



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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DATE: 10 JUNE 2003
MEMO TO: MEMBERS OF THE IFAC PUBLIC SECTOR COMMITTEE
FROM: PAUL SUTCLIFFE
SUBJECT: **PSC STANDARDS PROGRAM WORK PLAN**

ACTION REQUIRED

- **review** the work plan and provide directions regarding any amendments.
- **agree** strategy for dealing with the IASB Improvements Project Exposure Draft.

AGENDA MATERIAL:

	Pages
Item 6.3 Work Plan June 2003	Pages 6.18
Item 6.4 Standards Program status June 2003	Pages 6.19-6.20
Item 6.5 PSC Work Plan 2002-2005	Pages 6.21
Item 6.6 PSC 2004 Service Delivery Objectives	Pages 6.22-6.27
Item 6.7 Status of IASB Projects	Pages 6.28-6.38

Status June 2003

The work plan has been updated to reflect progress made at/since the April 2003 meeting. Major activities/outputs since that meeting and major changes to the work plan are outlined below.

A clean copy of the 2003 work plan is attached. A summary of changes to the work plan is included at the end of this memo. (The work plan is an excel file and cannot be marked up to highlight changes since the last meeting as can a word file.) A clean copy of a proposed work plan for 2003-2005 is also attached. The work plans are subject to change dependent on decisions made at this meeting.

IPSASs and Exposure Drafts

No IPSASs or Exposure Drafts have been issued since the April 2003 meeting.

The following documents are included in this Agenda for PSC consideration:

- Invitation to Comment: *Non-Exchange Revenue, Including Taxes, Grants and Transfers*
- Invitation to Comment: *Accounting for Social Policies of Government*
- Occasional Paper 7: *The Governmental Accounting System of Argentina*
- Draft Exposure Draft: *Impairment of Assets*
- Study 14: *Extracts of revised Study14, marked up to identify changes since the Study was first issued in April 2002*
- Development Assistance: *Key Decisions Questionnaire (2nd Distribution)*
- Budget Reporting: *First Draft Research Report (2nd Distribution)*

The conversion of Study 14 to a web based product is progressing. The web product is currently being field tested by members. A launch date of mid 2003 is now anticipated. Jerry will provide a verbal report on progress at this meeting.

Development Assistance

A project Advisory Panel comprising representatives of the Multilateral Development Banks Financial Management Harmonization Working Group (MDB) and Development Assistance Committee of the OECD (OECD-DAC) and recipient countries is being established. Ian Mackintosh, the PSC Chair, has agreed to act as Convener/Chair of the PAP (see Agenda item 11).

Charles Coe, the consultant on this project, will be in attendance at the meeting to discuss the Key Decisions Questionnaire (KDQ). It is intended that the KDQ establish the major principles to be reflected in the first draft of the Exposure Draft.

The completion of an exposure draft in the fourth quarter for issue at the end of 2003 or (more likely) early 2004 is anticipated.

Steering Committees – Non Exchange Revenue and Social Policy Obligations

The Chairs of each Steering Committee have met with staff following the April PSC meeting to consider revisions to the draft ITCs as a consequence of the PSC's discussion of these issues in April. The draft ITCs have been updated and are included in this agenda as follows:

- Social Policy Obligations (non-exchange transactions) – Agenda item 8.
- Non-Exchange Revenue – Agenda item 9.

These Steering Committees became operational later than initially anticipated. The ITCs are now anticipated to be released in late 2003 (early 2004) with EDs finalized in late 2004 and issued early in 2005.

Steering Committees – Budget Reporting

A draft Research Report on budget reporting is included at Agenda item 10. Dr Jesse Hughes will be in attendance to discuss the paper. The Steering Committee membership is being finalized by the PSC Chair and Steering Committee Chair. Subject to final confirmation it will be included in the second distribution of agenda materials.

Steering Committees – Heritage Assets

Members have previously identified work on heritage assets as a matter to be dealt with by a Steering Committee. The 2003 – 2005 work program at item 6.5 identifies a proposed program for action on this project. Members are requested to confirm, or otherwise, that the proposed timing reflects the relative priority of this project.

Impairment of Assets

A revised draft Exposure Draft reflecting the decisions made at the April 2003 meeting is included at Agenda item 12.

Argentinean Occasional Paper

The Argentinean Occasional Paper has been updated and the revised proposed paper is included in Agenda item 18.

GFS, ESA 95, IPSAS Harmonization

A meeting of the working group took place in June 2003. The Chair will provide a verbal update on the meeting at Agenda item 14. Membership of the group, the agenda for the first meeting and a draft meeting report is included at Agenda item 14. Copies of the papers prepared for consideration at that meeting are available for members on request – please note the papers are all working drafts rather than final papers.

