

**Approved Minutes of the Meeting of the
INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD**

Held on March 6–9, 2018 in New York, USA

1. Attendance, Opening Remarks, and Approval of Minutes

1.1. Attendance

	Voting Members	Technical Advisors
Present:	Ian Carruthers (Chair) Mike Blake (Deputy Chair) Stuart Barr Michel Camoin Francesco Capalbo Robert Dacey Sebastian Heintges Do-Jin Jung Neema Kiure-Mssusa Aracelly Méndez Leonardo Nascimento Chris Nyong Bernhard Schatz Marc Wermuth Juan Zhang	Samuel Agbevem (Mr. Nyong) Clark Anstis (Mr. Blake) Claudia Beier (Mr. Wermuth) Takeo Fukiya (Mr. Jung) Baudouin Griton (Mr. Camoin) Anthony Heffernan Williard Kalulu (Ms. Kiure-Mssusa) Leona Melamed (Mr. Monette) Ayres Moura (Mr. Nascimento) Giovanni Parente (Mr. Capalbo) Renée Pichard (Mr. Barr) Jakob Prammer (Mr. Schatz) Tsholofelo Tshoke (Ms. Bodewig) Gillian Waldbauer (Mr. Heintges) Haifeng Yang (Ms. Zhang)
	Member Apologies: Lindy Bodewig Rod Monette	Technical Advisor Apologies: Juan Moreno Real (Ms. Méndez) David Watkins (Mr. Carruthers)

Non-Voting Observers

Present: Jerry Gutu¹ (United Nations)
Majdeline El Rayess² (IMF)
Jani Laakso (World Bank) (Wednesday – Friday)
Delphine Moretti (OECD) (Thursday – Friday)
Thomas Müller-Marqués Berger (CAG Chair) (Tuesday – Thursday)
Iana Paliova³ (IMF)
John Verrinder (Eurostat) (Tuesday – Thursday)

Apologies: Dinara Alieva (UNDP)
Guohua Huang (IMF)
Chai Kim (ADB)
Martin Koehler (European Commission)
Takatsugu Ochi (IASB)
Chandramouli Ramanathan (UN)
Darshak Shah (UNDP)

IPSASB/IFAC Staff

Present: João Fonseca, IPSASB
James Gunn, Managing Director, Professional Standards
Gwenda Jensen, IPSASB
Paul Mason, IPSASB
Ross Smith, IPSASB
Joanna Spencer, IPSASB
John Stanford, IPSASB
Dave Warren, IPSASB

¹ Jerry Gutu attended the meeting in place of Chandramouli Ramanathan

² Majdeline El Rayess attended on behalf of the International Monetary Fund

³ Iana Paliova attended on behalf of the International Monetary Fund

- 1.2. The Chair welcomed members, technical advisors and observers to the first meeting of the year in New York.
- 1.3. The Chair introduced and especially welcomed new members Neema Kiure-Mssusa and Do-Jin Jung and their technical advisors (TA), Williard Kalulu and Takeo Fukiya. Neema had previously been a member of the Consultative Advisory Group (CAG). Takeo was, of course, known to the Board in his previous capacity as a TA. The Chair also welcomed Tsholofelo Tshoke, the TA to Lindy Bodewig and Samuel Agbevem, the TA to Chris Nyong.
- 1.4. Apologies had been received from Lindy Bodewig and Rod Monette. Lindy had provided comments and would join the discussion on Measurement by teleconference.
- 1.5. The Chair advised the Board that following the passing of her partner in early January, Angela Ryan had resigned as both Deputy Chair and as a member. The Chair had met Angela when in New Zealand in February, and she had seemed reasonably well given the circumstances. He had passed on the Board's best wishes, and the hope that Angela might at some point in the future be able to join a Task Force or Task Based Group. Members expressed their condolences to Angela and sadness at the bereavement. There would be a new nominee from New Zealand in due course. The Chair announced that Mike Blake had been appointed as Deputy Chair for 2018. The Board congratulated Mike on his appointment.
- 1.6. The Chair also conveyed the further sad news that David Watkins' father had recently passed away and that David was therefore unable to attend the meeting. The Technical Director would support Gwenda Jensen on the Measurement agenda item.
- 1.7. The Chair also welcomed Guy Andrade, the IPSASB liaison member of the Nominating Committee.
- 1.8. The Chair informed members that the 2017 Handbook was now on the website after a difficult process related to the migration to a new software platform.
- 1.9. The minutes of the meeting from December 2017 were approved, subject to clarification of a point raised by Chris Nyong on Section 4 that did not require an amendment, but demonstrated the need for better formatting of the minutes, in particular paragraph numbering.
- 1.10. John Verrinder provided an update on the European Public Sector Accounting Standards (EPSAS) project. John reiterated the points made at previous meetings that the EPSAS project is:
 - Firstly focusing on increasing accounting transparency in the Member States (MSs) by initially promoting the implementation of accrual accounting, with IPSAS being used as a proxy for EPSAS, in the short to medium term; and
 - In parallel developing the EPSAS framework, in order to ensure comparability in the medium to longer term.
- 1.11. Since the last update at the IPSASB meeting in December the EPSAS Cell on Principles related to EPSAS had met on January 18th in Luxembourg:
 - The Cell had reviewed again the outline of the EPSAS Conceptual Framework (CF), which covers the qualitative characteristics, constraints, elements, recognition, and measurement bases. It therefore covers similar ground as the IPSASB CF and IPSAS 1, *Presentation of Financial Statements*. In some instances the text in the IPSASB CF has been simplified and slightly amended, but there have been no significant changes.

- In the context of elements a discussion had taken place on deferred inflows/outflows. Eurostat had concluded that it would be premature to define these items as elements. However, it would be acknowledged that, in exceptional circumstances, a standard might also specify that, in order to present a true and fair view under EPSAS, a resource or obligation (such as deferred inflows and deferred outflows) that did not satisfy the recognition criteria, might nevertheless need to be recognized in the financial statements.
 - On measurement bases, the IPSASB Chair had provided an update on the Public Sector Measurement project. In its CF, EPSAS is considering only defining the two key measurement concepts (current value, historic cost), and leaving the definitions of the other measurement bases to the standards level.
 - The Cell also had a first discussion of Other Comprehensive Income (OCI) type accounting. It was suggested that there could be good arguments for introducing OCI. However, the use of OCI would have to be considered carefully in order to prevent misuse. The choice of measurement bases is considered to be highly relevant in this context. It was concluded that an approach whereby the CF does not preclude OCI, but details are provided at standards-level could be a tentative way forward. The potential linkage with similar presentational approaches in statistical reporting needed to be further explored. Financial statements including OCI could potentially facilitate the reconciliation between accrual-based accounts and statistical accounts.
- 1.12. John informed members that the next meeting of the umbrella EPSAS Working Group will take place on May 7th-8th in Luxembourg. Topics on the agenda will include:
- Financial support to accrual accounting-based reforms in the European Union;
 - Work on impact assessments, which will inform the future of the EPSAS project;
 - The latest report from the Cell on Principles related to EPSAS;
 - Reports on some of the second series of issues papers, this time being prepared by PricewaterhouseCoopers. The latest available were on a harmonized chart of accounts and intangible assets.
- 1.13. The next steps to be taken in 2018 are:
- Following the signing of a new contract Ernst & Young (EY) would provide support to synthesize and, where necessary, help complete the work on impact assessments;
 - The continuation of co-financing by Eurostat, and cooperation with the European Commission's (EC) Support Services for Structural Reform, for the modernization of public accounting systems on an accrual basis in the Member States (MS); and
 - Subject to availability of resources Eurostat would continue communication at various stakeholders' events in Europe.
- 1.14. The Chair thanked John for the comprehensive summary that indicated a great deal of activity. The Chair expressed a view that the EPSAS project was entering a critical phase with the development of the impact assessments. The support for accrual accounting initiatives in MSs was particularly welcome. He also considered that the IPSASB had benefitted from the issues papers.
- 1.15. In his EY capacity Thomas Müller-Marqués Berger provided some further detail on the impact assessment, which he said was fundamental, and which explained why the EC was undertaking the EPSAS project. Work was underway on measurement and there was considerable interest in the

IPSASB's project in this area. That work was considering the OCI approach that John Verrinder had highlighted.

- 1.16. The Chair noted the need for a summary dashboard-style analysis that would highlight differences between IPSAS and IFRS®. This would help the identification of the narrow scope amendments in the next Work Plan. The Deputy Director noted that the current IFRS Tracking Table provided an audit-trail for staff and was not particularly user-friendly. Work was underway on the dashboard and would be prioritized for the June meeting. The Chair noted the importance of the Government Finance Statistics (GFS) Tracking Table from a staff perspective, but also for the Board in monitoring GFS items with a view to initiating new projects. It is also strategically important for interaction with the GFS community with a view to reducing differences between GFS and IPSAS.
- 1.17. The IPSASB noted the summary of the IASB® Work Plan, the IFRS Tracking Table and the GFS Tracking Table. The Technical Director informed the Board that the revised IASB Conceptual Framework was due out in in late March and that this had been confirmed at the recent IASB-IPSASB Liaison Meeting. This would enable the IPSASB to consider the extent to which IASB's Framework had been modified since the approval of the IPSASB Conceptual Framework in September 2014.

2. Governance (Agenda Item 2)

- 2.1. James Gunn, Managing Director, Professional Standards summarized the key discussions with the Public Interest Committee (PIC) at its sixth meeting on February 28, 2018 in Paris, France.
- 2.2. The PIC meeting agenda covered five main items:
 - IPSASB outreach and activity report;
 - Progress on the development of the IPSASB strategy and work plan, including the due process followed in its development and way forward to approval;
 - IPSASB report on due process and update on priority projects;
 - IPSASB Consultative Advisory Group (CAG) update and developments; and
 - IPSASB nominations process.
- 2.3. Overall, the PIC was supportive of the approach to, and scope of, outreach activities. However the PIC had suggested that the IPSASB should consider how to present outreach in the representational activities report in line with newly proposed strategic themes. The PIC had not raised any concerns related to the application of due process in the development of the strategy and work plan or in ongoing projects. The PIC noted it was supportive of the roundtables planned to engage with constituents in relation to the Strategy and Work Plan, and encouraged the IPSASB to monitor their success and consider if roundtables might be used going forward for certain projects.
- 2.4. The PIC noted the development and progress of the CAG over a short period. The PIC did express concern with the IPSASB nominations process and continues to emphasize a need for greater regional and gender balance on the Board. The IPSASB Chair proposed the development of a forward strategy to help make progress on this important issue.

3. Report on Activities/Communication Activities (Agenda Item 3)

- 3.1. Sebastian Heintges provided an update on developments in Germany. Sebastian outlined the current political situation in Germany, the structure of the public sector in Germany and future developments.

