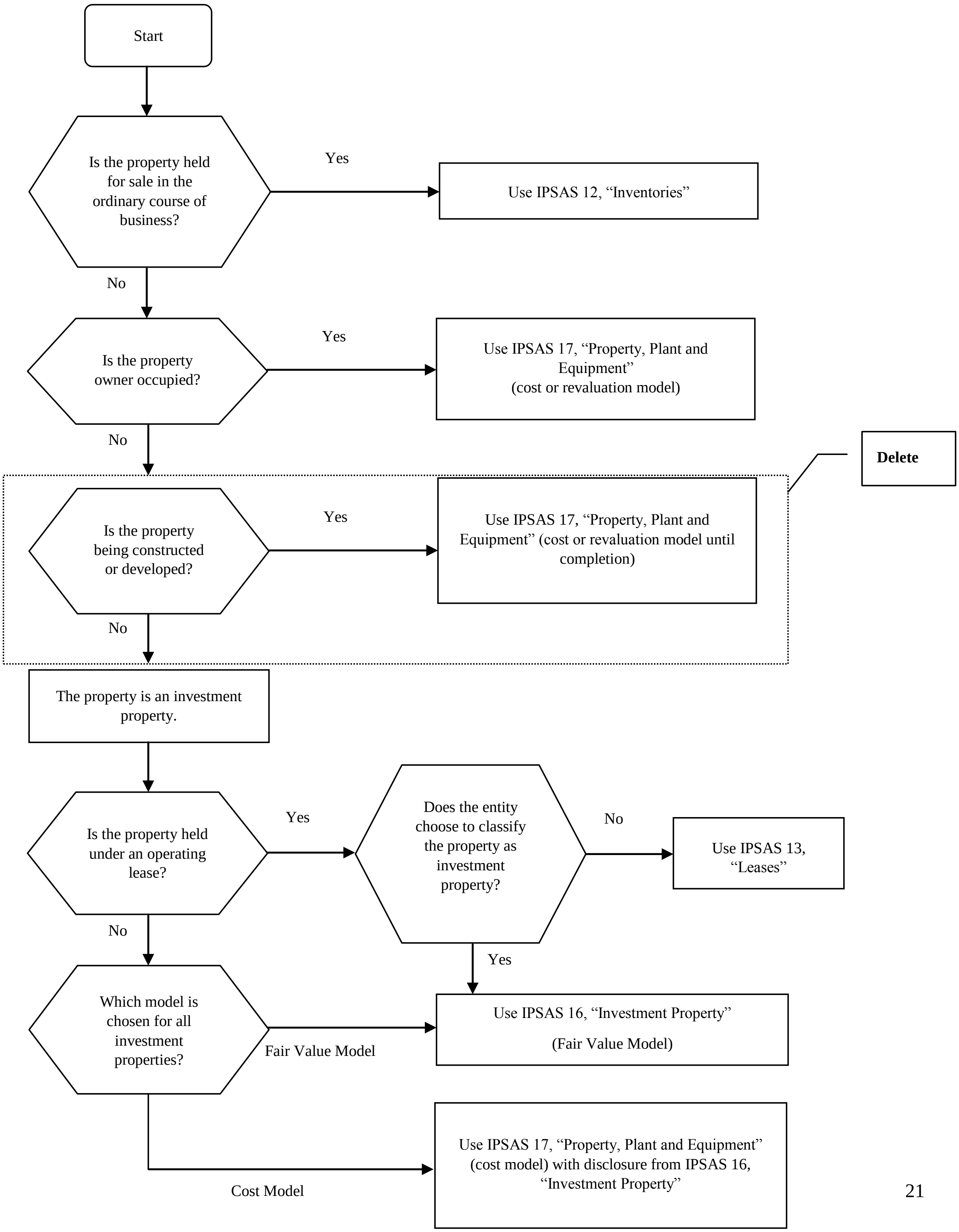
BC1–BC6

Revision of IPSAS 16 as a result of the IASB's Improvements to IFRSs issued in 2008

BC7. The IPSASB reviewed the revisions to IAS 40 included in the "Improvements to IFRSs" issued by the IASB in May 2008 and generally concurred with the IASB's reasons for revising the standard. The IPSASB concluded that there was no public sector specific reason for not adopting the amendments.

Illustrative Decision Tree

This decision tree accompanies, but is not part of, IPSAS 16.