IASB Harmonization

Documents which identify anticipated differences between existing IPSASs and their equivalent IFRSs as at the end of 2003 and/or by March 2004 as a result of decisions being made in the IASB's improvement project is identified at Agenda item 15.

Agenda item 15 also outlines the implication of the IFRS on *First Time Adoption of IFRSs* for IPSASs.

The 2003-2005 work plan at item 6.5 identifies action on a number of IAASB projects. Members are requested to confirm, or otherwise, that this timing continues to reflect the relative priority of these items and anticipated action in respect of them.

Non-Technical – Promotion and Consultative Group

PSC members and staff continue to devote considerable time between meetings on communication/promotion of PSC output and objectives. These activities are identified in Agenda item 6.1.

The updated Consultative Group membership list is included on Agenda item 17.

A meeting with the regional members of the Consultative Group and key North American constituents in conjunction with this meeting will take place in the afternoon of July 17. A draft agenda for that meeting is attached to this memorandum. A listing of attendees will be included in the second distribution or tabled at the meeting.

Non-Technical - Translation

Translation activities are identified in detail in Agenda item 6.1.

Non-Technical – PSC 2004 Projected Service Delivery

The IFAC 2004 budget, will include formal service delivery statements for each Committee. In mid May, staff were requested to provide preliminary input by the end of May to IFAC-NY office as part of the 2004 budget preparation process. The projected service delivery statement attached at item 6.6 was developed by staff and reviewed by the Chair. It was provided to IFAC NY staff with the advice that it had been prepared by staff but not yet approved by the PSC. It was also noted that the PSC would consider this draft service delivery statement at this (July 2003) meeting in conjunction with its review of the work plan. Members are requested to review item 6.6 and provide input to staff. The final service delivery statement will then be provided to IFAC Director of Operations.

2003 Work Program

Projects currently agreed or proposed for the PSC's 2003 Work Program are:

1. Review of Invitations to Comment and other documents prepared by the following Steering Committees and Working Groups:
 - Non-Exchange Revenue
 - Social Policy Obligations
 - Budget Reporting
2. Preparation of Exposure Drafts on:
 - Development Assistance, with the assistance of a Project Advisory Panel
 - Impairment of Assets
3. Conceptual Framework:
 - Monitor developments by national and international bodies.
 - Update internal staff paper on concepts and principles included in IPSASs.
4. Monitor work of IASB and respond to IASB exposure drafts as appropriate.
5. Progress convergence of GFS, ESA, SNA through the Convergence Working Group and the GFS Strategy Group.
6. Promotion of the output of the PSC, and attendance at seminars.
7. Other projects, such as:
 - additional Occasional Papers
 - consideration of emerging priority projects such as non-financial performance indicators, financial instrument recognition and measurement
 - liaison with other IFAC committees such as the IAASB, Ethics Committee and Compliance Committee.

Staffing 2003

It is anticipated that Ms Li Honxia will join the staff on a secondment from the Chinese Ministry of Finance for a period of up to 1 year from July 2003 (still awaiting final approval from immigration authorities).

Ahmad Hamidi-Ravari will return to the AASB after this meeting, but will continue to provide input on the ED on *Impairment of Assets* until it is issued.

Summary of Changes to the 2003 Work Plan to reflect decision/progress made at the April 2003 meeting

The attached 2003 work plan has been amended to reflect the following:

- Invitations to Comment or Research Reports on *Social Policy Obligations*, *Non-Exchange Revenue* and *Budget Reporting* will be approved for issue in late 2003. (Exposure Drafts on the *Non Exchange Revenue* and *Social Policy Obligations* projects will be issued early 2005.)
- The Argentinean Occasional Paper will be issued in late 2003.
- An Exposure Draft on *Development Assistance* will be issued in early 2004.
- An Exposure Draft on *Impairment of Assets* will be agreed at this (July) meeting and issued in the 3rd or early 4th quarter.
- At this meeting the PSC will consider its strategy in respect of the IASB *Improvements Project* and a Project on *First Time Application of IPSASs*.
- Subject to agreement at this meeting, the PSC will consider an Exposure Draft updating existing IPSASs for the IASB Improvements changes at the November 2003 meeting.
- At this meeting the PSC will consider its strategy in respect of IPSASs, GFS and ESA convergence and at the November meeting consider whether a paper on the convergence program be issued in 2004.
- Progress on translation of IPSASs under the IASB-PSC arrangement.
- Progress on the review of Study 14 and web based version.