- 3.2. There had been federal elections in September 2017. Following long negotiations a new coalition government, primarily comprising the Christian Democrats and Social Democrats, had been formed with Angela Merkel continuing as Chancellor. Despite the political uncertainty, the economy is stable and growing.
- 3.3. Including the European Union (EU) there are four levels of government: cities/municipalities, länder (states), federal level and EU. The constitutionally embedded concept of subsidiarity requires that decisions are taken at the lowest level possible.
- 3.4. Most cities have adopted accrual reporting. At the länder level practice varies. Hesse and the smaller lander of Hamburg and Bremen report on an accrual basis. At the federal level financial reporting is on the cash basis. Sebastian highlighted that the assets and liabilities presented by the federal level in accordance with legal requirements have no monetary values for intangibles and property, plant and equipment—some non-monetary values are included. There were also gaps on the liability side, including accounts payable.
- 3.5. Sebastian next discussed the recent debate on accrual reporting. A recent report to the Bundesrat (upper house) and Bundestag (lower house) restated that budgetary authority rests with individual legislatures. The report questioned the advantages of accrual accounting and suggested that there would be high implementation costs. A different recent report of the Federal Court of Auditors had also been critical of the EPSAS project, albeit more neutral on accrual and cash accounting. The German member body of IFAC, the Institut der Wirtschaftsprüfer in Deutschland (IDW), had responded to that report. IDW had expressed a view that the German federal accounting system should be at a level comparable with international best practice. At the European level there is a need for harmonization of governmental financial reporting, due to centripetal tendencies in areas like the currency union, fiscal policy and banking. In IDW's view harmonization should be based on EPSAS, and EPSAS should be based on IPSAS.
- 3.6. Sebastian noted that the Dutch Court of Auditors had issued a report in January 2018, which had been very positive about accrual accounting and encouraged Germany to be at the forefront of financial reporting developments.
- 3.7. In November 2017 the Council of European Finance Ministers had noted Eurostat's work on EPSAS and on supporting member states' adoption of accrual on a voluntary basis. The Council had stressed the need for proposals to respect the principles of subsidiarity and proportionality and to be founded on a clear legal basis where relevant. The Council also identified a need for a detailed impact assessment of EPSAS and acknowledged the Eurostat initiative in this area. In the view of the Council such an assessment should include both the benefits and disadvantages of accrual reporting.
- 3.8. The länd of Hesse had organized a recent panel discussion to discuss the IPSASB EDs on Leases and Social Benefits. Participants from the city of Essen and Switzerland had attended, amongst others. Sebastian had sought to dispel misconceptions about the IPSASB, such as that IPSASB is dominated by members from the big accounting firms. He also noted views that IPSAS inadequately acknowledges prudence, over-emphasizes fair value, and also expressed a view that the cost of implementation has been exaggerated.
- 3.9. Sebastian concluded that supporters of accrual accounting in Germany are in a minority. Hesse stands out and Baden-Württemberg is also moving to accrual. In Sebastian's view change is likely to come as a result of external pressures with longer timelines. It was noted that the new federal

Finance Minister is from Hamburg, an accrual adopter, which, optimistically, might lead to a more positive attitude toward accrual reporting.

- 3.10. The Chair thanked Sebastian for his presentation and noted the importance of the German position for the EPSAS project.
- 3.11. The CAG Chair made a number of additional remarks from the EPSAS perspective. He had found the Hesse panel very constructive and not reflective of the more critical tone of the various letters which had been made public on the report of the Federal Court of Auditors. The justification for the EPSAS project had developed from its original focus on improving the quality of information for statistical reporting, which had been positive in presenting the benefits of accrual reporting.
- 3.12. He felt that the subsidiarity issue could be addressed in the impact assessments for EPSAS. He considered that the emphasis on how accounting policy options in IPSAS reduce the comparability of information is inconsistent with the view that there should be an option to use either accrual or cash. He also considered that there were causes for optimism in Germany, including the recently launched stock-take of tangible and intangible assets and stock-take and valuation of all infrastructure assets at the federal level, which is a major undertaking. He endorsed Sebastian's point about timelines, expressing a view that more time is necessary than in the EPSAS project plan. Other members commented on judgment, prudence and the skepticism in Germany about current value and how to demonstrate the difference between accrual-based and cash-based accounting numbers.

4. Technical Director's Report on Work Plan (Agenda Item 4)

Introduction of Work Plan Review on Day One

- 4.1. The Technical Director introduced the current Work Plan, noting that the main review would take place on Day Four in light of meeting developments. He reported that, following the IPSASB's December 2017 meeting, the only change was the addition of a new project, *Long-term Interests in Associates and Joint Ventures and Prepayment Features with Negative Compensation*. The Technical Director explained that this project had arisen from the *Improvements* project, and dealt with IASB-related improvements that were dependent on the IPSASB approving an updated IPSAS on *Financial Instruments*. Staff considered it inappropriate to consult on amendments to an IPSAS that had not yet been issued. The detail would be discussed later in the meeting in Agenda Item 8.
- 4.2. The Technical Director informed the IPSASB that the electronic version of the 2017 Handbook had been published on February 22nd. He acknowledged the role of João Fonseca, in working with the IFAC Communications Team to deliver the Handbook. The Technical Director reminded Members that IFAC was moving the production of the handbooks of all its Standard Setting Boards to new publication-specific software. There had been a number of issues in the transition from Word files that had only recently been resolved with João's assistance.
- 4.3. The Technical Director also noted that staff were aiming to have the electronic version of the 2018 Handbook available in time for the June meeting. Staff hoped to have the hard copy version available at the same time. The Technical Director noted that there were a number of further issues to be resolved.

- 4.4. The Technical Director commented that Agenda Item 4.2 provided the indicative time allocations for the remaining meetings in 2018. He noted that this is provided to assist members in planning for future meetings, but is subject to change as projects develop.
- 4.5. Members noted the report of the Technical Director.

Review of Work Plan on Day Four

- 4.6. The Technical Director noted the discussions that had taken place at the meeting, and that progress at the June meeting would have a significant impact on the Work Plan. He therefore proposed leaving the Work Plan unchanged at this stage.
- 4.7. The IPSASB considered bringing the completion date of the *Financial Instruments* project forward to June 2018 in the light of progress at the March meeting. However, given the possibility that issues would emerge in Task Force discussions, the IPSASB agreed not to amend the Work Plan at this stage. The IPSASB also noted that the ED, *Long-term Interests in Associates and Joint Ventures and Prepayment Features with Negative Compensation*, had been approved at this meeting, and would be issued once the revised *Financial Instruments* IPSAS had been approved. Consequently, no changes were made related to this project either.
- 4.8. The IPSASB **directed** a presentational amendment to the Work Plan to highlight the linkage between the *Long-term Interests in Associates and Joint Ventures and Prepayment Features with Negative Compensation* project and the *Financial Instruments* project. The IPSASB also agreed to include a note explaining that the Work Plan does not include proposed projects in the Strategy and Work Plan Consultation Paper. Approved projects will be added to the Work Plan once the IPSASB has considered responses to the consultation and formally agreed to adopt them.

5. International Accounting Education Standards Board (Agenda Item 5)

- 5.1. The Chair of the International Accounting Education Standards Board (IAESB), Chris Austin, made a presentation on the work of the IAESB. Chris was joined at the table by Ray Johnson, the Chair of the IAESB Consultative Advisory Group, and by teleconference by Rania Mardini and Adrian Pulham, respectively the Chair and Secretary of the Public Sector Accounting, Reporting and Assurance Task Force.
- 5.2. Chris provided details of the current composition of the IAESB in terms of gender and regional and professional background. He highlighted the primary role of the IAESB as the development of International Education Standards (IES) that:
 - Attain worldwide acceptance;
 - Enhance the competence of professional accountants; and
 - Thereby contribute to public trust and confidence.
- 5.3. Chris identified the challenges facing IAESB and also a number of activities that are outside the scope of the IAESB's remit. These include the provision of qualifications or certifications, the approval of curriculum content, enforcement of IES and the provision of training.
- 5.4. Chris noted the main pillars of the Strategy and Work Plan 2017-2021. A project on Public Sector–Transparency and Accountability is included in Standards Development.
- 5.5. Chris then discussed the recently initiated Accountancy Education Benchmarking Study. The objectives of this project include sharing good practices of universities and professional accountancy

organizations, exploring synergies, implementing a learning outcomes approach and enabling a diagnostic. The project involves six countries in South Eastern Europe and benchmarks current practices against the programs of the Association of Chartered Certified Accountants, the Chartered Institute of Public Finance Accountants and relevant IES. The opportunity and findings of the study are to expand public sector education by offering public sector certification programs and tailored continuous professional development (CPD) and to facilitate co-ordination among public sector authorities, supreme audit institutions and other stakeholders in developing CPD and training.

- 5.6. Chris concluded that achievement of IAESB's goals requires sharing and collaboration, innovation in education and development and engagement of partners with IAESB.
- 5.7. Rania Mardini and Adrian Pulham then provided more detail on the work of the Public Sector Accounting, Reporting and Assurance Task Force. The reason for undertaking the project at this time were global macro trends, in particular the growing scrutiny of public finances and the ensuing pressure to enhance transparency and accountability and the evolution of public sector standards. The project questions whether existing IES prepare accountants for a challenging and evolving role in the public sector and aims to identify any distinctive skills and competencies required for public sector accounting, financial reporting and assurance that need to be addressed by IES or by the development of additional guidance material.
- 5.8. The scope of the project involves a fact-finding phase in which there will be in-depth analysis leading to the identification of the distinctive characteristics of public sector accountancy and the performance of a gap analysis. The preliminary findings had identified language differences—such as business/company v entity—and a number of core differences in the areas of:
 - Public Sector Financial Reporting and Management;
 - Public Sector Audit and Assurance; and
 - Governance and Environment
- 5.9. Other issues include public/private partnerships, donor relationships and taxation models.
- 5.10. The aim is to understand the impact of these differences on learning and development needs, keeping in mind that IAESB sets principles-based standards. Possible responses include;
 - Amending language of certain competence areas and learning outcomes;
 - Aiding specific competence areas or learning outcomes to IESs; and
 - Developing new implementation guidance.
- 5.11. Additional work might also include:
 - Needs assessment;
 - More framework analysis; and
 - More stakeholder outreach.
- 5.12. Bernhard Schatz agreed to be the point of contact with IAESB on the Public Sector project for the IPSASB.
- 5.13. The Chair thanked Chris, Rania, Adrian and Ray for the presentations and, in particular, looked forward to co-operation between the two Boards on the Public Sector project.

