Approved Minutes of the Meeting of the

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD

Held on September 20-23, 2016 in Toronto, Canada

1. Attendance, Opening Remarks, and Approval of Minutes

1.1 Attendance

	Voting Members	Technical Advisors
Present:	Ian Carruthers (Chair)	Clark Anstis (Mr. Blake)
	Jeanine Poggiolini (Deputy Chair)	Lindy Bodewig (Ms. Poggiolini)
	Stuart Barr (Tuesday-Thursday)	Claudia Beier (Mr Wermuth)
	Mike Blake	Takeo Fukiya (Mr. Izawa)
	Michel Camoin	Anthony Heffernan (Ms. Ryan)
	Robert Dacey	Leona Melamed (Mr. Monette)
	Sebastian Heintges (Wednesday-Friday)	Fabrizio Mocavini (Ms. Tiron Tudor)
	Kenji Izawa	Ayres Moura (Mr. Nascimento)
	Aracelly Méndez	Renée Pichard (Mr. Barr)
	Rod Monette	Jakob Prammer (Mr. Schatz)
	Leonardo Nascimento	Riaz Rehman (Mr. Yusuf)
	Angela Ryan	Gillian Waldbauer (Mr. Heintges)
	Bernhard Schatz	David Watkins (Mr. Carruthers)
	Marc Wermuth	Haifeng Yang (Ms. Zhang)
	Abdullah Yusuf	
Apologies:	Adriana Tiron Tudor	Baudouin Griton (Mr. Camoin)
	Juan Zhang	Juan Moreno Real (Ms. Méndez)

	Non-Voting Observers
Present:	Jerry Gutu[1] (UN)
	Martin Koehler (European Commission)
	Jani Laakso (World Bank)
	Thomas Müller-Marqués Berger (CAG Chair)
	Rod O'Mahony (IMF[2])
	Darren Peters (UN)
	Carmela Zammit (Eurostat[3])
Apologies:	Dinara Alieva (UNDP)
	Sagé de Clerck (IMF)
	Guohua Huang (IMF)
	Chai Kim (ADB)
	Delphine Moretti (OECD)
	Chandramouli Ramanathan (UN)
	Darshak Shah (UNDP)
	John Verrinder (Eurostat)
	James Gunn, Managing Director, Professional Standards
	IPSASB Staff
Present:	Demi Chung, Visiting Scholar, IPSASB
	João Fonseca, IPSASB
	Gwenda Jensen, IPSASB
	Paul Mason, IPSASB
	Lucy Qi, IPSASB
	Ross Smith, IPSASB
	John Stanford, IPSASB

[1] Jerry Gutu and Darren Peters attended the meeting in place of Chandramouli Ramanathan

[2] Rod O'Mahony attended the meeting in place of Sagé de Clerck

[3] Carmela Zammit attended the meeting in place of John Verrinder

The Chair welcomed members, technical advisors (TAs) and observers to the meeting.. The Chair also welcomed Thomas Müller-Marqués Berger, the Chair of the Consultative Advisory Group (CAG), to the meeting and noted that Graeme Mitchell, Chair of the New Zealand External Reporting Board and Warren Allen, the Chief Executive, would be in the public gallery on Thursday, September 22.

The Chair noted that apologies had been received from Juan Zhang and Adriana Tiron Tudor. The IPSASB expressed condolences to Juan on the loss of her father. Baudouin Griton had also given apologies following a family bereavement. The IPSASB also expressed condolences to Baudouin.

The Chair noted that apologies had been received from James Gunn, Managing Director, Professional Standards.

The IPSASB approved the minutes of the meeting from June 21-24, subject to a minor editorial amendment.

Members noted the report on Communications Activities. Staff reported that a useful meeting had been held at the World Gold Council (WGC) in early September with the Director, Central Bank and Policy, and a consultant, a former International Monetary Fund employee, who specializes in accounting issues for monetary authorities. The focus of the meeting had been on monetary gold, one of the topics discussed in the Consultation Paper (CP), *Public Sector Specific Financial Instruments*, but other topics such as foreign currency reserve assets had been touched on. The meeting had been very positive and the WGC representatives had welcomed the CP as a valuable contribution to accounting for monetary authority transactions. The Technical Director reminded members, technical advisers and observers that the exposure period for the CP expires on December 31, 2016 and asked them to make contacts in central banks and other monetary authorities aware of the CP and to encourage them to respond.

Carmela Zammit (Eurostat Observer) provided an update on the project to develop European Public Sector Accounting Standards (EPSAS). Carmela reminded the Board that the European Commission is encouraging a voluntary approach to implementing accrual accounting in member states at both national and sub-national levels in the first instance. The period until 2020 will be used to support national initiatives to move towards accruals accounting and IPSAS, while the EPSAs framework is developed in parallel.

The EPSAS Working Group had held its second meeting in Paris, hosted by the Le Conseil de Normalisation des Comptes Publics in July 2016. The IPSASB and Consultative Advisory Group chairs and IPSASB member, Bernhard Schatz, had attended this meeting. The Working Group has considered reports on the ongoing work on accounting principles, governance, and first-time adoption. A further meeting of the Working Group will be held in Rome in November 2016. A number of meetings of “cells”–expert working groups – planned to meet in the September-November period covering topics, including accounting principles, which would involve a comparison with the qualitative characteristics in the IPSASB’s Conceptual Framework.

Carmela noted that in total ten EPSAS issues papers had been commissioned so far from Ernst and Young (EY), with topics including the pros and cons of having relief for smaller and less risky entities; taxes; heritage; employee benefits; social benefits; infrastructure assets; segmental reporting; military assets; and social contributions. In response to a question from members, it was noted that Eurostat encouraged EY staff working on the issues paper to consult IPSASB staff where the papers are covering the same topics as IPSASB projects. Members identified a common interest in infrastructure assets. Staff was asked to ensure that IPSASB members are alerted to the publication of finalised EPSAS Issues Papers. A tender procedure will be initiated shortly for further issues papers. Carmela also informed the IPSASB that two new staff had joined the EPSAS project team.

An IPSASB member proposed that Table K of the IFRS Tracking Table should be reviewed by staff to ensure it is current and up-to-date with the current IPSASB work plan. Members supported this proposal and instructed staff to review Table K.

2. Governance (Agenda Item 2)

Terms of Reference

The IPSASB was informed that the IFAC Board approved the revised IPSASB Terms of Reference (ToR) at its September 2016 meeting. The revised IPSASB ToR reflected the changes advised by the Public Interest Committee (PIC) and the comments and suggested changes provided by the IPSASB at the June 2016 meeting.

Consultative Advisory Group

IPSASB CAG Chair, Mr. Thomas Müller-Marqués Berger updated the IPSASB on matters related to the CAG, including:

- Efforts to expand the membership of the IPSASB CAG membership to include a parliamentarian perspective. It was noted that two candidates recommended by the PIC were being pursued. Positive signals had been received. However, no formal responses had been received at this time.
- Development of the December CAG meeting agenda and broadening the view of topics presented to the CAG to expand beyond technical accounting discussions and to focus on more strategic issues; such as why the IPSASB views a topic as important, the relationship with other IPSASB projects, and the impact of proposed accounting approaches.