UPDATED DRAFT AGENDA

PUBLIC SECTOR COMMITTEE CONSULTATIVE GROUP MEETING ROUND AND TABLE DISCUSSION VANCOUVER THURSDAY, JULY 17 – 1:00-5:30 PM

SESSION 1:00 – 2:00 PM, Lunch Meeting with Consultative Group Members

PSC Chair will welcome members and explain role of the Consultative Group and its anticipated operating procedures. Over lunch there will be a general discussion of:

- (1) Background of PSC (mandate, due process, standards, studies issued to date etc)
- (2) PSC work program and projects for which specific Consultative Group input is sought
- (3) Role of Consultative Group.

The roundtable discussion will start at 2:30 pm. Consultative Group members will join other key Canadian constituents at the table for discussion (see below)

SESSION 1 2:30 – 3:30 PSC WORK PROGRAM AND FUTURE DIRECTIONS

Presentation PSC Chair – Brief outline of PSC work program and initiatives

- (i) Projects in process
- (ii) Potential new projects
- (iii) Broader strategic issues.

Chair will invite brief comment on progress to accrual/major issues in the following countries: Australia, France, New Zealand, UK, USA. (Other members will raise issues in their jurisdiction as appropriate.)

Discussion with round table participants: The Chair will seek input on the priority of these and other projects and take questions from the Public Gallery.

Participants at the table: PSC members and observers, Consultative Group members and invited guests

Coffee Break 3:30: – 3:50

SESSION 2 3:50 - 5:30 SPECIFIC PSC WORK PROGRAM ITEMS

- (1) Conceptual Framework UK
The UK delegation will lead this discussion. The implications for the PSC work program will also be discussed.

The following issues have also been identified as of particular interest to participants. The Chair will seek a brief initial comment from the floor, ask PSC members for any experiences from their jurisdiction and open up the topic to general discussion. Questions will also be taken from members of the Public Gallery:

- (2) Reporting entity
- (3) Government transfers (Chair of Non-Exchange Revenue Steering Committee)
- (4) Performance measures

Participants at the table - PSC members, PSC observers, Consultative Group Members and invited guests.

IFAC PUBLIC SECTOR COMMITTEE (PSC) WORK PLAN 2003 (Prepared for July 03.)				
Work Plan Jan 03-Dec 03	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Project:	<i>No Meeting</i>	<i>PSC Meeting April</i>	<i>PSC Meeting July</i>	<i>PSC Meeting November</i>
Impairment of Assets	Consider Draft ED	Agree ED/Finalise and Issue ED		
Cash Basis IPSAS	No further action 2003			Consider responses Issue IPSAS
Transitional Guidance	Update Study/develop Web version			
Development Assistance	Proj. Brief. Engage Contractor			
Glossary	Updated to IPSAS 18			Consider ED
Revenue - Non-Exchange	SC 3* Feb 03	Discuss Draft ITC	Draft ITC for Review/SC4*	Finalise/Issue (?) ED
Social Policy Obligations	SC 3* Feb 03	Discuss Draft ITC/SC	Draft ITC for Review/SC4*	Update as necessary
Budgetary Reporting	Proj. Brief. Engage Contractor	Progress Report to PSC	Consider Draft Research Report	
GFS and SNA Harmonist'n	Form Working/Strategy Group	Working Group (WG) Meet	Report WG Progress/Discuss Strategy	Issue Report - Consider Stage 2
Conceptual Framework	Monitor Development	Note PSC Concepts Vs IASB	Monitor Developments	Issue Paper on Convergence(?)
Monitor IASs/IFRSs	Report on IASB activities		Staff Rep-IASB activities/Std	
- First time application of IFRSs	Monitor ED/IFRS	Monitor ED/IFRS	Consider if action necessary	Develop/Issue ED (?)
- IFRS Improvements Project	Monitor IASB	Monitor IASB	Consider Implications/action	Develop/Issue EDs (?)
- Fin. Inst. Recog & Measure.	Monitor IASB		Monitor IASB/Consider PSC Strategy	Monitor IASB/Update on IASB Status
Argentinean Occasional Paper		Agree paper	Finalize and Issue Paper	
French Occasional Paper	Paper Issued			
Employee Benefits	Monitor IASB/No PSC Action 2003			
Business Combinations	Monitor IASB/No PSC Action 2003			
W.I.P non-exchange Services	No Action 2003			
Heritage Assets-Recog Msmnt	No Action 2003			
Non-fin. Performance Report	No Action 2003			
Public/Private S. Arrangements	No Action 2003			
Non-Technical				
Translation of Pronouncements				
- French, Spanish, Russian	Russian 1-12	Complete French	Complete Spanish	
- Mandarin, Arabic, Italian	Mandarin 1-8, Arabic 1-12	Complete Italian		
Promotion	- OECD Symposium	- PSC Seminar/roundtable	- PSC Seminar	- PSC Seminar/roundtable
	- Presentations	- Presentations	- Presentations	- Presentations
Consultative Group	Invite members	Finalize Members	Action	
	* SC - Steering Committee	SC 3* SC*4 3rd/4th SC Meeting		
		*ITC Invitat'n to Comment		