6. Public Sector Measurement (Agenda Item 6)

- 6.1. The Technical Director, introduced Agenda Item 6 with an overview of previous IPSASB decisions during the Public Sector Measurement Project. During 2017 the IPSASB had approved a phased development approach, whereby ED coverage for measurement bases and principles will be developed first, with that work used to develop disclosure requirements and application guidance. The first stage will result in a Consultation Paper (CP) wrapped around an Exposure Draft (ED). The project focuses on application of the Conceptual Framework to IPSAS and use, in limited situations, of fair value, defined as in IFRS 13, *Fair Value Measurement* (IFRS 13).

ED's Objective and Scope

- 6.2. The IPSASB then discussed draft wording for the ED's objective and scope. This discussion resulted in revisions to convey that the ED's:
- (a) Objective should focus on the identification and definition of appropriate measurement bases and their derivation. The ED is not expected to establish requirements for where particular measurement bases should be used in IPSAS. The objective should include reference to the objective of measurement in the Conceptual Framework.
 - (b) Scope is wider than measurement of assets and liabilities. The ED should address all measurement needs, including those related to revenue and expenses.
- 6.3. The IPSASB confirmed that the ED will consider measurement used in all IPSAS, including IPSAS that address financial instruments and those that address entity combinations and interests in other entities. The IPSASB agreed that ED, *Measurement*, will include content based on IFRS 13, in order to define fair value, rather than refer to IFRS 13 for guidance on the derivation of fair value.
- 6.4. The IPSASB reviewed revised wording for the objective and scope and agreed the following ED paragraphs:

Objective

The objective of this [draft] standard is to identify measurement bases that assist in reflecting fairly the cost of services, operational capacity, and financial capacity and how to determine measures under those bases to achieve the objectives of financial reporting.

Scope

An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this [draft] Standard in measuring items.

- 6.5. The question of whether the objective should use the word "identify" or "define" was referred to staff with a request for a recommendation at the June meeting. There was also a need to add wording to reflect the fact that more specific guidance would be provided in other IPSAS. The Chair noted that, as the ED develops, the need for revisions to the objective and scope may arise. This will be revisited once just before the ED is approved rather than on an ongoing basis. During this discussion the IPSASB **directed** the Task Force and staff to:
- (a) Develop a Basis for Conclusions for ED, *Measurement*, rather than rely solely on the CP to discuss issues identified during the ED's development; and
 - (b) Consider the qualitative characteristics and constraints as they apply to measurement.

Definitions for ED, Measurement

- 6.6. Staff introduced an initial set of defined terms for the ED, which covered:
- (a) Measurement bases, as defined in the Conceptual Framework,
 - (b) Fair value, as defined in IFRS 13, and
 - (c) Terms relevant to ED sections and the CP topics for the IPSASB's consideration at this meeting, for example definitions for transaction costs and borrowing costs.
- 6.7. Staff explained that the long list of measurement-related terms, in agenda paper 6.3.2, is provided as a resource for consideration of defined terms from different sources, and covers IPSAS, IFRS 13, the International Valuation Standards (IVS), the Government Finance Statistics Manual (GFSM 2014), and the System of National Accounts.
- 6.8. Staff highlighted that "transaction costs" had been defined using the IFRS 13 definition, which has an exit value focus. A more inclusive definition, applicable to both entry and exit values, could be more appropriate for transaction costs given the ED's focus.
- 6.9. The Chair explained that he would like the IPSASB to discuss the different perspectives that arise from the comprehensive list of measurement-related terms in agenda paper 6.3.2. The question that arises is how to articulate the equivalents with other sources of guidance. For example, how do we map from terms used by valuers or statisticians to terms used in financial accounting? The Technical Director emphasized that the comprehensive list allows the IPSASB to:
- (a) Review for inconsistencies;
 - (b) Identify terms from other literature that may be needed in ED, *Measurement*, and
 - (c) Consider whether there should be a mapping of terms in the ED.

Table of Equivalence for Defined Terms

- 6.10. IPSASB members considered whether a table of equivalence (or congruence) should be included in ED, *Measurement*. The discussion highlighted that:
- (a) The ED should cover all necessary terms, rather than reference other sources such as IFRS or IVS.
 - (b) Terms from other sources may need to be adapted for use in ED, *Measurement*, where necessary.
- 6.11. The IPSASB **instructed** staff and the Task Force to develop a table of equivalence of defined terms for the IPSASB's consideration at its June 2018 meeting. The table should cover financial reporting terms (IPSAS and IFRS 13), and terms used in International Valuation Standards, the System of National Accounts and Government Finance Statistics Manual 2014. The table will be non-authoritative. It could be included alongside the ED. Staff and the Task Force should advise the Board on further development of the table and staff should advise on the options for its location.

Definition of Transaction Costs

- 6.12. The IPSASB discussed a definition of transaction costs, with a range of alternatives proposed including:

- (a) Not defining transaction costs and instead defining another term such as “acquisition, transfer or disposal costs” or “incremental costs.”
 - (b) Defining transaction costs “for the purposes of this Standard;” and
 - (c) Defining two different transaction costs, with one definition applying to derivation of cost for an historical cost entry value and the other applying to exit values, focused on incremental costs.
- 6.13. The definition(s) should consider consistency with IFRS 13 definitions, relevance to ED, *Measurement*, financial statement preparers’ familiarity with terms, and clearly distinguishing terms that have different meanings while also clearly identifying, through use of the same term and same definition where terms have the same meaning.
- 6.14. The IPSASB noted that GFS reporting guidelines use the term “costs of ownership transfer,” instead of “transaction costs.” IFRS defines two different transaction costs, one for IFRS 13 and its approach to fair value and a second, more general, term. If convergence with IFRS Standard is a main driver, then the question arises of which IFRS definition should be used.
- 6.15. The IPSASB **instructed** the Task Force and staff to consider how IVS define transaction costs and develop two definitions to address transaction costs related to entry values and transaction costs related to exit values. The Conceptual Framework’s definition of market value encompasses both entry values and exit values, which means that IPSAS, *Measurement’s* section on transaction costs will need to cover both types of market value and also refer to net selling price.
- 6.16. The Chair **instructed** the Task Force and staff to consider whether a discussion of transaction costs should be in the CP or in the ED’s Basis for Conclusions and provide the IPSASB with a recommendation on this question for the IPSASB’s discussion at its June meeting.

Location of IFRS 13 Definitions and Applicability of Fair Value

- 6.17. Staff asked the IPSASB for direction on whether the definitions in IFRS 13 should be included in ED, *Measurement*. The IPSASB **instructed** staff to include all IFRS 13 definitions and other material from IFRS 13 necessary for the use of fair value, where appropriate in the public sector context, within the ED.
- 6.18. The IPSASB considered the extent to which IFRS 13’s fair value definition is relevant to public sector, not-for-profit entities. Views ranged from “never” to “relevant for measurement of particular types of assets and liabilities (for example, financial instruments) and in particular situations (for example, where assets are held for sale or disposal)”. The Chair proposed that fair value is never applicable to entry values, since it is defined in IFRS 13 to be an exit value.
- 6.19. An IPSASB member raised constituents’ puzzlement over the Conceptual Framework’s use of “market value” and the use of fair value in IPSAS, EDs and CPs. She explained that constituents need to understand the relationship between market value and fair value, why the Conceptual Framework does not include fair value as a measurement basis, and why IPSAS and other IPSASB documents still use fair value rather than market value. The Measurement IPSAS should address these questions. Staff noted that the Basis of Conclusions for Chapter 7 of the Conceptual Framework explains why the IPSASB decided to have market value as a measurement basis and not include fair value.

- 6.20. The Chair **instructed** staff to provide an explanation of the relationship between market value and fair value in either the CP or in the ED's Basis for Conclusions.

Conceptual Framework's Definitions of Measurement Bases

- 6.21. The IPSASB discussed whether the Conceptual Framework's definitions of measurement bases should be included in ED, *Measurement*. Some IPSASB members argued that all should be included, because they will all be useful to address public sector measurement. Other IPSASB members argued that some of the Conceptual Framework measurement bases are unlikely to be relevant (for example, cost of release and assumption price) and should not automatically be in the ED. Some IPSASB members suggested that a term such as "market value" may need to be divided into different types of market value, with each type of market value defined in ED, *Measurement*.
- 6.22. There appeared to be more IPSASB support for including the Conceptual Framework's definitions of measurement bases in ED, *Measurement*.

Location of Definitions in ED, *Measurement*

- 6.23. The IPSASB noted that ED, *Measurement*, may have a large number of defined terms. Staff had asked the IPSASB to consider whether the defined terms should be included close to the start of the Standard (as shown in the draft ED and in accordance with accepted practice for IPSAS) or included in an appendix to the Standard (as is the current approach in IFRS Standard). The IPSASB **directed** staff to locate definitions after the paragraph(s) that address the scope, as in other IPSAS.

Definitions for Categories of Assets and Liabilities in other IPSAS

- 6.24. The IPSASB also confirmed staff's working assumption that definitions related to particular categories of items (for example, inventories, provisions or cash-generating assets) should be included in other IPSAS rather than IPSAS, *Measurement*.
- 6.25. With respect to measurement-related definitions, these should all be in IPSAS, *Measurement*. IPSAS that include measurement-related definitions will be amended to remove those definitions. IPSASB members supported a one-stop IPSAS on measurement, which would include definitions for all measurement-related terms and measurement requirements in other IPSAS.
- 6.26. The relationship between a Measurement IPSAS and the two impairment IPSAS, IPSAS 21, *Impairment of Non-Cash-Generating Assets*, and IPSAS 26, *Impairment of Cash-Generating Assets*, was raised. Value-in-use is defined for impairment purposes. Members **instructed** that the two impairment IPSAS should be retained. Members acknowledged the logic of taking the two definitions of value-in-use in IPSAS 21 and IPSAS 26 into a Measurement IPSAS, but also that the interaction of the two impairment standards and a Measurement IPSAS needs to be considered, as well as the integrity of the impairment standards. It was noted that other definitions in IPSAS 21 & IPSAS 26, such as recoverable service amount and recoverable amount, might need to be relocated. The Task Force was asked to make a recommendation on whether definitions and other content should be moved into the ED.

Specific Points on Definitions

- 6.27. The IPSASB's discussion raised specific issues with respect to particular defined terms, including additions and deletions to the defined terms proposed for the ED, as follows:

- (a) A definition for “recoverable amount” should be included;
- (b) The second paragraph providing non-definitional narrative on “value-in-use” should be deleted and other similar paragraphs reviewed with a view to delete;
- (c) A term such as “costs incurred on their acquisition” may imply for internally developed intangibles that costs earlier than the point from which costs are presently able to be recognized would be able to be recognized, which is not intended; and
- (d) There may be measurement terms applicable to note disclosures on, for example, contingencies, and the question arises of whether IPSAS, *Measurement*, will address measurement requirements for note disclosures.