The IPSASB CAG Chair noted that it is challenging to find a common view on areas of interest where members can provide value because of the diverse membership composition of the CAG.

The IPSASB CAG Chair noted that the next CAG meeting will be held on December 5, 2016 in Stellenbosch, South Africa preceding the IPSASB meeting from December 6-9, 2016.

3. Technical Director's Report on Work Plan (Agenda Item 3)

Review of work plan on day one

The Technical Director presented the current work plan. He identified changes to the work plan and the projects where the timeline had been modified since the June 2016 meeting:

Employee Benefits and Impairments of Revalued Assets: These projects had been removed from the Work Plan following approval of the final pronouncements at the June 2016 meeting; and

Infrastructure Assets: This project had been rescheduled to start in March 2017. It would then run in parallel with the *Public Sector Measurement* project.

Members **instructed** that an appendix to the work plan be developed providing details of recently completed projects.

The Technical Director noted that the work plan projected approval of ED, *Financial Instruments (Update of IPSAS 28-30),* in December 2016. Following discussion with staff and the Chair, the Technical Director proposed to put back approval of a full ED until March 2017 in order to allow implementation guidance to be developed after the December 2016 meeting. It was also noted that the consequential amendments are likely to be voluminous and, in places complex, and that it is essential that the IPSASB is able to review these amendments. The timelines for this project would be reviewed at the session on the work plan on the last day of the meeting.

The Technical Director expressed a view that the projected approval dates for the Revenue and Non-Exchange Expenses and Heritage Consultation Papers and the Social Benefits and Leases Exposure Drafts were all aggressive. It was agreed that the timelines for these projects would be considered at the further review of the work plan on day four.

Further review of work plan on day four

The Technical Director noted that the following changes had been agreed during the meeting:

- **Public Sector Combinations:** Approval of the final pronouncement had been brought forward to December 2016 in light of the analysis of responses at the meeting;
- **Financial Instruments (Update of IPSAS 28-30):** Approval of the ED had been deferred until June 2017 in light of a potential physical meeting of the Task Based Group (TBG) and need for the IPSASB to review consequential amendments to other IPSASs;
- **Leases:** Approval of the ED had been deferred to June 2017 to allow analysis of new lessor accounting models;
- **Public Sector Measuremen**t: Initial discussion was deferred to March 2017 as December agenda too full and the need to focus on Social Benefits ED and Heritage and Revenue & Non-Exchange Expenses CPs at the meeting; and
- **Infrastructure Assets**: Consistent with the earlier decision that Infrastructure project should start after the initial discussion on Public Sector Measurement, the Infrastructure project was been put back to June 2017.

Members recognized the challenging timetables for the Revenue and Non-Exchange Expenses and Social Benefits projects in light of developments at the meeting. No changes were made to the work plan for these projects, but the position will be reassessed at the initial and final work plan reviews at the December meeting. The position for Heritage Assets will also depend on approval at the December meeting.

Burdens on respondents

A number of members highlighted the workload issues for respondents if the Social Benefits, Leases and Financial Instruments EDs are all approved in June 2017. In addition, if the Revenue and Non-Exchange Expenses CP is delayed until March 2017, the consultation period for this CP will potentially be open when one or more of the EDs is issued. The Technical Director and Chair said that they would monitor this issue and develop proposals for alleviating this burden if necessary. Such measures could include deferring approval of one of these EDs until September 2017, and/or publishing the EDs on a phased basis.

It was also acknowledged that the status of certain projects created issues for the CAG. It would be difficult for the CAG to provide meaningful input for long-running projects which were close to approval. This issue would be discussed further with senior staff, the Chair and the Chair of the CAG.

4. Revenue and Non-Exchange Expenses (Agenda Item 4)

The Technical Director noted that staff was seeking approval of the revised structure of the draft Consultation Paper (CP) and the identification of gaps in the CP. He also said that staff was seeking a decision on the interpretation of enforceability in a public sector context in the non-contractual performance obligation approach.

The Chair noted that the draft CP is still a work-in-progress. He said that the main focus of the revenue sections of the CP would be on how to apply IFRS 15 principles to those transactions that have performance obligations but do not demonstrate all the characteristics of transactions within the scope of IFRS 15 (category B transactions). The Chair also noted that the current structure had been based on instructions at the June meeting, but had developed further from discussions between the Technical Director and the Chair and subsequent redrafting. In particular, a separate final chapter had been developed for measurement. The Chair indicated that he wanted to consider the five chapters individually, firstly obtaining high level views on structure and coverage and then looking at the content in more detail. He proposed deferring discussion of the enforceability issue until the IPSASB considered Chapter 3. The IPSASB agreed with this approach.

The Chair and Technical Director acknowledged David Bean, Director of Research and Technical Activities, and Amy Shreck, Fellow, of the Governmental Accounting Standards Board, and Anthony Heffernan of the New Zealand External Reporting Board NZXRB) and thanked David, Amy and Anthony and the staff of the NZXRB for their continuing support

Generally members considered that the draft CP demonstrated substantial progress. However, there was general agreement that considerable further work needed to be done to bring the CP to the requisite quality. Members also suggested that a new chapter dealing with the categorization of transactions should be developed from material in Chapter 2 and Chapter 3

Chapter 1: Introduction

Members agreed that the chapter was concise and about the right length. However, members felt that the drivers for the projects for which the CP is an intermediate output, were insufficiently articulated and user and preparer-focused, in particular for expenses. The phrase “public interest deficit’” as a rationale for the CP was vague. Members either questioned its necessity or considered that it should be better explained or replaced with references to “accountability and decision making”.

In the context of revenue members **instructed** that there should be a better articulation of the issues. In particular, feedback, both from the interviews with preparers detailed in Appendix A and from preparers in members’ own jurisdictions, had indicated strong concerns that the provisions of IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers),* on time requirements are too inflexible. One member proposed distinguishing the passage of time and the consumption of benefits.

Some members suggested that the CP was inappropriately balanced towards revenue rather than non-exchange expenses. In considering non-exchange expenses members considered that the reference to a gap in the literature was insufficient justification for the project and CP. The CP needs to highlight the problems of inconsistency of approach within budget groups and the difficulty of identifying an obligating event giving rise to a present obligation and a liability and expense, thereby leading to inconsistent accounting policies between entities. The CP should also emphasize that non-exchange expenses comprise very significant amounts for most public sector entities and that the narrowing of the scope of the social benefits definition in the separate, but related project, would increase the financial significance of non-exchange expenses. The gap in the literature therefore increased the risk of inconsistent accounting policies for large amounts and this potentially undermines the objectives of financial reporting

More generally the chapter insufficiently brought out the difficulties of interpretation of the exchange versus non-exchange demarcation. In particular there is ambiguity over the meaning of the phrase “approximately equal value” and the interpretation of “directly giving” in the definitions of “exchange and “non-exchange transactions causes particular difficulty because public sector transactions frequently involve the provision of resources to third parties.