PSC WORK PROGRAM: STATUS AS AT JUNE 2003

Technical Projects	PSC Standards Program Original Program (1997-2002)	Current Projected Status	IAS/FRS
Study 11	Governmental Financial Reporting: Accounting Issues and Practices	Final Study issued	NA
IPSAS 1	Presentation of Financial Statements	Final IPSAS issued	IAS 1 & IAS 5
IPSAS 2	Cash Flow Statements	Final IPSAS issued	IAS 7
IPSAS 3	Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies	Final IPSAS issued	IAS 8
IPSAS 4	The Effects of Changes in Foreign Exchange Rates	Final IPSAS issued	IAS 21
IPSAS 5	Borrowing Costs	Final IPSAS issued	IAS 23
IPSAS 6	Consolidated Financial Statements and Accounting for Controlled Entities	Final IPSAS issued	IAS 27
IPSAS 7	Accounting for Investment in Associates	Final IPSAS issued	IAS 28
IPSAS 8	Financial Reporting of Interests in Joint Ventures	Final IPSAS issued	IAS 31
IPSAS 9	Revenue from Exchange Transactions	Final IPSAS issued	IAS 18
IPSAS 10	Financial Reporting in Hyperinflationary Economies	Final IPSAS issued	IAS 29
IPSAS 11	Construction Contracts	Final IPSAS issued	IAS 11
IPSAS 12	Inventories	Final IPSAS issued	IAS 2
IPSAS 13	Leases	Final IPSAS issued	IAS 17
IPSAS 14	Events Occurring After Reporting Date	Final IPSAS issued	IAS 10
IPSAS 15	Financial Instruments: Disclosure and Presentation	Final IPSAS issued	IAS 32
IPSAS 16	Investment Property	Final IPSAS issued	IAS 40 & IAS 25
IPSAS 17	Property Plant and Equipment	Final IPSAS issued	IAS 16
IPSAS 18	Segment Reporting	Final IPSAS Issued	IAS 14
IPSAS 19	Provisions, Contingent Liabilities and Contingent Assets	Final IPSAS issued	IAS 37
IPSAS 20	Related Parties	Final IPSAS Issued	IAS 24
-	Business Combinations (revised 1998)	Defer Considerations	IAS 22
-	Employee Benefits	Defer Consideration	IAS 19
PSC Standards Program Additional Projects (1997-2002)			
ITC	Invitation to Comment: The Development of International Public Sector Accounting Standards: Which Bases of Accounting	Completed.	NA
Study 14	Guidance on the Transition From Cash Accounting to Accrual Accounting	Study 14 issued/web product	NA
ITC	Impairment of Assets (<i>ITC published July 2001</i>)	First Draft ED	IAS 36

Public Sector Specific Issues –2002+			<u>Current Status</u>	<u>IAS/ FRS</u>
F/W	Framework for Financial Reporting in the Public Sector		Monitor national development	IASB, UK- ASB
ED	WIP of 'Free' Services		No Action 2003	NA
ITC	Accounting for Non-Exchange Revenues		Consider SC Report	NA G4 + 1 Paper
ITC	Social Policy Obligations		Consider SC Report	NA
ITC	Budgetary Reporting		Draft Research Report (July 2003)	NA
-	GPFS/GFS/ESA95 Harmonization		Working Group Established	NA
-	Heritage Assets		No action planned for 2003	NA
-	Public/Private Sector Arrangements		No action planned for 2003	NA
-	Non-Financial Performance Reporting		No action planned for 2003	NA
Other				
Guide	Revision of PSC Guideline 1 – Financial Reporting by GBES		Guideline 1 Withdrawn November 2002	NA
Paper	UK Occasional Paper		Issued June 2002	NA
Paper	French Occasional Paper		Issue 1 st Quarter 2003	NA
Paper	Argentinean Occasional Paper		Draft for review/issue second half 2003	NA
Additional IASs				
-	Interim Financial Reporting		Not Started	IAS 34
-	Discontinuing Operations		Not Started	IAS 35
-	Intangible Assets		Not Started	IAS 38
-	Financial Instrument: Recognition and Measurement		Not Started	IAS 39
-	Agriculture		Not Started	IAS41
<u>Non-Technical Projects</u>				
Translation IPSAS into languages other than English:			IASB Agreement	
• French			Translation actioned	
• Spanish			Translation actioned	
• Mandarin			Completed IPSAS 1-12	
• Russian			Completed IPSAS 1-12	
• Arabic			Completed IPSAS 1-12	
• Other			In progress	
Promotion of PSC Pronouncements			Promotion Activity Ongoing	
Fundraising			Fundraising Ongoing	
Non-Standards Project				
Study 13	Corporate Governance in the Public Sector: A Governing Body Perspective		Issued August 2001	NA