CP Chapter 1, Introduction, and Chapter 2, Conceptual Framework and Measurement

6.28. The IPSASB considered drafts for the CP Chapter 1, *Introduction*, and CP Chapter 2, *Conceptual Framework and Measurement*. With respect to Chapter 1 IPSASB members commented that:

- (a) The chapter’s references to alignment of IPSAS measurement with the Conceptual Framework should be replaced with the relevant wording in the Introduction to the Conceptual Framework, which explains that the Conceptual Framework is not authoritative;
- (b) The purpose of measurement and significance of service potential may belong in the Basis for Conclusions rather than the CP; and
- (c) The chapter should acknowledge the significance of GFS reporting guidelines for IPSAS, *Measurement*.

6.29. With respect to draft Chapter 2 IPSASB members commented that:

- (a) Paragraph 2.5, bullet point (b) (iii) should include an explanation of the meaning of specialized assets.
- (b) In paragraph 2.6 delete the reference to “unit of account”, delete bullet point (c) and any references to depreciation, amortization and impairment, and include more issues relevant to the measurement of liabilities.
- (c) Chapter 2 should provide a list of issues on which the IPSASB proposes to provide application guidance in IPSAS, *Measurement*, and a SMC asking constituents whether there are any other measurement issues on which they need application guidance.

6.30. The IPSASB noted, for both chapters, that the question of where coverage belongs (in the CP or in the ED’s Basis for Conclusions) needs to be resolved. A key difference is that only the Basis for Conclusions will remain once IPSAS, *Measurement*, has been approved. This would mean that the default position should be for discussion to be in the Basis for Conclusions, unless the IPSASB has not yet taken a firm view, as in the case of borrowing costs.

6.31. The CAG Chair recommended that IPSAS, *Measurement*, show the link between the Conceptual Framework, measurement bases, and achievement of the measurement objective. The IPSASB Chair agreed and commented that the discussion should expand on paragraph 1.11 in Chapter 1, which talks about alignment of IPSAS with the Conceptual Framework. For example, Chapter 2 should explain the main areas of difference between private sector measurement and the Conceptual Framework’s coverage of measurement for assets and liabilities in the public sector.

- 6.32. The Chair noted three broad areas that the CP should address:
- (a) Specific measurement issues, for example the treatment of borrowing costs;
 - (b) Suite of IPSAS for which IPSAS, *Measurement*, will have a significant impact, with an SMC asking constituents for their views; and
 - (c) General issues.
- 6.33. The Chair **instructed** the Task Force and staff to consider the need for revising the outline for the CP's content approved in December bearing in mind the emerging need for commentary/ explanations to be in the Basis for Conclusions section of the eventual IPSAS and asked IPSASB members to send any further comments on the two chapters to staff.

CP Chapter 3, Borrowing Costs, and Preliminary View

- 6.34. Staff introduced the CP's draft Chapter 3, *Borrowing Costs*, which includes a proposed Preliminary View (PV) on treatment of borrowing costs. If adopted, the proposed PV would require expensing of all borrowing costs related to asset acquisition and remove the capitalization option in IPSAS 5, *Borrowing Costs*. IPSAS 5 presently has an option to either expense or capitalize borrowing costs that are directly attributable to acquisition of qualifying assets during the period between start of acquisition and use of the asset. The option to capitalize borrowing costs is relevant, for example, when an entity constructs a building and the construction period could be several years, during which the entity has borrowing costs related to construction, but the building is not providing services or generating cash flows.
- 6.35. Staff described the four options in Chapter 3 for treatment of borrowing costs and highlighted key differences between them. The four options are:
- Option 1 is the status quo, and would mean no change to IPSAS 5. This option allows an entity to choose between either capitalizing or expensing borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset.
- Option 2 requires capitalization of borrowings cost that are directly attributable to acquisition, construction or production of a qualifying asset. It removes the choice to expense. Option 2 is converged with IFRS Standard requirements for borrowing costs, in IAS 23, *Borrowing Costs*.
- Option 3 requires that the capitalization option only apply to those borrowing costs that are both directly attributable to, and *specifically incurred for*, acquisition, construction or production of a qualifying asset. A choice remains, although the extent of choice is narrower.
- Option 4 requires that all borrowing costs, without exception, be expensed. Option 4 is aligned with the GFS reporting guidelines treatment for borrowing costs.
- 6.36. Option 3 was identified during the IPSASB's 2007-09 project on borrowing costs. The IPSASB's previous Borrowing Costs project began as an IFRS Standard convergence project, prompted by the IASB's decision to require capitalization in IAS 23. IPSASB members identified public sector differences. A consultation with constituents did not provide sufficiently clear support to change IPSAS 5, and the IPSASB decided to defer the issue until after completion of the Conceptual Framework.
- 6.37. The Chair noted that the IPSASB was focused on IFRS Standard convergence during the previous project and developing its policy on IFRS Standard convergence. Since then the IPSASB has

approved its policy on reduction of unnecessary differences between IPSAS and GFS reporting guidelines.

- 6.38. IPSASB members discussed the four options. Option 4 had the most support, with some IPSASB members supporting Option 3. The IPSASB agreed the proposed PV that: "All borrowing costs should be expensed rather than capitalized, with no exception for borrowing costs related to a qualifying asset and incurred during the period between acquisition/construction and active use."
- 6.39. The Chair **instructed** staff to revise the arguments for and against Options 3 and 4 in the consultation paper (Chapter 3) and circulate the revised chapter to the IPSASB for an intermeeting review. The chapter should convey that a minority of IPSASB members supported Option 3. He asked IPSASB members and TAs to email staff with any suggestions for Chapter 3, particularly other arguments for and against the different options, which they would like to see included.
- 6.40. The IPSASB **decided** not to include a Specific Matter for Comment (SMC) in Chapter 3.

Next Steps

- 6.41. To conclude the IPSASB's discussion of ED and CP issues, the IPSASB Chair **directed** staff and the Task Force to address the following topics, for the IPSASB's June 2018 meeting:
 - (a) Transaction costs; and
 - (b) Borrowing costs;
- 6.42. These should be presented in the form of:
 - (a) A combined CP and ED document; and
 - (b) A Basis for Conclusions for the ED.
- 6.43. Mark-up should be used to identify the text changes made since the March meeting.
- 6.44. The Chair noted that the first part of June's discussion should revisit the original template for the CP and ED, approved in December 2017 in the light of the need to develop Basis for Conclusions material with the default being that discussion should be located there.
- 6.45. The IPSASB **instructed** staff to remove footnotes from the ED, and consider whether some of the material presently in footnotes should be included in the ED's Basis for Conclusions.

Education Session: Impact of the Conceptual Framework on IPSAS

- 6.46. Staff introduced an education session on IPSAS measurement and the Conceptual Framework, to support the IPSASB's identification of issues for development of the ED's subsequent measurement sections. Staff began with the review approach that the IPSASB had approved in December 2017.
- 6.47. The IPSASB discussed the review approach and identified the following points:
 - (a) IFRS 13's meaning for fair value only applies in IPSAS where a value is both an exit value and non-entity-specific. Where IPSAS refers to depreciated replacement cost (DRC) this is an entry value and it is likely that the Conceptual Framework's replacement cost as defined in the Conceptual Framework can be used. If a non-entity specific fair value is used in IPSAS then that should be replaced with market value.

- (b) Review of IPSAS should focus on alignment with the Conceptual Framework rather than consistency with the Conceptual Framework.
 - (c) Qualitative characteristics and constraints should not be part of the review approach, because they are a standards-level application rather than the more high level principles for use in identifying coverage in IPSAS, *Measurement*.
- 6.48. The Chair **instructed** staff to include Chapter 7's discussion of fair value in the ED's Basis for Conclusions and show the relationship between fair value and market value. The discussion should reflect the IPSASB's September 2017 decision that fair value may, in some circumstances, be used in IPSAS.
- 6.49. Staff then provided overviews of IPSAS focused on asset measurement. Staff noted that IPSAS commonly allow the use of historical cost to measure assets and revaluation to fair value as an option. The present IPSAS definition of fair value is the same as the Conceptual Framework's definition of market value. IPSAS 27, *Agriculture*, illustrates one situation where IPSAS requires measurement at fair value (specifically, fair value less costs to sell). Standard setters formed the view that the special nature of biological assets means that their historical cost does not provide relevant information about their value for accountability or decision-making.
- 6.50. The CAG Chair commented that IPSAS is criticized for allowing the fair value measurement option, because options undermine information quality. He argued that most governments apply historical cost, so that the fair value option does not provide significant benefits, while impacting negatively on the reputation of IPSAS as high quality standards. IPSASB members noted that governments in Australia, the United Kingdom, and New Zealand revalue assets to a current value, which in some circumstances could be fair value. The CAG Chair clarified that governments in Europe do not use the fair value option.
- 6.51. The Chair **instructed** the Task Force and staff to develop a flow chart with decision points for measurement of assets. When applied to an individual IPSAS the flow chart should provide guidance on choice of measurement bases. The IPSASB will review the flow chart at its June meeting. The IPSASB's discussion highlighted the following factors as potential decision points:
- (a) Whether assets are current or non-current (e.g. cost for inventories, with the historical cost model or current value for non-current assets);
 - (b) Intended use of assets (e.g. held to deliver services or to provide future economic benefits).
- 6.52. During its discussion the IPSASB noted that:
- (a) Replacement cost (in the Conceptual Framework) has the same meaning as optimized depreciated replacement cost and is a measurement basis rather than an estimation technique;
 - (b) IPSAS 12, *Inventories*, defines replacement cost to be the cost that an entity would incur to acquire the asset on the reporting date, which differs from the Conceptual Framework definition;
 - (c) IFRS 13 includes entry value techniques, although fair value is defined to be an exit value;
 - (d) The IPSAS 17, *Property, Plant, and Equipment*, discussion of fair value encompasses use of replacement cost; and

- (e) Discussion of those IPSAS where the Board concludes that IPSAS, *Measurement* would lead to significant changes in approach would be included (possibly in tabular form) in the CP with appropriate Preliminary Views/Specific Matters for Comment.
- 6.53. The Chair **instructed** staff to review IPSAS 17 for coverage that should be included in ED, *Measurement*.
- 6.54. The IPSASB briefly discussed examples related to measurement of liabilities, starting with IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*. The Chair indicated that cost of fulfillment would be the appropriate Conceptual Framework measurement basis to replace IPSAS 19's current measurement wording. The Task Force and staff will need to develop a flow chart for liabilities as well as assets. However, the IPSASB's discussion in June should only consider a flow chart to guide selection of measurement bases for assets.
- 6.55. The IPSASB **instructed** the Task Force and staff to focus on asset measurement for the June meeting. The IPSAS asset measurement examples for discussion should not include:
- (a) IPSAS impacted by another project (e.g. investment properties and financial instruments); and
 - (b) IPSAS such as IPSAS 32, *Service Concession Arrangements: Grantor*, and IPSAS 40, *Public Sector Combinations*, where measurement takes into account a wider set of considerations such as symmetry.