Comparison with IAS 40

IPSAS 16, "Investment Property" is drawn primarily from IAS 40 (2003), "Investment Property~~.~~" and includes amendments made to IAS 40 as part of the "Improvements to IFRSs" issued in May 2008. …

Appendix to Amendments to IPSAS 16

Amendment to IPSAS 17, "Property, Plant and Equipment"

An entity shall apply the amendment to IPSAS 17 in this appendix when it applies the related amendments to IPSAS 16.

Paragraph 7 is amended (deleted text is struck through). Paragraph 107A is added.

Scope

7. ~~An entity shall apply this Standard to property that is being constructed or developed for future use as investment property but does not yet satisfy the definition of investment property in IPSAS 16, "Investment Property." Once the construction or development is complete, the property becomes investment property and the entity is required to apply IPSAS 16. IPSAS 16 also applies to investment property that is being redeveloped for continued future use as investment property.~~ An entity using the cost model for investment property in accordance with IPSAS 16, "Investment Property" shall use the cost model in this Standard.

Effective Date

107A. **<u>Paragraph 7 was amended by "Improvements to IPSASs" issued in January 2010. An entity shall apply that amendment prospectively for annual financial statements covering periods beginning on or after January 1, 2011. Earlier application is encouraged if an entity also applies the amendments to paragraphs 12, 13, 29, 40, 57, 59, 62, 62A, 62B, 63, 66, and 101A of IPSAS 16 at the same time. If an entity applies the amendment for a period beginning before January 1, 2011, it shall disclose that fact.</u>**

Amendments to IPSAS 26, "Impairment of Cash-Generating Assets"

An entity shall apply the amendments to IPSAS 26 in this appendix when it applies the related amendments to IPSAS 16.

Paragraphs 25 and 100 are amended (deleted text is struck through and new text is underlined). Paragraph 126D is added.

Identifying an Asset that may be Impaired

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

…

<u>Internal sources of information</u>

(d) **…**

(e) **Significant 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, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite; ~~and~~

(eA) **A decision to halt the construction of the asset before it is complete or in a usable condition; and**

Reversing an Impairment Loss

100**.** **In assessing whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased, an entity shall consider, as a minimum, the following indications:**

…

Internal sources of information

(d) **Significant changes with a favorable 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, the asset is used or is expected to be used. These changes include costs incurred during the period to improve or enhance the asset's performance or restructure the operation to which the asset belongs; ~~and~~**

(dA) **A decision to resume construction of the asset that was previously halted before it was completed or in a usable condition; and**

Effective Date

126D. **Paragraphs 25 and 100 were amended by "Improvements to IPSASs" issued in January 2010. An entity shall apply those amendments prospectively for annual financial statements covering periods beginning on or after January 1, 2011. Earlier application is encouraged if an entity also applies the amendments to paragraphs 12, 13, 29, 40, 57, 59, 62, 62A, 62B, 63, 66, and 101A of IPSAS 16 at the same time. If an entity applies the amendments for a period beginning before January 1, 2011, it shall disclose that fact.**

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

Paragraph 84 and Comparison with IAS 16 are amended (deleted text is struck through and new text is underlined). Paragraphs 83A, 107A, BC8 and associated headings are added.

Derecognition

83A. However, an entity that, in the course of its ordinary activities, routinely sells items of property, plant and equipment that it has held for rental to others shall transfer such assets to inventories at their carrying amount when they cease to be rented and become held for sale. The proceeds from the sale of such assets shall be recognized as revenue in accordance with IPSAS 9, "Revenue from Exchange Transactions."

84. The disposal of an item of property, plant and equipment may occur in a variety ways (e.g., by sale, by entering into a finance lease or by donation). In determining the date of disposal of an item, an entity applies the criteria in IPSAS 9~~, "Revenue from Exchange Transactions"~~ for recognizing revenue from the sale of goods. IPSAS 13, "Leases" applies to disposal by a sale and leaseback.

Effective Date

107A. **Paragraph 83A was added and paragraph 84 was amended by "Improvements to IPSASs" issued in January 2010. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2011. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2011, it shall disclose that fact and at the same time apply the related amendment to IPSAS 2, "Cash Flow Statements."**

Basis for Conclusions

Revision of IPSAS 17 as a result of the IASB's General Improvements Project 2003

Background

BC1–BC7

Revision of IPSAS 17 as a result of the IASB's Improvements to IFRSs issued in 2008

BC8. The IPSASB reviewed the revisions to IAS 16 included in the "Improvements to IFRSs" issued by the IASB in May 2008 and generally concurred with the IASB's reasons for revising the standard. The IPSASB concluded that there was no public sector specific reason for not adopting the amendments.