IFAC PUBLIC SECTOR COMMITTEE (PSC) WORK PLAN 2002 -05			
	2003	2004	2005 +
Technical Projects			
Review IPSASs		Monitor/ Review / Consider action	Revise/Update
Impairment of Assets	Issue Exposure Draft (ED)	Issue IPSAS	Monitor/ Review
Cash Basis IPSAS	Issue IPSAS	Monitor Implementation/ Review	Revise/Update/Implementation issues
Transitional Guidance-Study 14	Develop web facility/Review Study	Revise/Update Study 14 Web facility	Update/Revise Study Web facility
Development Assistance	Develop Exposure Draft	Issue ED/Develop/Issue IPSAS	Monitor Implementation
Glossary	Revise/Update Glossary	Revise/Update Glossary	Revise/Update Glossary
Revenue - Non-Exchange	Issue Invitation to Comment	Review Responses to ITC-Develop ED	Issue ED/Review Responses/Develop IPSAS
Social Policy Obligations	Issue Invitation to Comment	Review Responses to ITC-Develop ED	Issue ED/Review Responses/Develop IPSAS
Budgetary Reporting	Issue Research Report	Develop and Issue ED (?)	Issue IPSAS(?)
Employee Benefits	Monitor IASB Project	Issue ED	Issue IPSAS
Business Combinations	Monitor IASB	Issue ED?	Issue IPSAS?
W.I.P non-exchange Services	No action 2003	Action as necessary	Action as necessary
*Heritage Assets-Recog Measurement	No action 2003	SC-Prepare ITC	Issue ITC/prepareED (of Update to IPSAS 17?)
GFS and SNA Harmonization	SC with IMF/ Prepare Report/Study	Issue Report/Study and Follow up actions	Follow up action as necessary
Public/Private S. Arrangements	No action 2003	Action as necessary	Action as necessary
*Conceptual Framework	Monitor Nat.Std setters	Follow up action	Follow up action
*Non-financial Performance Reporting	No action 2003	Consider action	Follow up action
Monitor IASB- IASs/IFRSs	Staff Report on IASB activities	Staff Report on IASB activities	Staff Report on IASB activities
- *First time application	Consider action	Issue ED (?)	Issue IPSAS
- *Fin. Inst: Recog & Measure.	Monitor IASB	Issue ED	Issue IPSAS
- *IFRS Improvements Project	Consider action	Issue ED (?)	Issue IPSAS (?)
- Other IASs/IFRSs	Deal with other relevant IASs/IFRSs	Deal with other relevant IASs/IFRSs	Deal with other relevant IASs/IFRSs
Occasional Papers	Issue Argentinean Paper	1xPaper on a PSC member country	Other papers
*At this meeting consider if this timing reflects PSC relative priority			

INTERNATIONAL FEDERATION OF ACCOUNTANTS

2004 PROJECTED SERVICE DELIVERY – PUBLIC SECTOR COMMITTEE

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STANDARDS & STATEMENTS

Description

IFAC develops and maintains high quality international standards for application by a wide range of users. The standards cover the areas of auditing and assurance, educational and ethical requirements for professional accountants, and governmental (public sector) accounting and financial reporting.

SERVICE To Be DELIVERED

4. Public Sector Pronouncements

4.1. Pronouncements to be issued by the Public Sector Committee (PSC):

- International Public Sector Accounting Standards (IPSAS) *Impairment of Assets*
- IPSAS Exposure Draft on *Development Assistance*
- IPSAS Exposure Draft on Financial Instruments – *Recognition and Measurement*
- IPSAS Exposure Draft on *Employee Benefits*
- IPSAS Exposure Draft on *First Time Adoption of IPSASs*

4.2. Significant Progress is anticipated on the following public sector accounting projects:

- Exposure Draft on *Social Policy Obligations*
- Exposure Draft on *Non-Exchange Revenue*
- Budget Reporting – follow up actions from the issuance of the Research Report in 2003.
- Update of extant IPSASs to reflect changes in the equivalent IFRS

4.3. The PSC intends to work with the International Accounting Standards Board (IASB) on a quality assurance review of the Arabic and Chinese translations of accrual IPSASs 1-20, and to complete translation of IPSASs 19 and 20 into French and Spanish. The PSC also intends to initiate translation of the cash basis IPSAS into French and Spanish

4.4. The PSC due process includes:

- PSC meetings are open to the public, with related agenda materials publicly available
- draft standards exposed for public review and comment
- consideration of comments received prior to finalization of standards;
- steering committee appointments comprise the Chair who is a member of the PSC, and 8 to 10 other individuals who are not members of the PSC
- inclusion of observers from external organizations on the PSC
- discussion of the PSC work program and specific projects with the PSC consultative group and other constituents in public forums and by electronic means

GUIDANCE & PUBLICATIONS

Description

IFAC develops and produces various forms of guidance and publications intended to either support IFAC pronouncements or as stand-alone publications. The level of authority associated with these guidance and publications materials is intended to be less than that associated with IFAC standards and statements, although these materials may provide illustrations of best or good practices. The topic areas covered by these publications may include auditing and assurance, education, ethics, financial and management accounting, public sector accounting, and small and medium practices.