7. Update to IPSASs 28–30, Financial Instruments (Agenda Item 7)

- 7.1. Staff presented an Issues Paper summarizing the responses received to ED 62, *Financial Instruments*.
- 7.2. Staff introduced the topic and provided background, including progress to date. Staff indicated the Task Based Group (TBG) which had advised on the development of the Exposure Draft, would now be repurposed as a Task Force with Marc Wermuth as Chair. Existing members of the TBG, Jeanine Poggiolini, Leona Melamed and Jani Laakso, agreed to continue in their role as Task Force members and Do-Jin Jung was welcomed as a new Task Force member. In addition to developing the Financial Instruments standard, the Task Force is now also responsible for the development of guidance for Public Sector Specific Financial Instruments (see Agenda Item 9).
- 7.3. Staff provided an overview of the responses indicating that the core principles of ED 62 were strongly supported. Issues identified by respondents related to the application of those principles, not the principles themselves.

Issue 1: SMC 1 - Hedge Accounting Requirements

- 7.4. Staff indicated respondents strongly supported the option available in ED 62 to continue to apply the hedging requirements of IPSAS 29.
- 7.5. The IPSASB **decided** to maintain the option to apply the hedging requirements of IPSAS 29.

Issue 2: SMC 2 – Implementation Period

- 7.6. Staff indicated respondents strongly supported the 3-year implementation period of ED 62. A minority of respondents suggested increasing the length of the implementation period due to the complexity of the underlying instruments, the interrelationship between ED 62 and other IPSASB projects

(Revenue and Leases) and allowing sufficient time for practice to develop in the private sector in applying IFRS 9.

- 7.7. The IPSASB **decided** to maintain the 3-year implementation period due to the strong support from respondents. The concerns raised were previously considered by the IPSASB in providing an extended implementation period proposed in ED 62.

Issue 3: SMC 3 - Transitional Provisions

- 7.8. Staff indicated respondents strongly supported the transitional provisions included in ED 62.

- 7.9. The IPSASB **decided** to maintain existing transitional provisions.

Issue 4: Other Issues

- 7.10. Staff reiterated that no responses challenged the core principles developed in ED 62. Responses that identified issues were requests for greater clarity in how to apply the principles in practice. Staff disaggregated these issues into three categories:

- Issues for further consideration – six issues were identified requiring additional analysis by staff prior to providing the IPSASB with a recommendation.
- Issues with a staff proposal – Staff analyzed these responses and provided recommendations to the IPSASB.
- Other issues – A number of minor issues were identified by respondents. These issues, which were primarily editorial, have been addressed by staff.

- 7.11. Because issues related to requests for greater clarity, staff proposed the Task Force develop additional guidance and bring proposals to the IPSASB in June.

- 7.12. The IPSASB **instructed** the Task Force to analyze the issues identified and provide recommendations in June.

Issue 5: – Interaction between Concessionary Loans and Originated Credit Impaired Loans

- 7.13. A respondent identified challenges in distinguishing between a concessionary loan and an originated credit impaired loan. Furthermore, an additional challenge was raised in allocating concessionary elements and impaired elements when a concessionary loan is also originated credit impaired. This could occur in circumstances when a public sector entity issues concessionary loans to a group of farmers to help support the industry. If the public sector entity expects some of the farmers to default on portions of their loans at the inception of the loan, the concessionary loan is also originated credit impaired.

- 7.14. Staff has proposed four options for the Task Force to consider:

- Bifurcation of the credit impaired and concessionary elements in all cases;
- Develop a practical expedient allowing the credit impairment to be included in the day one concession calculation;
- Develop an example applying the principles in practice; or
- Allow the application of the principles to develop in practice.

- 7.15. The IPSASB **instructed** the Task Force to consider this issue and provide a recommendation to the Board in June. However, members **instructed** that the option to allow application to develop in practice should be removed, as the Task Force should attempt to provide guidance when

appropriate. Further, members questioned whether a practical expedient is an appropriate option as an impairment can be reversed, while a concession is not.

Issue 6: – Commitment to Issue a Concessionary Loan

- 7.16. A respondent identified a challenge in applying the guidance to account for loan commitments when the commitment is for a concessionary loan. ED 62 indicates commitments to provide a loan at below-market interest rate is in scope of the guidance. The challenge exists in accounting for the loan commitment, which is measured at the higher of the loss allowance and the amount initially recognized less any income recognized, at the point at which the concessionary loan is granted.
- 7.17. Staff has proposed three options for the Task Force to consider:
- Develop an example illustrating the application of the existing principles;
 - Develop additional guidance detailing measurement of a loan commitment for a concessionary loan; or
 - Allow the application of the principles to develop in practice.
- 7.18. The IPSASB **instructed** the Task Force to consider this issue and provide a recommendation to the Board in June. Members indicated an example would be helpful to help clarify whether the loan commitment related to the loan component or the concessionary component.

Issue 7: – Ignoring the Effects of Discounting Short Term Receivables (IFRS 15 Practical Expedient)

- 7.19. A respondent indicated IFRS 15, *Revenue from Contracts with Customers*, includes a practical expedient permitting an entity not to adjust the promised amount of the consideration for the effects of a significant financing component if the entity expects payment to occur within a year. ED 62 does not include such an expedient potentially creating a difference between requirements of ED 62 to measure an account receivable at fair value and IFRS 15 permitting measurement at an undiscounted amount.
- 7.20. Staff has proposed four options for the Task Force to consider:
- There is no inconsistency (Practical expedient in IFRS 15 does not exist in IPSAS);
 - Wait for more clarity on the direction in the Revenue project;
 - Develop a practical expedient in ED 62 to mirror that of IFRS 15; or
 - Develop an example illustrating the application of existing principles.
- 7.21. The IPSASB **instructed** the Task Force to consider this issue and provide a recommendation to the Board in June. Members stated if there is no current conflict within IPSAS, the IPSASB did not want to overreact until the Revenue standard was closer to being completed.

Issue 8: – Measuring Fair Value of Non-Cash Generating Equity Instruments

- 7.22. Three respondents recommend additional guidance be added to help determine the fair value of equity investments in non-cash generating entities. These respondents expressed concerns that the proposed guidance requires a cash flow valuation technique to measure such investments and this would result in a significant write down.
- 7.23. Staff indicated the IPSASB had allocated significant time to developing guidance on acceptable valuation techniques when measuring equity instruments. The guidance illustrates, but does not prescribe a particular technique. Furthermore, staff indicated the request from respondents to

specifically allow an equity instrument to be measured using the net asset value was already acknowledged in an illustrative example developed by the IPSASB.

- 7.24. As the IPSASB had identified valuing equity instruments as a challenge in the public sector during the development of the ED, staff proposed the Task Force address the following to ensure respondents' concerns are appropriately considered:
- What further non-authoritative guidance could be developed to clarify acceptable measurement methodologies; and
 - Whether further non-authoritative guidance should be developed.
- 7.25. The IPSASB **instructed** the Task Force to consider this issue and provide a recommendation to the Board in June.

Issue 9: – Clarifying an 'in substance' Equity Instrument

- 7.26. A respondent expressed a concern with the application of the concept of 'in substance' when determining whether an investment in an equity instrument includes a non-exchange component. The respondent indicated it is difficult to identify non-exchange components given the lack of clarity about what 'equity' represents in the public sector. The respondent suggested including guidance in paragraph 38 of IPSAS 38 which requires contributions from owners be evidenced by specific arrangements or designations.
- 7.27. Prior to the issue of the ED, the IPSASB had considered whether evaluating whether an equity investment included a non-exchange component should be based on the substance of the arrangement or terms explicit in the contract. The IPSASB concluded professional judgement should be applied and agreed the substance of the arrangement should be considered.
- 7.28. Staff has proposed three options for the Task Force to consider:
- Whether the IPSASB's previous decision to require the substance of the arrangement to be considered in determining if an equity transaction includes a concessionary element continues to be appropriate; or
 - Alternatively if the IPSAS 23 requirements are appropriate; and
 - Develop a Basis for Conclusions that highlights the decision related to this comment.
- 7.29. The IPSASB **instructed** the Task Force to consider this issue and provide a recommendation to the Board in June. Members indicated if the Task Force believes the previous decision remains appropriate, a Basis for Conclusion paragraph(s) should be developed.

Issue 10: – Interaction of Day One Fair Value Guidance with Other Valuation Guidance

- 7.30. Respondents expressed a concern with the interaction of paragraph AG117, accounting for an instrument where the fair value differs from the transaction price, and similar initial measurement guidance in the ED.
- 7.31. One respondent expressed a view that guidance in AG117 duplicates guidance in AG147 and conflicts with guidance in AG115. The respondent suggests omitting paragraph AG117. Another respondent suggests further clarity be provided in how AG117 is applied as it relates to guidance on non-exchange components in AG125 to AG127.
- 7.32. Staff has proposed four options for the Task Force to consider:

- Whether to remove paragraph AG117;
- Whether more clarity is required in how to apply AG117;
- Whether to remove paragraphs AG147 and AG148; or
- Keep all guidance and clarify which takes precedence.

7.33. As valuation of non-exchange components of financial instruments is a public sector issue, the IPSASB **instructed** the Task Force to further consider it and provide a recommendation to the Board in June.

Next Steps

7.34. The Task Force in conjunction with staff will consider the issues identified above and report back to the IPSASB at the June meeting.

8. Improvements (Agenda Item 8)

8.1. Staff introduced the session. Staff explained that the IPSASB was being asked to approve two Exposure Drafts (ED) at this meeting; the second ED included amendments that were dependent on the completion of the *Financial Instruments, Updates to IPSAS 28–30* project. The IPSASB agreed that these amendments should not be issued prior to the new *Financial Instruments* IPSAS being published.

General Improvements to IPSAS

8.2. Staff presented each proposed improvement.

8.3. One member questioned whether replacing the term “primary financial statements” with the term “financial statements” could cause confusion in IPSAS 22, *Disclosure of Financial Information about the General Government Sector* and IPSAS 24, *Presentation of Budget Information in Financial Statements*. Staff noted that IPSAS 1, *Presentation of Financial Statements*, already uses the term “financial statements” when discussing the budget statement. The IPSASB **decided** to adopt the amendments as proposed by staff.

8.4. Staff proposed amending paragraph 76 of IPSAS 16, *Investment Property*, but also provided an alternative approach of deleting the paragraph. The IPSASB considered that IPSAS 16 included sufficient guidance elsewhere and decided to adopt the alternative proposal of deleting paragraph 76.

8.5. The IPSASB **decided** to adopt the amendments proposed by staff in respect of the transitional disclosure requirements in IPSAS 16 and IPSAS 17, *Property, Plant, and Equipment*.