Chapter 2: Revenue Recognition Standards

It was noted that the chapter title did not refer to the categorisation of transactions (affected by later instructions).

Members considered that the summary of existing IPSASB and International Accounting Standards Board literature had an appropriate level of detail, although the implications of IFRS 15, *Revenue from Contracts with Customer*s, on IPSAS 11, *Construction Contracts,* should be brought out more clearly. The discussion of IPSAS 23 should also include a reference to the fact that contributions to owners are not within the scope. There was also considered to be an overemphasis on tripartite arrangements in the discussion of category B transactions.

The IPSASB considered that the categorization of public sector transactions was inserted too abruptly in the text after the summary of literature dealing with revenue transactions. There needs to be introductory material to explain the purpose of the categorization, supported by graphics. It was also suggested that in reality public sector transactions are on a continuum and the demarcation point between the three categories is more complex and less clear-cut than suggested. The purpose of the categorization should be clearly explained, noting that the simplification was for analytical purposes in the CP. It was also suggested that the reference to the exchange/non-exchange split in the context of category B transactions was potentially confusing and should be deleted. One member suggested that the categorization is a critical aspect of the CP and suggested that a specific matter for comment (SMC) should be asked. This will be considered when SMCs are finalized.

Responding to a point that the CAG could play an important role in evaluating whether the issue had been articulated clearly, the CAG chair expressed a view that the revised structure helped clarity. He supported the view that a diagram should be added on the categorization of public sector transactions and endorsed views that, in reality, the spectrum of public sector transactions was a continuum.

The IPSAB considered that the discussion of category C transactions–those meeting IFRS 15 criteria–and the proposed approach was insufficient. The discussion was also focused completely on revenue transactions and said nothing about expense transactions.

Members supported a proposal that the discussion of public sector transactions should be in a separate chapter (new Chapter 3), rather than in a chapter summarizing existing literature. This chapter should also incorporate paragraphs 3.7-3.17 of old Chapter 3 and provide a stronger rationale for the IPSASB's view that IPSAS 9 and IPSAS 11 should be replaced by a new IPSAS primarily drawn from IFRS 15.

The relationship of the SMCs and Preliminary Views (PVs) was highlighted. The IPSASB questioned whether there needs to be a SMC on a subject where a PV is expressed. Staff explained that, in responding to previous CPs, respondents had sometimes not addressed PVs, so SMCs had been inserted that largely mirrored the PV. This duplication could probably be reduced by redrafting some of the guidance material in the Request for Comments section of the CP to emphasize that IPSAB particularly welcomes views on both PVs and SMCs.

Performance Obligation and Enforceability

Prior to discussion of Chapter 3 the IPSASB discussed the interpretation of enforceability in a public sector performance obligation context. While there were some reservations that an over-emphasis on enforceability might limit application of the public sector performance obligation approach and the improvements in accounting that it might bring, there was general support for the staff view that the approach should only be applied to transactions with performance obligations that are enforceable by the resource provider. In particular there were reservations about extending the interpretation of enforceability to reputational risk and to economic compulsion, although the latter raised more complex issues. Some members also suggested that the term “binding arrangement” used in a number of IPSASs to reflect arrangements that are not strictly legal due to jurisdictional procedures, but have equivalent force and are enforceable, and “binding obligation” in the context of the existence of a present obligation in the discussion of a liability in the Conceptual Framework, should not be confused by staff.

Members **instructed** staff to reflect the public sector context, so that enforceability could be reflected by mechanisms such as cabinet and ministerial decisions, appropriations and deductions from future funding for the same program. There should also be an emphasis on the ability to enforce, rather than a focus on the past record of enforcement.

Chapter 3: Recognition Options for Public Sector Specific Revenue Transactions

Members generally supported linking the public sector characteristics identified in this chapter to the IFRS 15 five-step approach, referring to issues rather than characteristics and providing interpretation and guidance. There should be a clearer graphical presentation. Members considered that SMC 3–on the cost of delivery approach for allocating total funding–and SMC 4-on the trigger for revenue recognition–too detailed. More detailed discussion to enable respondents to form a view should be within the main text.

The discussion of performance obligations in paragraph 3.65 was confusing. The focus of the Exchange/Non-Exchange Approach should be on conditions. The table indicating how common arrangements–One Year Specific Grants, Capital Grants, Multi-Year Research Grants and Non-Specific Grants–would be treated under the alternative approaches should be relocated to a later section of the chapter.

The chapter should be clearer on how accounting outcomes will change dependent on the application of the two approaches. This particularly applied to time requirements. Staff expressed a view that a change in accounting outcome could be exaggerated and that the main potential advantage of the Public Sector Performance Obligation Approach is that it is easier to judge whether a transaction contains performance obligations than whether it is exchange or non-exchange in character. There should also be more discussion of whether grants to recipients to deliver goods and services to beneficiaries reflected a principal-agent relationship i.e., whether the resource provider retains control of the resources. The IPSASB noted that the South African Accounting Standards Board has issued a Discussion Paper on this subject.

Chapter 4: Non-Exchange Expenses: Initial Recognition

Overall, members expressed a view that the chapter needed to better articulate the problems that the IPSASB is trying to resolve. These comments were consistent with those made on Chapter 1 (see above). The chapter should also be linked better to, and reflect developments in, the Social Benefits project. The CP should summarize IPSAS 19 in the same way as IPSASs 9, 11 and 23 were summarized in Chapter 2. It was agreed that while paragraphs 4.2-4.7 on the problems with exchange/non-exchange transactions contained useful material, they should be relocated to Chapter 1.

Noting that examples of “collective goods and services” and “transfers and grants to other entities” were provided in the section on what is within the scope of non-exchange expenses there should be greater detail of what “other transfers in kind” encompass. The IPSASB considered whether universal healthcare and education were examples of collective goods and services or other transfers in kind. Staff expressed a view that they were other transfers in kind–consumption of collective goods and services is passive and non-exclusive in nature. Street lighting was identified as a further example of an activity that meets the criteria of an other transfer in kind.

There was broad agreement with the staff view in PV 3 and PV 4 that present obligations for collective goods and services and other transfers in kind do not give rise to obligating events and therefore liabilities and expense do not arise prior to the delivery of those services to beneficiaries. However, there needed to be an acknowledgement that commercial transactions with third parties might give rise to liabilities and an expense prior to the delivery of the services to beneficiaries. In determining when a liability occurs for inter-governmental and other transfers the detail of the arrangement needs to be considered. Inter-governmental transfers include grants from central to local government.

It was agreed that, while collective goods and services might give rise to future obligations the ongoing nature of their provision and the fact that service levels were adjustable by providers indicated that present obligations related to them did not arise.

Members considered that the relationship of a modified IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and the Conceptual Frameworks of the IPSASB and the IASB was unclear and **instructed** that it should be redrafted.