Comparison with IAS 16

IPSAS 17, "Property, Plant and Equipment" is drawn primarily from IAS 16 (2003), "Property, Plant and Equipment~~.~~" and includes amendments made to IAS 16 as part of the "Improvements to IFRSs" issued in May 2008. …

Appendix to Amendments to IPSAS 17
Amendment to IPSAS 2, “Cash Flow Statements”

An entity shall apply the amendment to IPSAS 2 when it applies the related amendments to IPSAS 17.

Paragraph 22 is amended (deleted text is struck through and new text is underlined). Paragraph 63A is added.

Presentation of a Cash Flow Statement

Operating activities

22. Cash flows …

Some transactions, such as the sale of an item of plant, may give rise to a gain or loss ~~which~~ that is included in ~~the determination of~~ net surplus or deficit. ~~However, t~~The cash flows relating to such transactions are cash flows from investing activities. However, cash payments to ~~manufacture~~ construct or acquire assets held for rental to others and subsequently held for sale as described in paragraph 83A of IPSAS 17, “Property, Plant and Equipment” are cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also cash flows from operating activities.

Effective Date

63A. **Paragraph 22 was amended by “Improvements to IPSASs” issued in January 2010. An entity shall apply that amendment for annual financial statements covering periods beginning on or after January 1, 2011. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2011, it shall disclose that fact and apply paragraph 83A of IPSAS 17.**

Amendments to International Public Sector Accounting Standard 25, "Employee Benefits"

Paragraphs 10, 11, 37, 113, 114, 131, and Comparison with IAS 19 are amended (deleted text is struck through and new text is underlined). Paragraphs 131A, 177A, BC21, and associated headings are added. The underlined names of defined terms in paragraph 10 are included in the original type style and have not been amended.

Definitions

10. **…**

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) ~~which do not fall due wholly~~ that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

…

Past service cost is the ~~increase~~ change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (~~where~~ when benefits are introduced or ~~improved~~ changed so that the present value of the defined benefit obligation increases) or negative (~~where~~ when existing benefits are ~~reduced~~ changed so that the present value of the defined benefit obligation decreases).

…

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realized and unrealized gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

…

Short-term employee benefits are employee benefits (other than termination benefits) ~~which fall due wholly~~ that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-Term Employee Benefits

11. Short-term employee benefits include items such as:

(a) …

(b) Short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences ~~are expected to occur~~ is due to be settled within twelve months after the end of the period in which the employees render the related employee service;

(c) …

Postemployment Benefits: Distinction between Defined Contribution Plans and Defined Benefit Plans

Multi-Employer Plans

37. IPSAS 19, "Provisions, Contingent Liabilities and Contingent Assets" requires an entity to ~~recognize, or~~ disclose information about~~, certain~~ some contingent liabilities. In the context of a multi-employer plan, a contingent liability may arise from, for example:

    (a) …

Postemployment Benefits—Defined Benefit Plans

Recognition and Measurement: Present Value of Defined Benefit Obligations and Current Service Cost

Past Service Cost

113. Past service cost arises when an entity introduces a defined benefit plan that attributes benefits to past service or changes the benefits payable for past service under an existing defined benefit plan. Such changes are in return for employee service over the period until the benefits concerned are vested. Therefore, the entity recognizes past service cost ~~is recognized~~ over that period, regardless of the fact that the cost refers to employee service in previous periods. The entity measures p~~P~~ast service cost ~~is measured~~ as the change in the liability resulting from the amendment (see paragraph 77). Negative past service cost arises when an entity changes the benefits attributable to past service so that the present value of the defined benefit obligation decreases.

114. Past service cost excludes:

    (a) …

    (b) Under and over estimates of discretionary pension increases ~~where~~ when an entity has a constructive obligation to grant such increases (there is no past service cost because actuarial assumptions allow for such increases);

    (c) Estimates of benefit improvements that result from actuarial gains that have ~~already~~ been recognized in the financial statements if the entity is obliged, by either the formal terms of a plan (or a constructive obligation that goes beyond those terms) or legislation, to use any surplus in the plan for the benefit of plan participants, even if the benefit increase has not yet been formally awarded (the resulting increase in the obligation is an actuarial loss and not past service cost, see paragraph 98(b));

    (d) The increase in vested benefits when, in the absence of new or improved benefits, employees complete vesting requirements (there is no past service cost because the entity recognized the estimated cost of benefits ~~was recognized~~ as current service cost as the service was rendered); and

    (e) ...