8.6. The IPSASB **decided** to adopt the amendments proposed by staff in respect of the treating the reassessment of the useful life of an intangible asset as a possible indicator of impairment in IPSAS 31, *Intangible Assets*. The IPSASB also **decided** that this amendment should be applied prospectively.

8.7. The IPSASB **decided** to adopt two groups of amendments proposed by staff in respect of IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*, which are:

- Clarify that the exemption from providing comparative information applies only to the first financial statements issued following the adoption of accrual basis IPSAS; and

- Update the Basis for Conclusions and Implementation Guidance to reflect the fact that relief from the requirement to disclose experience adjustments in respect of defined benefit schemes is no longer required.
- 8.8. The IPSASB supported the proposed amendments to IPSAS 34, *Separate Financial Statements*, to correct the measurement and presentation of controlled investment entities in the separate financial statements of controlling entities that are not themselves investment entities. However, members noted the concerns raised by a TA regarding some of the wording, and **instructed** staff to work with a group of TAs to revise the wording. The IPSASB reviewed the revised wording at a subsequent session on the Friday morning and **decided** to adopt the revised wording.

IASB Improvements

- 8.9. The IPSASB **decided** to rename Part II of ED 65, *Improvements to IPSAS, 2018*, “IFRS Convergence Amendments.”
- 8.10. The IPSASB **decided** to adopt in ED 65 the amendments proposed by staff in respect of:
- IPSAS 16, clarifying the interrelationship with IPSAS 40, *Public Sector Combinations*, when classifying property as investment property or owner-occupied property.
 - IPSAS 2, *Cash Flow Statements*, to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
 - IPSAS 16, to amend the requirements relating to transfers of investment property to reflect the principle that a change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred.
 - IPSAS 36, *Investments in Associates and Joint Ventures*, to clarify that an entity is able to choose between applying the equity method and measuring the investment at fair value for each investment in an associate or joint venture.
- 8.11. The IPSASB supported the proposed amendments to IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*. The IPSASB noted that this would be the first time that an *Improvements* project had incorporated the requirements of an IFRIC. The IPSASB **instructed** staff to review the introduction section for consistency with the inclusion of an IFRIC in IPSAS 29, *Financial Instruments: Recognition and Measurement*. Staff confirmed that the drafting was consistent with the approach in IPSAS 29 at a subsequent session on the Friday morning, and the IPSASB **decided** to adopt the amendment as proposed by staff in ED 65.
- 8.12. The IPSASB **decided** to adopt in a second ED, ED 66, *Long-term Interests in Associates and Joint Ventures (Amendments to IPSAS 36) and Prepayment Features with Negative Compensation (Amendments to IPSAS 41)* two amendments proposed by staff in respect of:
- IPSAS 36, to clarify that the forthcoming IPSAS 41, *Financial Instruments*, including its impairment requirements, will apply to long-term interests; and
 - The forthcoming IPSAS 41, to amend the classification requirements so that particular financial assets with prepayment features that may result in reasonable negative compensation for the early termination of the contract are eligible to be measured at amortized cost or at fair value through net assets/equity.

- 8.13. The IPSASB **decided** to adopt in ED 65 the amendments proposed by staff in respect of:
- IPSAS 37, *Joint Arrangements*, to clarify the accounting for a previously held interest in a joint operation when a party obtains joint control;
 - IPSAS 40, to clarify the accounting for a previously held interest in a joint operation when a party obtains control of the joint operation;
 - IPSAS 5, *Borrowing Costs*, to clarify that an entity includes borrowings made specifically to obtain a qualifying asset in general borrowings when that qualifying asset is ready for its intended use or sale; and
 - IPSAS 39, *Employee Benefits*, to require an entity to use the updated assumptions from the remeasurement associated with a change to a plan (an amendment, curtailment or settlement) to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

Approval of ED 65, Improvements to IPSAS, 2018

- 8.14. The IPSASB **decided** that no Specific Matters for Comment (SMCs) are required in ED 65, and confirmed that no sections of ED 65 required further review. The IPSASB **approved** ED 65, *Improvements to IPSAS, 2018*. 15 members voted in favor and no members voted against. There were no abstentions and two absentees. The IPSASB agreed a consultation period expiring on July 15, 2018.

Approval of ED 66, Long-term Interests in Associates and Joint Ventures (Amendments to IPSAS 36) and Prepayment Features with Negative Compensation (Amendments to IPSAS 41)

- 8.15. The IPSASB **decided** that no Specific Matters for Comment (SMCs) are required in ED 66, and confirmed that no sections of ED 66 required further review. The IPSASB **approved** ED 66, *Long-term Interests in Associates and Joint Ventures (Amendments to IPSAS 36) and Prepayment Features with Negative Compensation (Amendments to IPSAS 41)*. 15 members voted in favor and no members voted against. There were no abstentions and two absentees.
- 8.16. The IPSASB **decided** that ED 66 should be issued following the publication of IPSAS 41, and confirmation by the Task Force on Financial Instruments that the amendments included in ED 66 were consistent with the new Standard. The IPSASB agreed a consultation period of two months.

Next Steps

- 8.17. ED 65 will be published in April 2018. ED 66 will be published after the approval and publication of IPSAS 41.

9. Public Sector Specific Financial Instruments (Agenda Item 9)

- 9.1. Staff presented an Issues Paper proposing a project management approach related to the June 2017 decision to develop Public Sector Specific Financial Instrument (PSSFI) guidance by applying a practical approach and aligning the guidance closely with the core financial instruments standards.
- 9.2. Staff introduced the topic and provided background, including progress to date. Staff reiterated the CAG suggestion that guidance should be aligned as much as possible with that of the Financial Instruments Update Project (Agenda Item 7). For PSSFI that are financial instruments, limited additional guidance is necessary. For PSSFI that are not financial instruments, guidance will need to be developed pragmatically. Staff also reminded the Board that some respondents with an interest

in central banks were looking for a wider framework. Members did not support extending the project to develop such specific guidance.

- 9.3. Staff noted the ultimate goal of the presentation was to propose an action plan to address the Board decisions made in June 2017, enabling the PSSFI project to continue immediately after the completion of the Financial Instruments Update Project.
- 9.4. Staff presented the four decisions made by the Board in June 2017 and recommendations on how they could be achieved:

Decision 1: The full analysis of the responses to the CP should be considered together with the responses received to ED 62

- 9.5. Staff indicated it would complete the analysis of the CP comments with the Task Force. Staff recommended this analysis occur after the new core financial instruments standard is approved.
- 9.6. The IPSASB **instructed** that the approval of the core financial instruments standard should occur prior to completing the analysis of the PSSFI CP responses.

Decision 2: It was agreed that staff should explore the options for dealing with transactions in the current financial instruments standards and provide a recommendation on the way forward (possibly to be included as either authoritative guidance or non-authoritative guidance)

- 9.7. Staff outlined its recommended approach to address instruments in scope of the project. The approach focuses on whether the PSSFI transaction satisfies the definition of a financial instrument as defined in the core financial instruments standard. Staff noted that:
 - If the PSSFI satisfies the definition of a financial instrument, authoritative or non-authoritative guidance can be incorporated directly into the upcoming financial instruments standard;
 - If the PSSFI does not satisfy the definition of a financial instrument, a separate standard can be developed, an appendix that applies guidance in the core financial instruments standard by analogy can be developed, or a staff Questions and Answers document can be developed.
- 9.8. While the Task Force will be expected to consider all the options outlined, staff recommended the development of non-authoritative guidance for PSSFI in the scope of the core financial instruments standard and an appendix applying the principles of the core financial instruments standard by analogy for PSSFI that are outside the scope of its guidance.
- 9.9. While the CAG suggested no additional guidance was required for PSSFI that are clearly financial instruments in scope of ED 62, proposing non-authoritative guidance is a compromise that maintains existing principles, but provides help interpreting the principles as they relate to PSSFI.
- 9.10. For instruments that do not meet the definition of a financial instrument, but are used the same way as a financial instrument, staff expect to develop an appendix that applies principles in the core financial instruments standard by analogy. Staff noted the IASB has taken a similar approach in IFRIC 12, *Service Concession Arrangements*, where application by analogy is appropriate under the IASB hierarchy when accounting for private-to-private partnerships (IFRIC 12 deals with public-to-private partnerships).
- 9.11. The IPSASB **agreed** with the approach developed by staff and **instructed** the Task Force to apply it in determining the appropriate level of guidance to develop for each PSSFI.

Decision 3: The IPSASB should provide staff with the flexibility to consider practical approaches to deal with the transactions in additional guidance, given the very specific and complicated transactions in scope of the CP

- 9.12. Staff outlined its recommendation that the IPSASB should delegate responsibility for developing the ED to the Financial Instruments Task Force. The Task Force will highlight any key issues for the IPSASB's consideration during the review to support its approval of the ED. This approach builds on the process followed in the development of ED 62, *Financial Instruments*.
- 9.13. The IPSASB **agreed** to delegate to the Task Force:
- Responsibility to undertake a detailed review of responses;
 - The responsibility to develop the project options and how they should relate to the core financial instruments standards; and
 - The development of the ED.

Decision 4: The scope of the project should not be broadened.

- 9.14. Staff indicated the IPSASB has already agreed to maintain the scope of the project as set out in the CP based on the initial review of responses in June 2017. Therefore, when staff completes the full analysis of the CP comments, it will consider those comments related to modifying the scope of the project as closed.
- 9.15. The IPSASB **decided** to maintain the scope of the project as outlined in June 2017.

Next Steps

- 9.16. The Task Force in conjunction with staff will undertake the work noted above and report back to the Board at the June meeting.