SERVICE DELIVERED

1. Guidance

1.1. Public sector accounting guidance to be approved for issue:

- Update of Study 14, *Transition to the Accrual Basis of Accounting*, originally issued April 2002. This is intended to be a web based product. Hard copy will not be printed
- Occasional Paper 8, *Financial Reporting Developments in the Government of one country represented on the PSC –country to be confirmed in late 2003*
- Occasional Paper on Convergence of Governmental Finance Statistics and IPSASs

1.2 Significant progress will be made on the preparation of:

- Study/Invitation to comment on Heritage Assets

FACILITATION & NETWORKING

Description

IFAC recognizes that in many areas related to the accountancy profession it may not be appropriate for IFAC, as the international organization representing the accountancy profession, to take the active lead, or it is appropriate for IFAC to share the lead with another organization. For topical areas that the Board considers have high importance for the global accountancy profession IFAC will actively facilitate the development of these topics with interested Member Bodies and/or other groups, enter into collaborative arrangements, and/or develop information sharing networks.

SERVICE DELIVERED

1. National Standard Setters Network

- 1.1. The PSC maintains ongoing contact with national standards setters and the IASB. The PSC meets with national standards setters to discuss current and future agendas for standard setting in conjunction with PSC meetings in each jurisdiction. The PSC is also represented on the IASB-SAC and participate in relevant OECD and other forums. The PSC intends to continue to foster and enhance this collaboration.

2. Member Body/Standard-Setter Collaboration

The PSC intends to meet with key constituents in each jurisdiction in which it will meet in 2004. Individual PSC members maintain ongoing contact with their members bodies and relevant national authoritative bodies in their jurisdiction and provide reports to those bodies on each PSC meeting. The PSC Update, issued following each meeting is distributed widely including to all member bodies and national and international standards setters.

REPRESENTATION OF THE ACCOUNTANCY PROFESSION IN THE PUBLIC INTEREST

Description

IFAC represents the public interest when commenting on material published by other international or regional organizations that directly relates to accounting or auditing; developing and maintaining relationships with other international or regional organizations as appropriate; participating in global, regional or national forums; and when developing reports that address the role of IFAC and the accountancy profession.

SERVICE DELIVERED

1. Stakeholder Relationship GFS – ESA – IPSAS Convergence Working Group

2. Submissions

2.1. PSC will continue to make submissions to relevant bodies consistent with the objective of enhancing the quality of financial reporting and promoting the convergence of accounting and statistical basis of financial reporting as appropriate, including submissions on:

- Proposed IFRSs
- Proposed reforms in SNA, ESA and/or GFS

2.2. The PSC will be involved in relevant forums including those involving:

- Individual national standards setters and authoritative bodies
- International standards setting bodies such as the IASB, and the International Valuation Standards Committee (IVSC)
- International bodies such as World Bank, IMF, EU, ADB, UN, IADB and OECD
- Governments such as the International Governmental Colloquium

COMMUNICATIONS & PROMOTION

Description

IFAC's communications activities are designed to support IFAC's overall strategy and are targeted to IFAC member bodies and various external groups, including the media, regulators, standard setters, international financial institutions, and other stakeholders. IFAC's communication program calls for the organization to strengthen communications and increase its spokespersonship role. The purpose of the program is threefold: to increase member body awareness of and involvement in IFAC initiatives; to more clearly communicate IFAC and the international profession's role in serving the public interest, particularly with respect to contributing to the soundness of financial reporting; and to promote the adoption of IFAC standards and best practices to achieve convergence.

SERVICE DELIVERED

1. Promotion & Spokesmanship Activities

Public Sector Committee

PSC members and their technical advisers, PSC observers and PSC staff will undertake promotional activities, including:

- Seminars and round table discussions in conjunction with each PSC meeting
- Attendance at international and national forums

In previous years PSC members, observers and staff have been involved in well over 15 such presentations. The PSC intends to maintain its high profile in this area.

The PSC will also publish articles in relevant journals as the opportunity arises.

The PSC Chair is a member of the IASB's Standing Advisory Council (SAC) and will attend IASB SAC meetings.