Chapter 5: Measurement

Members were broadly supportive of the options presented in the chapter, although they **instructed** that the analysis should be broadened in places and the problem better articulated, in particular that the items and transactions discussed are not financial instruments and therefore cannot be directly addressed in IPSAS 28-30, *Financial Instruments*, which provide requirements for the presentation, recognition, measurement and disclosure of financial instruments. It should also be clarified that income taxes are not within the scope. It was also pointed out that the scope was broader than statutory receivables and statutory payables and included items such as donations. Members provided the following **instructions**:

- The chapter should be clearer in its discussion of measurement at initial recognition;
- The discussion of discounting should reflect high inflation environments; and the identification of market values;
- For Approach 2–Amortized Cost Approach, the complexity of identifying a market rate was at origination, rather than on an ongoing basis; and
- Because the chapter is based on a South African Accounting Standards Board (SAASB) Discussion Paper it would be helpful to provide the outcome of the SAASB's consultations and deliberations.

5. Financial Instruments (Updates to IPSASs 28-30) (Agenda Item 5)

Staff presented an Issues Paper on the development of the Exposure Draft (ED), *Financial Instruments: Recognition and Measurement*. The IPSASB discussed and provided instructions in the areas of classification, measurement, impairment and public sector securitizations. The IPSASB also received an education session presented by staff on the new hedge accounting requirements in IFRS 9, *Financial Instruments.*

Issue 1: Project management and ED development

Staff presented the project approach and timelines noting a large volume of consequential amendments. The IPSASB advised that the final approval of the ED should be revised to June 2017 because of the volume of the material still to be developed and the need for a full review by the IPSASB of the consequential amendments. The IPSASB discussed its previous decision to delegate the review of most of the non-authoritative material (implementation guidance and illustrative examples) to the Task Based Group (TBG). The IPSASB Chair suggested a face-to-face meeting for the TBG as a practical way to review such a large volume of technical material.

The IPSASB **instructed** staff to generate lists of:

(a) Different categories of examples expected to be developed and provided to the IPSASB for review and comment (with an emphasis on the more substantive examples); and

(b) Consequential amendments to be developed to allow the IPSASB to better assess their impact on the project timeline.

The IPSASB agreed with the process for development of the ED.

Issue 2: Terminology Changes

The IPSASB considered changes to terminology in IFRS 9 included in the ED.

A member questioned whether "revenue" is appropriate and suggested the use of "net revenue". Another IPSASB member noted that IPSAS 1, *Presentation of Financial Statements,* does not distinguish between revenue and income and that some items presented as revenue in IPSAS 1 are net amounts. Staff noted that the use of "revenue" proposed in the ED is consistent with IPSAS 28-30, *Financial Instruments*. The IPSASB **decided** to continue to use "revenue" and **instructed** staff to develop an explanatory footnote and/or paragraphs for the Basis for Conclusions (BC).

The IPSASB discussed the proposal of staff and the TBG to replace the term of "business model" with the term "management model". An IPSASB member questioned if the change was appropriate, as, in the public sector laws and regulations may prescribe how assets are managed, as opposed to a process of active asset management, which the term seems to imply. The IPSASB discussed alternative terms such as "operational model". Staff explained that the concept of business model contains two distinct elements;

- The intention for holding assets; and
- How the assets are managed.

The IPSASB considered alternative terms, but concluded that the alternatives only captured one of the two elements and may therefore unintentionally modify the concept. A TBG member indicted that the concept captures the process of managing the assets rather than who manages the assets. The IPSASB **decided** to adopt the term "management model" as a replacement of "business model" in the ED.

The term "fair value" was proposed instead of terminology in the Conceptual Framework for the following reasons:

- Consistency of approach with recent projects where the term "fair value" was included (IPSAS 34-38, *Interests in Other Entities* and IPSAS 39, *Employee Benefits*); and
- The IPSASB has a committed project to deal with measurement across all IPSASs, *Public Sector Measurement*, expected to start in the first half of 2017.

Staff noted that the draft ED includes the definition of fair value and related application guidance from IPSAS 29, *Financial Instruments: Recognition and Measurement*. The alternative would be to include references to IFRS 13, *Fair Value Measurement,* and the related supporting guidance in that standard. Staff noted that IFRS 13 is a general measurement standard and that specific requirements related to financial instruments could not be included without a significant expansion of the scope of the project. The IPSASB **decided** to retain the existing definition of "fair value" and guidance from IPSAS 29.

Issue 3: References to Other Standards

Staff noted that the general approach to references to other standards in IFRS 9 is to only retain those references for which a current equivalent IPSAS exists. Staff further explained specific exceptions to this approach in relation to the following:

- A specific IFRS 15 reference relates to a consequential amendment clarifying treatment of fees in effective interest method calculations; and
- A consequential amendment arising from IFRS 3, *Business Combinations*, which was included in the Public Sector Combinations ED, requires contingent consideration recognized by an acquirer to be measured at fair value.

The IPSASB agreed with the approach and **instructed** staff to keep an inventory of references to other standards that are not included, as these may require consideration in future IPSAS projects.

Issue 4: Classification

Staff introduced the principles-based classification model for financial assets and the proposal to include the full model in the ED. The IPSASB concurred with the principles-based classification model for financial assets and the proposal from staff and the TBG to include the full model is reflected in the ED.

However, an IPSASB member raised concerns with the concessionary loan guidance under the new classification approach. The concerns arise because concessionary loans often have features that may not pass "the solely for payments of principal and interest test" (a key part of the classification concept) and would therefore likely be measured at fair value through surplus and deficit rather than at amortized cost. An IPSASB member noted that in practice in their jurisdiction most concessionary loans are measured at amortized cost under IPSAS 29.

The IPSASB **instructed** staff to consider if additional modifications to the concessionary loan guidance are needed as a result of the new classification approach. The IPSASB also **instructed** staff to review the guidance related to concessionary loans and credit impaired loans, to ensure that any overlap in relation to concessionary terms is appropriately addressed.

Issue 5: Measurement

The IPSASB agreed with the measurement requirements included in the draft ED. However, a member noted a need to better communicate the relevance of fair value measurement in the context of the public interest. The member noted that many in the public sector openly question and express concerns about the volatility that fair value measurement introduces in the statement of financial performance and to key measures such as net debt, as well as the understandability of fair value information reported. Constituents' reluctance to accept fair value measurement for financial instruments and, more generally, for financial reporting, was noted as a challenge by other members of the IPSASB in their jurisdictions.

The IPSASB discussed measurement requirements for unquoted equity instruments. It was noted that in some jurisdictions, such investments are rare, while in others they are prevalent. The IPSASB discussed whether fair value measurement of unquoted equity instruments makes sense in a public sector context. An IPSASB member raised the following two substantive points:

- A view by many in the public sector that fair value is not appropriate. Opposing this view is research that establishes fair value as the most, and often the only, relevant measurement basis for many financial instruments. Fair value information is used by decision makers, such as treasury departments of governments in managing resources and making investment decisions. In contrast, historical cost is not relevant and informative to decision making for many financial instruments. The challenge for the accounting profession and the public sector, is communicating and explaining the relevance of fair value to constituents; and

- A view that entities often cannot determine fair value. The member expressed a view that in his extensive experience in this area (as an auditor reviewing complex accounting transactions) fair value can almost always be determined based on available information, and is kept up to date for decision-making purposes.