10. Revenue (Agenda Item 10)

- 10.1. Staff provided the Board with an overview of responses to Consultation Paper (CP), *Accounting for Revenue and Non-Exchange Expenses*. In relation to Revenue the CP had four Preliminary Views (PV) and six Specific Matters for Comment (SMC). The Board discussion focused on the responses to these PVs and SMCs.
- 10.2. PV 1 asked respondents whether the IPSASB should develop an IPSAS primarily drawn from IFRS 15, *Revenue from Contracts with Customers* to replace IPSAS 9, *Revenue from Exchange Transactions* and IPSAS 11, *Construction Contracts*. The CP classified these transactions in scope of these IPSAS as Category C. There was overwhelming support from respondents to the PV and the Board decided that staff should progress this convergence project.
- 10.3. IFRS 15 uses a five-step performance obligation approach for revenue recognition. PV 3 asked whether a similar approach, expanded for the public sector, the Public Sector Performance Obligation Approach (PSPOA), could be applied to other revenue transactions with performance obligations which would not be within the scope and definitions of IFRS 15 (Category B transactions). Respondents generally supported this PV. The Board tentatively agreed, but **directed** staff to develop the model further, including examples, so that transactions could be tested against the model. The Board noted that the Australian Accounting Standards Board (AASB) had developed a standard on this basis and that the New Zealand Accounting Standards Board had proposed a

- performance obligation based model for revenue recognition. The IPSASB **directed** staff to review these projects when developing the model. Staff agreed to bring back to the June 2018 meeting a PSPOA with examples so that the Board can confirm its tentative decision to continue with a performance obligation approach or instead to retain the current exchange/non-exchange approach.
- 10.4. Linking PVs 1 and 3, some respondents commented that Category B and C transactions could be accounted for using one performance obligation based model. Staff raised this idea with the Board. The Board **decided** that it was necessary to make a final decision on proceeding with the PSPOA before deciding on the configuration of pronouncements.
 - 10.5. SMC 2 asked whether constituents agreed with the proposals for broadening the IFRS 15 five-step approach for use in a PSPOA. While there was support for this the Board commented that developing these steps for use in the public sector are an integral part of the work that staff have already been directed to develop. The Board did however note that methods of enforceability will be a key issue.
 - 10.6. The Board discussed responses to PV 2 which expressed the Board's view that Category A transactions should be accounted for using an updated IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)* and SMC 1 which identified application issues with IPSAS 23. PV 2 was supported by respondents to the CP. Responses to SMC 1 identified a number of issues in applying IPSAS 23. The Board **decided** that IPSAS 23 should be updated. The Board identified equity contributions and subsidized transactions as key areas that will need addressing.
 - 10.7. SMC 3 provided four options for addressing transactions with time requirements. The Board noted that there was no clear preference of options by respondents and **instructed** staff to reexamine respondents' comments, particularly those classified as 'response not clear'. It was suggested that this analysis would inform Board discussion of proposals for updating IPSAS 23 in September 2018. SMC 4 asked whether additional guidance on making the exchange/non-exchange distinction should be developed if the PSPOA was not adopted. While the majority agreed that such guidance should be developed the Board decided that no work commence until it was decided which approach should be used for Category B transactions.
 - 10.8. PV 4 asked whether capital grants should be specifically addressed in an IPSAS and SMC 5 asked whether all issues with accounting for capital grants had been identified and whether respondents had any suggestions on how to account for capital grants. There was overwhelming support for addressing capital grants within an IPSAS. The Board discussed respondents' suggestions for accounting for capital grants which include using IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* and also referring to the work of other standard setters, in particular the AASB. Discussion also revolved around whether a capital grant should be recognized over the length of the construction of the asset or over the life of the asset. No decisions were made and staff will work on developing proposals to bring back to the Board at a later date.
 - 10.9. The last topic discussed at this session was how to account for services in-kind. SMC 6 provided three options for accounting for services in-kind and respondents' views were varied with no clear preference. Again the Board **instructed** staff to reexamine respondent comments and to shape the arguments for each option. Staff were also **instructed** to conduct desk research to determine the requirements of other standard setters and also to investigate how not-for-profit entities (not restricted to the public sector) account for services in-kind.

Next Steps

10.10. Staff will develop illustrative examples to enable the Board to confirm or otherwise its tentative decision to proceed with the PSPOA, and a paper on developing an IFRS 15-based standard for the June meeting. At the June meeting there will also be a discussion on services in kind, as well as initial work on updating IPSAS 23. Planned topics to be discussed at the September meeting are time requirements, and capital grants and grants.

11. Strategy Session – Social Benefits (Agenda Item 11)

11.1. The Chair introduced the session, explaining that social benefits were being discussed at this point (prior to responses to Exposure Draft (ED) 63 being received) because of the interaction with Non-Exchange Expenses. Reviewing the content of the ED would help to identify issues that the IPSASB would need to consider in the later session on Non-Exchange Expenses.

Scope

- 11.2. Staff began the presentation on ED 63 by discussing the scope of the social benefits project, and the definitions of social benefits and universally accessible services.
- 11.3. Staff noted that, in the responses to the Consultation Paper, *Accounting for Revenue and Non-Exchange Expenses*, stakeholders had questioned the boundaries between social benefits, universally accessible services and collective services. Stakeholders had also questioned whether the distinction should be between expenses with performance obligations and expenses without performance obligations; and if so, whether the former group should include exchange expenses not covered by other IPSAS.
- 11.4. Members discussed these issues, noting that in their jurisdictions similar issues were being discussed. In particular, questions were being asked about the boundary between social benefits and universally accessible services, and whether this was needed. Some jurisdictions did not see a conceptual difference between these transactions. Preparers in various jurisdictions were also finding it difficult to apply the definitions of social benefits and universally accessible services.
- 11.5. The Chair noted that in his jurisdiction, social benefits are demand-led, whereas universally accessible services are expected to be managed to an expenditure limit. He also noted that social benefits often involve direct cash payments to beneficiaries, whereas universally accessible services are often less direct, with tripartite arrangements between governments, service providers and beneficiaries being common. He commented that while there may be similarities between the different types of expenses, addressing them separately has helped the IPSASB make progress with the projects. The IPSASB will need to consider how to ensure the accounting is consistent across social benefits and non-exchange expenses, and how to package the work.
- 11.6. One member noted that in their jurisdiction, social benefits included both demand-led benefits and benefits that have an expenditure limit. A technical advisor questioned whether the scope of the social benefits project would allow an entity to report all of its social benefits, for examples loans accounted for under the financial instrument standards.

Definitions

11.7. Staff continued by presenting the definitions of social benefits and universally accessible services. Staff commented that most questions seemed to be in relation to the definition of universally

accessible services. The Chair added that he has heard concerns about the inclusion of the phrase “addressing the needs of society as a whole.” Other members also commented that references to society as a whole were not helpful.

- 11.8. Members commented that the importance of the detail of the definitions will be reduced if the accounting for the different transactions is consistent.
- 11.9. The IPSASB debated a particular scheme outlined by a member, and noted the difficulties in classifying schemes at the margins. Members noted a gap in the IPSASB’s literature in respect of accounting for public sector pension schemes—then IPSASB does not have an equivalent of IAS 26, *Accounting and Reporting by Retirement Benefit Plans*
- 11.10. Staff presented some examples of services to illustrate the scope and definitions, and noted some of these were being questioned. Members agreed that these highlighted the difficulties that had previously been discussed. In this context, the Technical Director noted that the distinction between employee benefits and social benefits can be blurred in some jurisdictions.

Obligating Event Approach

- 11.11. Staff presented the obligating event approach. Staff noted that respondents were tending to support the cost of fulfillment approach to measuring non-exchange expenses. This would be consistent with the approach proposed in ED 63.
- 11.12. Staff presented examples of the measurement of the liability, noting that many non-exchange expenses will be one-off rather than continuing payments.
- 11.13. Staff presented the disclosures proposed in ED 63. The Chair noted that consideration will need to be given to what disclosures will be required for non-exchange expenses, to ensure a consistent presentation.
- 11.14. Staff presented the Alternative View (AV), highlighting that the difference between the AV and the approach in ED 63 was whether being alive was a criterion that affected recognition, or was a factor for measurement only. Staff also reported that respondents to non-exchange expenses were questioning whether similar issues would arise for universally accessible services.
- 11.15. The Chair noted that this emphasized the importance of the definitions.
- 11.16. The Deputy Chair raised the question of funding, and how assets should be reported. The Chair noted the links between this question and whether the insurance approach should be mandatory. Staff reported comments from some stakeholders that the disclosure of five years’ social benefit payments might not be meaningful without the reporting of social contributions for the same period. Members noted that the usefulness of such disclosures might depend on the nature of the scheme. They also noted the insurance approach includes both revenue and expenditure, which the obligating event approach does not.

Insurance Approach

- 11.17. Staff presented the insurance approach. The Chair noted that these issues had already been discussed.

Sustainability Reporting

11.18. Staff reminded the IPSASB that ED 63 asked whether respondents considered that the IPSASB should undertake additional work on RPG 1, *Reporting on the Long-Term Sustainability of an Entity's Finances*, including the possibility of making the requirements of RPG 1 mandatory for entities with social benefits. If the IPSASB proceeded in this manner, stakeholders were likely to consider the approach equally applicable to entities providing universally accessible services and collective services.

Conclusion

11.19. The Chair noted that the challenge would be to ensure that there was consistent accounting between the various project streams. Staff noted that in the Non-Exchange Expenses project, staff was recommending that some decisions were deferred until after the response to the ED 63 had been analyzed.

Next Steps

11.20. The first summary and analysis of responses to ED 63 will be at the June meeting.

12. Non-Exchange Expenses (Agenda Item 12)

12.1. Staff introduced the session, noting that the IPSASB had already discussed some of the issues in earlier sessions on Revenue and Social Benefits. The analysis of respondents to the CP by region, function and language had already been presented as part of the Revenue session, and was not discussed again in this session.

Collective and Universally Accessible Services

12.2. Staff introduced the first agenda paper discussing collective and universally accessible services. Staff commented that there was generally strong support for Preliminary Views 5 and 6 in the CP. However, respondents raised some concerns, particularly:

- Consistency with the Social Benefits project (and the distinction between social benefits and collective services and universally accessible services);
- Questioning the view that no present obligation arises for collective services and universally accessible services; and
- Whether any non-exchange expenses arise for collective services and universally accessible services, or whether all the expenses are exchange expenses.

12.3. Because of the link with the social benefits project, staff recommended that no final decisions be taken until the review of responses to ED 63, *Social Benefits* was considered by the IPSASB. The IPSASB agreed with this recommendation.

12.4. Members discussed the types of expenses involved in collective services and universally accessible services. They noted that there are in effect two transactions – the purchase of an asset for goods or services (such as electricity for street lighting or the salaries paid for policing, defense and medical services) and the use of that asset to provide services to the public. The first transaction is an exchange transaction, the second transaction is a non-exchange transaction. The question that needs to be resolved is whether a liability for the second transaction can arise prior to the acquisition of the asset under the first transaction.

- 12.5. Members commented that the answer to this question might be different for collective services and universally accessible services. They noted that universally accessible services might have eligibility criteria (such as residency) whereas collective services have no such criteria, as people cannot be excluded from the benefits of collective services. They also noted that enforceability may be a relevant factor. For some services, the public will have no recourse if a service is not provided, which suggests there can be no liability.
- 12.6. Following the discussion, the IPSASB **instructed** staff to:
- Develop clear definitions of collective services and universally accessible services, taking into account the responses to ED 63.
 - Develop clear descriptions of how the three way relationships (resource provider, resource recipient and beneficiaries) give rise to assets, liabilities, revenue and expenses for collective services and universally accessible services. The IPSASB considered that collective services should be more straightforward, and should be addressed first. This should include draft paragraphs for an ED.
 - Review the previous papers to draw on previous work and examples dealing with these issues.