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DATE: 10 JUNE 2003
MEMO TO: MEMBERS OF THE IFAC PUBLIC SECTOR COMMITTEE
FROM: AHMAD HAMIDI-RAVARI
SUBJECT: THE STATUS OF IASB PROJECTS AS AT MAY 2003

ACTION REQUIRED

The Committee is asked to **note** the update on the IASB work program

On 28 May 2003, the IASB updated the timetable for its projects. The timetable (*Appendix I*) shows the IASB's current expectations about the timing of projects on its active agenda. This memorandum briefly sets out some of the IASB's current work.

First-time Adoption of IFRSs and Improvement Projects

The IFRS on the first time adoption of IFRSs is expected to be issued by the end of June 2003. The IFRSs arising from the general improvement project is due in the third quarter of 2003. Agenda item 15 outlines requirements of the first IFRS and decisions made on the general improvement project and considers the possible implications of these IFRSs for the current IPSASs and the PSC work program.

At the May 2003 meeting, the IASB continued its deliberations of the financial instruments improvement project. An IFRS is expected to be issued in the third quarter of 2003 per the IASB's projects timetable. However, the IASB has not yet decided whether decisions it has made on IAS 39 *Financial Instruments: Recognition and Measurement* warranted re-exposure. Any decision to re-expose may delay the publication of an IFRS.

Provisions, Contingent liabilities and Contingent Assets

At its May 2003 meeting, the IASB considered a draft of proposed amendments to IAS 37 *Provisions, Contingent Assets and Contingent Liabilities*. The draft reflected tentative decisions that the IASB had previously made in its deliberations of the short-term convergence project and business combinations II project. The following sets out some of the decisions made:

Provisions

The IASB observed that as provisions are liabilities of uncertain timing or amount, they should be recognized when the entity incurs a present obligation unless a reliable estimate cannot be made of the amount of the obligation. It, therefore, agreed that the "probability criterion" for provisions be withdrawn.

The IASB agreed to make the following amendments to the existing measurement requirements of IAS 37:

- (a) provisions should be measured at the amount that would be rationally paid to settle the obligation at the reporting date or transfer it to a third party at that time;

- (b) using an expected value estimation technique would generally be consistent with this principle but measuring a provision at a single point estimate of the most likely outcome would not; and
- (c) provisions should be measured at each reporting date using a current discount rate.

Contingent assets and liabilities

The IASB confirmed a previously tentative decision that the definitions of contingent assets and liabilities should be amended to clarify that only present rights and present obligations can give rise to assets and liabilities. Under the amended definitions, items would be contingent if the past event had occurred but there was uncertainty as to the outcome of the confirming event.

The amended definitions are as follows:

A contingent asset is a present right that arises from past events that may result in a future cash inflow (or other economic benefits) based on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is a present obligation that arises from past events that may require a future cash outflow (or other sacrifice of economic benefits) based on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

The IASB also confirmed its decision that contingent liabilities should be recognized if:

- (a) it is probable that an outflow of resources will be required to settle the contingent liability; and
- (b) a reliable estimate can be made of the amount of the obligation.

The IASB also agreed that a contingent asset should be recognized if it is “probable” that future economic benefits will flow to the entity. This is now possible because contingent assets are defined as being present rights. This amendment makes the recognition criteria for contingent assets symmetrical with those for contingent liabilities. Currently, IAS 37 does not allow the recognition of a contingent asset, on the grounds that it may result in the recognition of income that may never be realized. However, it explains that, if the realization of income is “virtually certain” then the related asset is not contingent and can be recognized.

The IASB also agreed that the recognition criterion for reimbursements (para 53 of IAS 37) be amended by basing it on the notion of “probability” rather than “virtual certainty”.

The above decisions in respect of provisions and definition of consistent assets and liabilities may have implications for IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*.

Performance Reporting

Performance reporting is a major project that was carried over from the IASC and has been the subject of the IASB deliberations since July 2001. It addresses the issues related to the

display and presentation in the financial statements of all recognized changes in assets and liabilities other than those arising from transactions with owners as owners. Staff have provided updates on this project to previous PSC meetings.

At its February 2003 meeting, the IASB approved proposals to conduct field visits to aid the development of an exposure draft on performance reporting. At the May 2003 meeting the findings of the pilot test (UK) stage of the pre-ED field visits were reviewed but no decisions were made. This project is of particular importance in providing enhanced convergence of IPSASs and GFS. *Appendix 2 provides a summary of the IASB's decisions made to date on this project.*

Leases

At its May 2003 meeting, the IASB considered a leasing project plan prepared in conjunction with UK ASB and agreed that, subject to receiving advice from the Standards Advisory Council, the IASB should undertake a leasing project with the objective of developing a single method of accounting for leases that is consistent with the IASB framework with no distinction between operating and finance leases being made. The project is expected to address first the leases of property, plant and equipment. The application of the principles derived for leases of property, plant and equipment would be addressed subsequently for intangible assets.