The IPSASB agreed with the comments from this member, while noting that cost-benefit concerns exist and there is a need to develop pragmatic approaches to fair value measurement.

Staff and the TBG acknowledge these concerns and propose development of illustrative examples to aid preparers in demonstrating how valuation techniques can be applied to determine the fair value of unquoted equity instruments. The discussion highlighted the risks of prescribing a specific valuation methodology, such as net asset value, as a simplification. Further it was noted that determination of fair value does not require a complex modelling exercise in all cases, and that cost under certain circumstances may be the best approximation of fair value.

The IPSASB agreed with the proposals on measurement in the ED as well as requirements for unquoted equity instruments, and **instructed** staff to consider the need to develop a communication document for constituents on the use of fair value in financial instruments.

The IPSASB discussed the issue of equity instruments arising from non-exchange transactions and the TBG debate related to additional guidance consistent with the concessionary loans requirements in IPSAS 29. Staff highlighted the significant differences identified in economic substance between equity instruments and concessionary loans, and presented three alternative proposals for consideration.

The IPSASB decided through a straw poll to not include additional guidance, because sufficient guidance already exists in the ED and IPSAS 23 to address such transactions.

Issue 6: Impairment

Staff presented the expected credit loss (ECL) impairment model in the ED, including:

- The general approach requiring a 12 month ECL at initial recognition and lifetime ECL when there is significant increase in credit risk;
- The simplified approach for receivables requiring lifetime ECL at initial recognition; and
- The treatment of credit impaired assets (purchased or originated) which requires lifetime ECL at initial recognition and the use of a credit adjusted effective interest rate for measurement.

The IPSASB discussed the applicability of the ECL model to public sector entities with mainly receivables as their only significant financial assets, including simplifications included in the requirements.

The IPSASB agreed with the proposed impairment requirements in the ED, as well as its applicability to public sector entities with receivables as the only significant financial assets.

Issue 7: Securitizations

Staff presented the issue of public sector securitizations expressing a view that:

- Sufficient guidance exists in current IPSASs to address accounting for the impact of securitization schemes in the public sector and the consolidation of such schemes; and
- The main concern with securitizations in the public sector is the sale of a future flow arising from sovereign rights and accounting for the consideration received. Staff expressed a view that this is outside the scope of the financial instruments project and should be considered in a separate project as part of the work plan consultation (as accounting for sovereign powers is a broader issue than the more narrow one related to securitizations).

The IPSASB CAG Chair questioned whether a financial liability might arise from a securitization of future flows arising from sovereign rights and suggested that it might depend on the structure of the arrangement. For example, if the originating entity collects the cash flows and then passes these to a third party, then a financial liability may arise. The IPSASB **instructed** staff to draft paragraphs for the BC and to develop narrow scope application guidance to address the consideration for such transactions and the circumstances under which a financial liability might arise.

Hedge Accounting Education Session

Staff presented an education session on hedge accounting, highlighting the key changes to hedge accounting under IFRS 9. The session focused on the expanded scope of what qualifies as hedging instruments and hedged items and changes to hedge effectiveness testing.

An IPSASB member questioned whether net investment hedges are prevalent in the public sector. The IPSASB agreed that because foreign operations are rare in the public sector, guidance on net investment hedges may not be frequently used. However, the IPSASB agreed that because they could occur guidance should be developed and included in the ED.

6. Heritage (Agenda Item 6)

Staff presented draft chapters of the Heritage Consultation Paper (CP) and asked the IPSASB to provide instructions and make decisions on issues. Bernhard Schatz, Chair of the Heritage Task Force, provided a summary of Task Force members' main contributions to Chapters 1-3, which included:

(a) Introducing the term "heritage significance", which contrasts with "heritage value";

(b) Removing discussion of heritage categories and their issues from Chapter 2 and recommend similar removal in subsequent chapters; and

(c) Indicating support for Chapter 3's proposed preliminary view (PV) that heritage items can be assets for financial reporting purposes.

Staff noted that the working description of "heritage items" in Chapter 2 was now described as a definition, and a draft PV on that definition had been included for the IPSASB's consideration. This was consistent with the approach in the CPs on Social Benefits and Reporting Service Performance.

The IPSASB did a page-by-page review of each chapter and **instructed** staff as follows:

Chapter 1, Introduction to the Consultation Paper

(a) Shorten the chapter by removing particular paragraphs on project background and CP approach;

(b) Change the order of sections to improve the chapter's flow; and

(c) Include a brief acknowledgement that countries may have different experiences with accounting for heritage items.

Chapter 2, Heritage Items

(a) Shorten the chapter by:

i. Removing paragraphs on issues related to development of a definition of heritage items;

ii. Reducing the level of detail in the descriptions of heritage categories; and

iii. Carrying out a review for other areas that could be shorter and more succinct; and

(b) Revise the definition of heritage items to read:

> Heritage items are items that are intended to be held indefinitely and preserved for the benefit of present and future generations because of their rarity and significance in relation, but not limited, to their archeological, architectural, agricultural, artistic, cultural, environmental, historical, natural, scientific or technological features.

Chapter 3, Heritage Items as Assets

(a) Shorten the chapter by, for example, deleting discussion of control criteria applied to different types of heritage items. Instead, the criteria (resource, control and past event) should be discussed in terms of when they are, or are not, met, illustrated with a few brief examples. The main focus should be on resource and control rather than past event.

(b) Revise or delete the chapter's coverage of access to a heritage item, where it affects resource existence; and

(c) Revise the preliminary view (PV) to convey the idea that heritage items generally will be assets for financial reporting purposes, although there are circumstances where they are not.

Chapter 4, Recognition and Measurement of Heritage Assets

The Heritage Task Force Chair provided an overview of Task Force discussions to introduce draft Chapter 4. Measurement of heritage assets can be onerous. The size of the heritage measurement task could relate, in part, to an entity's first–time recognition of large numbers of heritage items, accumulated over many years. However, the difficulty that preparers experience with measurement is the core element of the recognition issue, as discussed in draft Chapter 4. A second important issue was the relationship between the need to preserve heritage assets indefinitely and their measurement. Staff explained that Chapter 4's proposed preliminary view (PV), which includes use of a "one currency unit entry value" (also termed "symbolic value"), had been developed by staff in response to Task Force members' views on the importance of heritage stewardship combined with the difficulty of measuring heritage items. The PV had been included towards the end of the drafting process and had not been reviewed by the Task Force.

The IPSASB then carried out a page-by-page review of draft Chapter 4, which identified specific revisions (listed further below) and included more general discussion of the issues raised.

Symbolic Value

The IPSASB agreed that the CP should discuss symbolic value, so that constituents can provide their views on this issue. The use of symbolic values is a measurement issue; some argue that use of symbolic value is preferable to non–recognition. However, this issue was fully discussed during development of the Conceptual Framework and the IPSASB concluded that symbolic value is not a conceptually robust measurement basis for financial reporting purposes. The Conceptual Framework guides the IPSASB's development of financial reporting requirements and is applied to issues in order to develop and assess alternative accounting approaches, as is being done with this CP. The Conceptual Framework is non–authoritative and it is the prerogative of the IPSASB to adopt approaches at standards-level that may vary from the Conceptual Framework, provided such departures are explained. A departure from the Conceptual Framework in respect of symbolic value would be very difficult to justify, since it would rely on an argument that the approach provides better information for users of GPFRs for their assessments of entities' operational capacity, financial capacity and cost of services than measurement bases identified in the Conceptual Framework.