Public Sector Performance Obligation Approach

- 12.7. Staff introduced the agenda paper discussing the Public Sector Performance Obligation Approach (PSPOA). Staff noted that while there was support for the use of this approach, it was less clear cut than for the use of the approach for recognizing revenue. The key issues from the responses identified by staff were:
- Different views of respondents as to the merits of aligning revenue and expense accounting;
 - Different views about whether stipulations are performance obligations; and
 - Some support for using the extended obligating event approach or an alternative approach for accounting for all non-exchange expenses.
- 12.8. Staff noted that similar issues had been discussed in the earlier session on the Revenue project, and raised the question of the extent to which the IPSASB would wish to explore these issues ahead of decisions being taken in the Revenue project.
- 12.9. The Chair noted that constituents supported the use of the PSPOA for recognizing revenue, but that members wished to consider this further, based on a review of some examples of revenue transactions. The Chair considered it necessary for this discussion to take place prior to making decisions with regard to non-exchange expenses.
- 12.10. The IPSASB **instructed** staff to develop the non-exchange expenses side of the revenue examples, subject to staff having sufficient time to do so. The IPSASB agreed that the analysis of the responses to social benefits took priority over developing the non-exchange expenses examples.
- 12.11. Members noted that previous examples often suggested that there would be an asset for the resource provider. There were some concerns over this. Some members commented that they were less convinced by the alternative model for non-exchange expenses provided by one respondent than by the equivalent model for revenue.
- 12.12. Members commented that the PSPOA is more difficult to apply to non-exchange expenses for practical reasons, for example obtaining evidence that performance obligations have been satisfied.

There could be particular difficulties in tripartite arrangements. Staff commented that respondents had raised concerns not with the conceptual approach but with the practical issues such as evidence.

- 12.13. A member noted that IFRS 15 accepts that an asset will be recognized when a service is received, but that the asset is immediately consumed. The member also commented that, as transactions may involve a combination of exchange and non-exchange transactions, the title of the project may need to be considered.
- 12.14. A member noted that the IPSASB would consider at its next meeting whether to distinguish between revenue with performance obligations and revenue without performance obligations, and that this could have implications for the non-exchange expenses project.
- 12.15. The Chair noted the importance of examples, and requested that members provide any examples they have to staff by the end of the week following the meeting.
- 12.16. The IPSASB **instructed** staff to review the responses again once the IPSASB has agreed a future direction, to see whether this direction addresses some of the concerns raised. Staff commented that most of these issues are likely to fall within the revenue project. However, consistency with other projects will be a significant factor in developing the non-exchange expenses project.

Non-Contractual Receivables – Initial Measurement

- 12.17. Staff presented the agenda paper on the initial measurement of non-contractual receivables. Staff noted that there was generally good support for the IPSASB's preliminary view that at initial recognition, non-contractual receivables should be measured at face value (legislated amount) of the transaction(s), with any amount expected to be uncollectable identified as an impairment.
- 12.18. Staff reported the key issues identified by respondents:
- Entities should be required to disclose reasons for any significant uncollectable amounts;
 - Legitimate deferrals will affect the fair value of the amount collectable;
 - Questions about how to determine the face value when applying statistical models referred to in IPSAS 23;
 - Whether the initial measurement of non-contractual receivables should be dependent on revenue recognition model; and
 - Which impairment model should be used?
- 12.19. Staff also reported that some respondents had questioned what was meant by “non-contractual receivables”. These respondents were comfortable with the proposal for statutory receivables such as taxation, but had some concerns over the use of the face value for other non-contractual receivables.
- 12.20. One member questioned whether non-statutory, non-contractual receivables could exist. Staff provided some examples such as certain grants and bequests. Staff also noted that some binding arrangements that are not contractual are already within the scope of the Financial Instruments projects. The IPSASB **instructed** staff to ensure that definitions are developed that are sufficiently clear.
- 12.21. Members commented that in many jurisdictions, there is a legal requirement to report the legislated amount for tax revenue. They noted that jurisdictions would need to align this legislation with the requirements of financial reporting. The use of a separate allowance account might address this.

12.22. The IPSASB **decided** that initial measurement should be related to revenue recognition, and would be dependent on decisions being taken in the revenue project. The IPSASB **instructed** staff to bring proposals back to a future meeting, noting that this would be no earlier than September 2018, and might be later.

Non-Contractual Receivables – Subsequent Measurement

12.23. Staff presented the agenda paper on the subsequent measurement of non-contractual receivables. Staff noted that respondents had not provided a consistent view, and also noted that subsequent measurement may be dependent on the initial recognition model.

12.24. One member noted that, as most receivables will be collected within one year, the cost and amortized cost models may produce the same result. This member considered fair value was the least useful approach. Staff noted that there had been discussions earlier in the meeting about a practical expedient that no discounting would be required for financial instruments to be settled within twelve months. If this expedient was adopted, the cost and amortized cost models would be consistent in most cases.

12.25. The Chair noted that further progress with the Measurement and Financial Instruments projects would provide more guidance for this issue.

12.26. The IPSASB **instructed** staff to bring proposals back to a future meeting, noting that this would be no earlier than September 2018, and might be later.

Non-Contractual Payables – Subsequent Measurement

12.27. Staff presented the agenda paper on the subsequent measurement of non-contractual payables. Staff outlined the options supported by respondents. In staff's view, the cost of fulfillment approach and IPSAS 19 requirement would, in practical terms, give the same result, and that, taken together, these two options had significant support.

12.28. The Chair noted that measurement is easier for assets than liabilities. The Measurement project may need to consider amendments to IPSAS 19, particularly in respect of probability thresholds and narrowing the concepts of contingent assets and liabilities. The IASB may also review IAS 37, the equivalent standard, once its conceptual framework has been issued, although no dates have been set.

12.29. Staff commented that it would be helpful to explore whether subsequent measurement should be dependent on the expense recognition model, and also whether the certainty of the payment was a factor. Further progress on the Social Benefits, Non-Exchange Expenses and Measurement projects would help clarify some of these issues.

12.30. The IPSASB **instructed** staff to bring proposals back to a future meeting once further progress on other projects has been made. It was noted that this would be no earlier than September 2018, and might be later.

Next steps

12.31. Staff will carry out further analysis of the issues identified above in order to inform discussion at the June and September meetings.

13. Closing Remarks and Conclusion of the Public Meeting

- 13.1. The Chair noted that the agenda had been lighter than usual in terms of detail, which would not be the case for the rest of the year, noting the need to make progress with Financial Instruments, Measurement, Revenue and Non-Exchange Expenses and in particular with Social Benefits. Chair noted that meetings are unlikely to end before 4 p.m. on the final day and advised members to plan travel accordingly. Even though the agenda had been lighter than normal the Chair considered that there had been good input and directions to staff. The Chair then closed the public part of the meeting.

13. Appendix 1 – March 2018 Action List

Action Required	Person(s) Responsible	Date to be Completed
<p>1. Communications</p> <ul style="list-style-type: none"> ● Draft minutes circulated to IPSASB for comment ● Update IPSASB Summary of IASB Work Plan and Tracking Table ● Update GFS Tracking Table 	<p>Leah Weselowski Ross Smith João Fonseca</p>	<p>April 18 June 1 June 1</p>
<p>2. Technical Director’s Report on Work Plan</p> <ul style="list-style-type: none"> ● Updated Work Plan sent to Communications for posting to website ● Technical Director’s Report on Work Plan for March 2018 meeting posted to website 	<p>John Stanford/Paul Mason</p>	<p>March 12 May 25</p>
<p>3. Public Sector Measurement</p> <ul style="list-style-type: none"> ● Revised Chapter 3, <i>Borrowing Costs</i>, circulated for IPSASB review ● Agenda papers posted 	<p>Gwenda Jensen</p>	<p>April 6 June 1</p>
<p>4. Update to IPSASs 28–30, Financial Instruments</p> <ul style="list-style-type: none"> ● Various Task Force teleconferences to finalize draft IPSAS 41 ● Agenda papers posted 	<p>Dave Warren</p>	<p>March 27 April 23 May 23 (If necessary) June 1</p>
<p>5. Improvements</p> <ul style="list-style-type: none"> ● ED 65 to Communications ● ED 65 published 	<p>Paul Mason</p>	<p>March 20 March 29</p>

<p>6. Revenue</p> <ul style="list-style-type: none"> • Agenda papers posted 	<p>Joanna Spencer</p>	<p>June 1</p>
<p>7. Social Benefits</p> <ul style="list-style-type: none"> • Comment letters posted • Agenda papers posted 	<p>Paul Mason</p>	<p>April 30 June 1</p>
<p>8. Non-Exchange Expenses</p> <ul style="list-style-type: none"> • Agenda papers posted 	<p>Paul Mason</p>	<p>June 1</p>

14.

Vote #1– Approve ED 65, Improvements to IPSAS, 2018



Agenda Item 8	Minutes Item 8	Date Vote Taken	March 8, 2018
Description	<i>Exposure Drafts</i>	Improvements	Approved at meeting

Final Standard <input type="checkbox"/>	ED <input checked="" type="checkbox"/>	CP <input type="checkbox"/>	Other <input type="checkbox"/>	ABSENT	TOTAL
IPSASB MEMBER	FOR	AGAINST	ABSTAIN		
Ian Carruthers, Chair	√				
Mike Blake, Deputy Chair	√				
Stuart Barr	√				
Lindy Bodewig				√	
Michel Camoin	√				
Francesco Capalbo	√				
Robert Dacey	√				
Sebastian Heintges	√				
Do-Jin Jung	√				
Neema Kiure-Mssusa	√				
Aracelly Méndez	√				
Rod Monette				√	
Leonardo Nascimento	√				
Chris Nyong	√				
Bernhard Schatz	√				
Marc Wermuth	√				
Juan Zhang	√				
TOTAL	15	0	0	2	17

Vote #2– Approve ED 66, *Long-term Interests in Associates and Joint Ventures (Amendments to IPSAS 36)* and *Prepayment Features with Negative Compensation (Amendments to IPSAS 41)*



Agenda Item 8	Minutes Item 8	Date Vote Taken	March 8, 2018
Description	<i>Exposure Drafts</i>	Improvements	Approved at meeting

Final Standard <input type="checkbox"/>	ED <input checked="" type="checkbox"/>	CP <input type="checkbox"/>	Other <input type="checkbox"/>	ABSENT	TOTAL
IPSASB MEMBER	FOR	AGAINST	ABSTAIN		
Ian Carruthers, Chair	√				
Mike Blake, Deputy Chair	√				
Stuart Barr	√				
Lindy Bodewig				√	
Michel Camoin	√				
Francesco Capalbo	√				
Robert Dacey	√				
Sebastian Heintges	√				
Do-Jin Jung	√				
Neema Kiure-Mssusa	√				
Aracelly Méndez	√				
Rod Monette				√	
Leonardo Nascimento	√				
Chris Nyong	√				
Bernhard Schatz	√				
Marc Wermuth	√				
Juan Zhang	√				
TOTAL	15	0	0	2	17