Curtailments and Settlements

131. A curtailment occurs when an entity either:

(a) Is demonstrably committed to make a ~~material~~ significant reduction in the number of employees covered by a plan; or

(b) Amends the terms of a defined benefit plan ~~such~~ so that a ~~material~~ significant element of future service by current employees will no longer qualify for benefits, or will qualify only for reduced benefits.

A curtailment may arise from an isolated event, such as the closing of a plant, discontinuance of an operation or termination or suspension of a plan, or a reduction in the extent to which future salary increases are linked to the benefits payable for past service. ~~An event is material enough to qualify as a curtailment if the recognition of a curtailment gain or loss would have a material effect on the financial statements.~~ Curtailments are often linked with a restructuring. When this is the case ~~Therefore~~, an entity accounts for a curtailment at the same time as for a related restructuring.

131A. When a plan amendment reduces benefits, only the effect of the reduction for future service is a curtailment. The effect of any reduction for past service is a negative past service cost.

Effective Date

177A. **Paragraphs 10, 11, 37, 113, 114, and 131 were amended and paragraph 131A was added by "Improvements to IPSASs" issued in January 2010. An entity shall apply the amendments in paragraphs 10, 11, and 37 for annual financial statements covering periods beginning on or after January 1, 2011. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2011, it shall disclose that fact. An entity shall apply the amendments in paragraphs 113, 114, 131 and 131A to changes in benefits that occur on or after January 1, 2011.**

Basis for Conclusions

Development of IPSAS 25 based on the IASB's revised version of IAS 19 issued in 2004

Introduction

BC1–BC20

Revision of IPSAS 25 as a result of the IASB's Improvements to IFRSs issued in 2008

BC21. The IPSASB reviewed the revisions to IAS 19 included in the "Improvements to IFRSs" issued by the IASB in May 2008 and generally concurred with the IASB's reasons for revising the standard. The IPSASB concluded that there was no public sector specific reason for not adopting the amendments.

Comparison with IAS 19

IPSAS 25, "Employee Benefits" is drawn primarily from IAS 19, "Employee Benefits" (2004)~~.~~ and includes amendments made to IAS 19 as part of the "Improvements to IFRSs" issued in May 2008. …

Amendment to International Public Sector Accounting Standard 26, "Impairment of Cash-Generating Assets"

Paragraph 123 and Comparison with IAS 36 are amended (deleted text is struck through and new text is underlined). Paragraphs 126C, BC17, and associated headings are added.

Disclosure

Disclosure of Estimates used to Measure Recoverable Amounts of Cash-Generating Units Containing Intangible Assets with Indefinite Useful Lives

123. **An entity shall disclose the information required by (a)–(e) for each cash-generating unit for which the carrying amount of intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity's total carrying amount of intangible assets with indefinite useful lives:**

(d) **If the unit's recoverable amount is based on fair value less costs to sell, the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for the unit, the following information shall also be disclosed:**

(i) **…**

(ii) **A description of management's approach to determining the value~~(s)~~ (or values) assigned to each key assumption, whether those value~~(s)~~ reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.**

If fair value less costs to sell is determined using discounted cash flow projections, the following information shall also be disclosed:

(iii) **The period over which management has projected cash flows;**

(iv) **The growth rate used to extrapolate cash flow projections; and**

(v) **The discount rate(s) applied to the cash flow projections.**

Effective Date

126C. **Paragraph 123 was amended by "Improvements to IPSASs" issued in January 2010. An entity shall apply that amendment for annual financial statements covering periods beginning on or after January 1, 2011. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2011, it shall disclose that fact.**

Basis for Conclusions

Development of IPSAS 26 based on the IASB’s revised version of IAS 36 issued in 2004

Introduction

BC1–BC16

Revision of IPSAS 26 as a result of the IASB’s Improvements to IFRSs issued in 2008

BC17. The IPSASB reviewed the revisions to IAS 36 included in the “Improvements to IFRSs” issued by the IASB in May 2008 and generally concurred with the IASB’s reasons for revising the standard. The IPSASB concluded that there was no public sector specific reason for not adopting the amendment.

Comparison with IAS 36

IPSAS 26, “Impairment of Cash-Generating Assets” deals with the impairment of cash-generating assets in the public sector~~.~~, and includes an amendment made to IAS 36 (2004), “Impairment of Assets” as part of the “Improvements to IFRSs” issued in May 2008. The main differences between IPSAS 26 and IAS 36~~ (2004), “Impairment of Assets”~~ are as follows: …

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