The IPSASB noted that draft Chapter 4 explains that the "one unit entry value" could be described as an historical cost measure for heritage assets that are very old and therefore have (or can be assumed to have) a very low historical cost. The IPSASB will review Chapter 4's revised coverage of symbolic value in December, when it discusses its preliminary view on measurement of heritage assets for recognition.

Recognition Options for Heritage Assets

The IPSASB discussed the five recognition options in Table 2 of draft Chapter 4. It noted the table's focus on the cost–benefit constraint as the key determinant of heritage asset recognition options. The IPSASB **instructed** that Chapter 4 should be revised to provide discussion of the materiality constraint and the relevance of monetary information on heritage assets. With respect to the individual options, Option 1 (no recognition of heritage assets) and Option 4 (measurement includes use of a symbolic value) are not consistent with the Conceptual Framework. The IPSASB noted that a restructuring of Chapter 4 is likely to change the recognition options identified in the chapter, so Table 2 should be deleted.

A revised preliminary view, to replace those in the present version of Chapter 4, should take a principles-based approach and not convey the detailed, rules–based approach in PVs 4.2 and 4.3.

The IPSASB **instructed** staff to revise Chapter 4 as follows:

(a) Delete Table 1 on national standard setters' pronouncements on heritage asset recognition, and Table 2 which presents five heritage asset recognition options;

(b) Discuss the advantages and disadvantages of different measurement approaches (historical cost and current value) that could achieve the QCs while taking into account the constraints on information in GPFRs, including both cost-benefit and materiality, and then provide a preliminary view on that measurement approach at the end of the chapter;

(c) Follow the same order as that used in the Conceptual Framework to discuss the measurement of heritage assets and make more use of the Conceptual Framework's discussion of measurement;

(d) Treat "net realizable value" as not applicable to heritage assets, since heritage items should not, by definition, be available for sale;

(e) Remove references to heritage assets used for "non–heritage purposes", and replace with two categories; heritage assets that are "operational assets" and those that are "non–operational assets";

(f) Discuss initial and subsequent expenditure, including the Eiffel Tower example where a heritage asset has a replacement cycle of, for example, 20 years;

(g) The chapter's discussion of symbolic value should be revised to (i) include the negative aspects of this measurement approach; and (ii) explain why this approach is not proposed as a measurement basis, referring to the conclusion in the Conceptual Framework, which should be included in an appendix to the chapter; and

(h) Include a decision tree on recognition of heritage assets, applying the decision–critical factors identified in the revised coverage.

Chapter 5, Heritage–Related Obligations

The IPSASB then considered a draft Chapter 5 on heritage–related obligations. It carried out a page-by-page review and **instructed** staff to:

(i) Restructure the chapter so that it leads to a preliminary view that focuses on what special characteristics of heritage items could create a present obligation for financial reporting purposes.

(j) Replace the discussion of three liability recognition options with one on whether heritage items' special characteristics present special issues in the assessment of present obligations. The discussion should focus on the Conceptual Framework's definition of a liability and move from an assessment of broader obligations to situations where a present obligation for financial reporting purposes is likely to exist.

(k) Discuss the relationship between an entity's need to address the maintenance of heritage items and the existence of funding or a budget (e.g. appropriation) to carry out the work. The discussion should consider whether the existence of an appropriation has implications for whether an entity has a binding obligation.

The IPSASB also discussed whether a present obligation exists where there is deferred maintenance related to heritage items. It noted that there would have to be a basis in heritage items' special characteristics to reach a conclusion that such a present obligation does exist. When accounting for other types of assets (e.g. infrastructure assets), the existence of deferred maintenance does not lead to the recognition of a liability.

Draft Chapter 6, Presentation of Heritage–Related Information

IPSASB members noted that Chapter 6 needs to be very clear when discussing information outside the financial statements, e.g. information about the condition of heritage items and listings of heritage items should not be part of the financial statements. It should focus on the information needs of the users. The CP should make clear where it is not in the IPSASB's mandate to require or encourage the disclosure of particular types of information.

Chapter 6 should take a principles-based approach to its discussion of heritage-related disclosure, which could involve (for example) identification of primary and secondary disclosures, applying the approach used in the International Accounting Standards Board's disclosure overload project.

The IPSASB considered whether information on the condition of heritage assets falls outside the IPSASB's mandate, because it relates to asset management. IPSASB members generally viewed such information as outside of the IPSASB's mandate. It was noted that there could be revenue and expense implications where entities manage a large number of unrecognized heritage assets.

The IPSASB carried out a page-by-page review of Chapter 6 and **instructed** staff to:

(a) Discuss presentation objectives and take a high level approach, rather than proposing specific items of information that could be presented;

(b) Consider information that should be presented when heritage assets are recognized and when not recognized, rather than using a mixed recognition scenario;

(c) Focus on the question of whether there is anything specific to heritage assets that could lead to users of GPFRs needing additional information. The focus of the second part of the chapter should be on whether the special characteristics of heritage assets indicate a need for other mandated or recommended requirements, beyond what is already covered in Recommended Practice Guidelines 1–3; and

(d) Shorten the discussion wherever possible, particularly in the section on “Presentation in Other GPFRs”.

Concluding Comments

The IPSASB discussed whether it would be possible to approve the Heritage CP at its December 2016 meeting. To achieve that target an inter-meeting review by IPSASB members of revised chapters, particularly chapters 5 and 6, which the IPSASB first considered in September, and Chapter 4 on the recognition of heritage assets, would be needed. For December the draft CP should also include specific matters for comment for the IPSASB’s review. The IPSASB **instructed** staff to:

(a) Consider whether an inter-meeting review is feasible and, if so, provide a timetable for developing and circulating material for such a review; and

(b) Include SMCs in the draft CP for IPSASB consideration in December.

Comments from CAG Chair

The Chair of the CAG commented that the Heritage Project will be on the CAG’s December agenda. The CAG sees financial reporting for heritage as a very important item on the IPSASB’s work plan. Reporting on heritage is a public interest issue, and CAG members would like to contribute their views.

In December the CAG would like to receive, for each IPSASB project on the CAG agenda, a short document—for example, three pages—that identifies the key issues for CAG input.

The IPSASB Chair thanked the CAG Chair for his comments. He noted that IPSASB staff had begun work on the type of short document envisaged, using the IPSASB’s “At–a–Glance” summaries of consultation documents and pronouncements as a starting point.

7. Social Benefits (Agenda Item 7)

Staff presented three issues papers on social benefits and sought guidance from the IPSASB on how the issues should be addressed in an Exposure Draft.

Scope of the social benefits project

Staff presented a revised draft of the proposed definitions and associated guidance. Staff explained that the revised wording had been developed to address issues with the drafting in the Issues Paper that had been identified at the UK pre-meeting briefing.

The IPSASB expressed a preference for the revised wording, in particular the inclusion of the reference to eligibility criteria needing to be satisfied.

The IPSASB identified a number of areas where further redrafting is required:

(a) The reference to eligibility criteria in the definition of social benefits should relate to the scope of social benefits, not recognition criteria;

(b) Aspects of the guidance on the definition of social benefits relating to recognition should be deleted;

(c) References to households and individuals should be consistent; and

(d) It will be important to explain the reasons for departing from the definitions in the CP, and how the revised definitions relate to GFS.

The IPSASB noted that any boundary is likely to be somewhat artificial, and debated the exclusion of ad hoc transfers such as disaster relief. The IPSASB considered that further work on this aspect of the definitions was required, and noted that relating eligibility criteria to the social risks could be helpful in this respect.

The IPSASB **instructed** staff to redraft the definitions and guidance to respond to the comments made by the IPSASB, and to circulate the revised draft (in mark-up) for comments prior to the next meeting.

The IPSASB also **instructed** staff to develop material explaining which transactions will fall within social benefits and which will fall within the non-exchange expenses project, and to ensure that there are no gaps between the two projects.

Obligating event

Staff presented a detailed review of responses to the CP, considering respondents' comments on the various obligating events identified in the CP.

Staff proposed removing the key participatory events obligating event from the ED as staff did not consider that this event would give rise to obligations that meet the definition of a liability in the Conceptual Framework.

Some IPSASB members identified social benefit schemes for which they considered the key participatory events obligating event could give rise to obligations that meet the definition of a liability. These schemes had some similarities to insurance contracts, but may be subsidized by taxation. Members considered that a liability might arise when coverage began rather than when eligibility criteria are met.

Other members expressed concern that retaining this obligating event may trigger very long term liabilities, and that it would be difficult to identify the appropriate key participatory event.

The IPSASB **instructed** staff to undertake further work on this obligating event, and in particular to consider how this relates to the IASB's proposals for insurance accounting. Staff should report back on what the IASB treats as insurance.

Staff proposed including the threshold eligibility obligating event in the ED. The IPSASB supported staff's analysis and **decided** that the ED should include the threshold eligibility obligating event.

Staff proposed treating "the claim has been approved and claim is enforceable obligating events" as subsets of the eligibility criteria to receive the next benefit have been satisfied obligating event.

The IPSASB supported staff's analysis and **decided** that the ED should treat the "claim has been approved and claim is enforceable obligating events" as subsets of the eligibility criteria to receive the next benefit have been satisfied obligating event.

Staff reported that some respondents had proposed a further obligating event, whereby a liability accrues over time, but that the benefits may not vest until a future date.

The IPSASB noted that the respondents' proposal appeared to treat contributory schemes differently to non-contributory schemes, contrary to the IPSASB's previous decision. The IPSASB also noted that in defined benefit schemes, the liability arose in respect of service not contributions, although contributions might be required. Staff commented that although respondents had referred to contributory schemes in their examples, the approach did not depend on contributions being made, and could equally apply to non-contributory schemes.

The IPSASB had additional concerns regarding this potential obligating event which were:

(a) The risk of recognizing liabilities before eligibility criteria are met;

(b) The risk of overstating an entity's liabilities; and

(c) The risk that the approach might overlap with universal healthcare and education.

The IPSASB **instructed** staff to give further consideration to this issue and to bring revised proposals to the next meeting.

Presentation and disclosure

Staff presented an issues paper that identified the presentation and disclosure proposals made by respondents to the CP. The IPSASB had an initial discussion of the issues, noting that these would need to be reviewed once decisions regarding obligating events had been made.

In relation to the suggestion from respondents that long term fiscal sustainability information be mandated for entities with social benefits, the IPSASB **instructed** staff to:

(a) Develop a proposed disclosure on the material assumptions in recognizing and measuring a social benefit; and

(b) Consider what information will be provided in the financial statements, what information would be provided under RPG 1*, Reporting on the Long-Term Sustainability of an Entity's Finances*, and what information will be required to fill the gap.

The IPSASB noted that a BC will be required to explain how the requirements in the ED have been developed.

In relation to contingent liabilities, the IPSASB was skeptical that such disclosures would be required given the differences between the recognition and measurement of liabilities under the Conceptual Framework and under IPSAS 19. The IPSASB **instructed** staff to undertake further work on this area.

The IPSASB also **instructed** staff to consider a presentation framework for social benefits, including the issue of gross versus net presentation.

8. Leases (Agenda Item 8)

Staff presented an issues paper with key issues on lease accounting.

Sale and leaseback transactions

The IPSASB made a tentative decision not to include explicit guidance in an exposure draft on the assessment of a sale within the context of a sale and leaseback transaction based on a performance obligation approach, prior to any decision on, and development of, an IPSAS drawn from IFRS 15, *Revenue from Contracts with Customers.* The IPSASB **instructed** staff to draft text to be included in the core standard on guidance about sales that are in the context of a sale and leaseback transaction and a draft Basis for Conclusions on why the IPSASB took this decision.

Lessor—Applicability of grant of a right to the operator model in IPSAS 32 to lessor accounting (right-of-use model)

The IPSASB took the view that a symmetrical approach to lease accounting is more appropriate for public sector financial reporting because public sector entities are often lessee and lessor in the same contract. Therefore, the IPSASB decided not to adopt the lessor accounting requirements in IFRS 16, *Leases.*

An IPSASB member proposed a receivable and residual asset approach to lessor accounting. In his view, this approach would reflect the rights that the lessor would retain in the underlying asset.

Another IPSASB member noted that a control based approach to lessor accounting is consistent with the IPSASB's Conceptual Framework. This IPSASB member remembered that during the development of the Conceptual Framework, the IPSASB discussed the issue of whether to recognize physical assets as a bundle of rights. The IPSASB had concluded at that time that control over an asset should be assessed in its totality. Consequently, the sale of rights to assets by a public sector entity creates a measurement issue rather than leading to derecognition.

Given the different views on lessor accounting models, the IPSASB directed staff to analyze further lessor accounting models against the criteria of consistency with the Conceptual Framework, internal consistency with IPSASB's current literature and consistency with lessee accounting, taking into account the overall public sector context.

Lessee—Recognition Exemptions—Threshold of leases for which the underlying asset is of low value

The IPSASB reconsidered the draft Basis for Conclusions (BC) in the issues paper. The IPSASB made further amendments to paragraph 3 of the BC (by removing the wording "rather than permit") and to paragraph 5 (by removing the wording "faithful representation" and explaining the assessment of materiality in this context).

Next Steps

Staff will bring draft sections of the ED on sale and leaseback transactions, leases that transfer ownership, and several lessor accounting models, to the December meeting.

9. Public Sector Combinations (Agenda Item 9)

Staff presented a review of responses to Exposure Draft 60, *Public Sector Combinations*.

Scope

Staff reported that there was substantial support for the scope of the public sector combinations project, with few changes proposed by respondents. The IPSASB discussed the proposals and **decided** that no changes to the scope are required.

The IASB's recent amendments to IFRS covering the acquisition of joint arrangements were discussed. The IPSASB noted that these were included in ED 60 as consequential amendments to other IPSASs; however, the IASB has now deferred the implementation of these amendments and the IPSASB **instructed** staff to reflect this in the version to be considered at the next meeting.

The IPSASB discussed areas where respondents had suggested that additional clarification may be helpful. The IPSASB **decided** to include a paragraph in the Basis for Conclusions (BC) explaining that this standard will apply to combinations undertaken on a temporary basis. This clarification was considered helpful as IPSAS 6 did not require consolidation of entities held on a temporary basis, but this exemption has been removed in IPSASs 34–38.

Classification

The IPSASB discussed respondents' comments on the rebuttable presumption in the ED. The IPSASB noted that this approach had majority support, although some respondents considered that it favored control even when control was the least likely outcome.

The IPSASB **decided** not to amend the substance of the approach, but agreed that the concept needed to be communicated more clearly. The IPSASB **instructed** staff to work with a small group of members to improve the drafting in the authoritative text and the BC.

The IPSASB discussed respondents' comments on common control and control. The IPSASB noted that, in many jurisdictions, common control will be as important as control, although in some jurisdictions, common control is a difficult issue. The IPSASB agreed that control is the entry point to the discussion, and **instructed** staff to review the drafting to make this clearer.

The IPSASB agreed with the staff analysis of the alternative classification approaches suggested by respondents, and **decided** that none of these should be progressed.

Accounting for amalgamations

The IPSASB discussed respondents' comments on accounting for amalgamations, including the proposals by a number of respondents that comparative information should be permitted. The IPSASB **decided** to permit, but not require, the presentation of comparative information. Such information should not be restated, and the reporting entity should include a disclosure setting out the basis of the comparative information.

The IPSASB **decided** that the exemption to the recognition and measurement principles should reflect the fact that tax forgiveness could occur as part of a combination, or subsequent to a combination. The IPSASB also **decided** that no further changes to the exemptions to the recognition and measurement principles were required.

Following consideration of the suggestions made by respondents, the IPSASB **decided** not to delete paragraph 30 of the ED, and not to change the term “modified pooling of interests”. The IPSASB also **decided** that no additional guidance was required.

Residual amount in an amalgamation

Staff introduced the responses to the proposal in the ED that all amounts of net assets/equity be recognized in the residual amount. Based on the responses, staff proposed that the ED should not specify which components of net assets/equity should be used, but should allow preparers to decide.

The IPSASB agreed that in some cases it would be appropriate to carry forward the balances on specific reserves. The IPSASB **decided** that the ED should not specify which components of net assets/equity should be used, and that the reasons for this decision should be explained in the BC. The IPSASB also **decided** that no examples were required; the BC should be sufficiently clear on the Board’s thinking.

Accounting for acquisitions

Staff presented the responses to the proposals for accounting for acquisitions. Staff proposed:

(a) The acquisition method of accounting will be appropriate for those combinations classified as acquisitions;

(b) Paragraph 85 of the ED should be deleted, but no further changes to the treatment of goodwill are required;

(c) The headings above paragraphs 100 and 101 of the ED should clarify the circumstances in which these paragraphs apply;

(d) A disclosure of the loss on acquisition recognized in surplus or deficit should be added to paragraph 118 of the ED;

(e) The ED should include provision to measure all assets for which the fair value cannot be reliably measured at carrying value / deemed cost under the acquisition method; and

(f) The requirements in respect of tax forgiveness should be consistent with the treatment under the modified pooling of interests method.

The IPSASB supported the proposals and **decided** these should be reflected in the standard. The IPSASB also **decided** that the measurement period should be extended to two years; the reasons for this should be explained in the BC.

Other issues raised by respondents

The IPSASB discussed the proposal by a respondent to include additional disclosures that inform users of the financial statements of the intended public sector combination, prior to the combination being effected. The IPSASB **instructed** staff to review RPG 2, *Financial Statement Discussion and Analysis*, and consider whether any amendments are required.

The IPSASB **decided** not to include additional disclosures covering the financial effect and implications of the combination on the entity that has transferred the operations. However, the IPSASB noted that such information would be useful to users of the financial statements and **decided** to include a project on discontinued operations in its next Work Plan consultation.

The IPSASB **decided** to include a sentence in the disclosure examples referring preparers to the discussion of materiality in IPSAS 1.

The IPSASB **decided** to retain the original wording of the definition of “amalgamation date.”

The IPSASB **decided** to include the consequential amendment to IPSAS 17, which arises from a consequential amendment made by IFRS 3, *Business Combinations*.

The IPSASB **decided** to include additional wording in paragraph AG4 to clarify that the definitions of inputs and outputs are specific to this standard.

Closing Remarks and Conclusion of the Public Meeting

The Chair thanked members, technical advisers and observers for their input to a successful meeting in which good progress had been made on a number of high-profile and challenging projects. The Chair then closed the meeting.

The IPSASB and Technical Director then met in-camera and discussed matters relating to the meeting.

10. Appendix 1 – September 2016 Action List

Action Required	Person(s) Responsible	Date to be Completed
1. Communications		
• Action List posted to IPSASB Extranet	Leah Weselowski	October 3
• Draft minutes circulated to IPSASB for comment	Leah Weselowski	October 11
• Update IPSASB Summary of IASB Work Plan and Tracking Table	Ross Smith	November 18
• Update GFS Tracking Table	João Fonseca	November 11
2. Governance • Governance agenda papers posted (if any)	John Stanford/ Ross Smith	November 21
3. Technical Director's Report on Work Plan	John Stanford/ Paul Mason	
• Circulate draft Work Plan to IPSASB for comment		September 28
• Update Work Plan and publish on web site		October 14
4. Revenue and Non-Exchange Expenses	John Stanford/ Joanna Spencer	
• Circulate revised version of Consultation Paper to TBG		November 8
• Agenda papers posted		November 22
5. Financial Instruments (Updates to IPSASs 28-30)	Lucy Qi/Ross Smith	
• Circulate summary and draft ED to TBG for discussion		November 3
• Agenda papers posted		November 21
6. Heritage	Gwenda Jensen	
• Draft chapters (4–6) to IPSASB for review		October 24
• Agenda Papers posted		November 16
7. Social Benefits	Paul Mason	
• Circulate draft wording of definitions		October 7
• TBG teleconference		October 21
• Agenda papers posted		November 18
8. Leases	João Fonseca	
• Circulate draft slides with analysis of three lessor accounting models to TBG		October 20
• TBG teleconference		October 26
• Agenda papers posted		November 18

Action Required	Person(s) Responsible	Date to be Completed
9. Public Sector Combinations	Paul Mason	
• Circulate redrafted wording of rebuttable presumption to TBG and members identified at September meeting		October 14
• TBG teleconference		October 21
• Agenda papers posted		November 11

When discussing Public Sector Combinations, the IPSASB decided that a project on discontinued operations should be included in its next Strategy and Work Plan Consultation.