Leasing is still classified as an active research topic by the IASB and the expected timing of related documents is expected announced once it becomes an active project.

Revenue recognition

The IASB is exploring an approach that focuses on changes in assets and liabilities and is not overridden by tests based on notions of an earnings process. At its previous meetings, the IASB tentatively agreed to use, at this stage of the project, a working definition of revenues that is based on a broad notion of revenues that encompasses gains. It agreed in principle that such a definition should be synonymous with what the *Framework* defines as 'income'. The IASB has also tentatively agreed on a preliminary set of working criteria for recognizing revenue, for use in discussions of case studies.

At its May 2003 meeting the IASB considered four views of revenues that focus on the amount of revenue rather than the time of recognition. These views briefly are:

(a) The Gross Inflows View:

This view defines revenues in terms of the consideration from the reporting entity's customers over which the reporting entity obtains control.

(b) The Liability Extinguishment View:

This view defines revenues as decreases in the reporting entity's liabilities to customers resulting from the extinguishment of its performance obligations for which it is primarily liable. Those obligations are extinguished by providing goods and services to customers, either directly by the reporting entity itself or indirectly by having third parties provide them on its behalf.

(c) The Broad Performance View:

This view defines revenues as increases in the reporting entity's assets (including inflows of assets or enhancements of assets) or decreases in its liabilities resulting from activities that are integral to the provision of products (goods and services) by the entity itself that are ultimately destined for customers.

(d) The Value added View:

This view defines revenues as the excess of the value of the reporting entity's outputs in the form of the goods and services that it creates over the costs of its inputs in the form of the materials and services that it purchases from other entities

The IASB tentatively agreed that:

- (i) the definition of revenues should not be based on the Gross Inflow View or Value Added View;
- (ii) the definition of revenues and the recognition criteria for revenues should be based on the same view of revenues;
- (iii) the working definition of revenue should focus on activities related to provisions of goods and services to the customers; and
- (iv) the definition of revenues should be complemented by disclosures about various aspects of the reporting entity's performance.

Appendix 1: IASB Projects Timetable

The IASB's expectations as at 28 May 2003 about the timing of projects on its active agenda:

	2003			2004	
	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Later
First-time Adoption of International Financial Reporting Standards	IFRS				
Improvements to existing International Financial Reporting Standards	IFRS				
Amendments to IAS 32 <i>Financial Instruments: Disclosure and Presentation</i> and IAS 39 <i>Financial Instruments: Recognition and Measurement</i>	IFRS				
Financial risk and other amendments to financial instruments disclosures					EDs
Business combinations, <i>Phase I</i>				IFRS	
Accounting for share-based payment				IFRS	
Reporting performance				ED	IFRS
Business combinations, <i>Application of the purchase method</i>				ED	IFRS
Insurance contracts <i>Phase I</i>				ED	IFRS
Insurance contracts <i>Phase II</i>					ED
Concepts - revenue, liabilities and equity				ED	
Consolidation and special purpose entities	<i>To be determined</i>				
Convergence of International Financial Reporting Standards and other national accounting standards [§]					
-- Joint project with FASB	EDs (I)	EDs (II)		IFRSs (I)	IFRSs (II)
-- Employee benefits				ED	IFRS
-- Replacement of IAS 20				ED	IFRS

* If the IASB decides to re-expose parts of IAS 39, publication of amended IAS 32 and IAS 39 will be delayed until Q1 2004.

§ Components and timing are still under consideration by the IASB. For further information see the project summary on the IASB Website.

Legend: ED - Exposure Draft IFRS - International Financial Reporting Standard

Appendix 2:

An Update on the Current IASB Project on Reporting Performance

Background

Income Statement

Currently the income statement reports the entity's income and expenses for the period except those items usually referred to as gains and losses. This latter category is reported in the statement of changes in equity. Examples are:

- (a) exchange differences that are classified as equity under IAS 21 *The Effect of Changes in Foreign Exchange Rates*; and
- (b) surpluses arising from the revaluation of property, plant and equipment that are credited directly to equity under IAS 16 *Property, Plant and Equipment*.

Notes to the financial statements may also include information on the entity's performance. For example, IAS 14 *Segment Reporting* requires disclosure of segment revenue and segment result for each reportable segment. Disclosure should also be made of the amount of revenue, expenses and pre-tax profit or loss attributable to the discontinuing operation under IAS 35 *Discontinuing Operations*.

IPSASs generally have similar requirements except that IPSAS 18 *Segment Reporting* requires the disclosure of segment expense for each segment instead of results.

Statement of Comprehensive Income

The IASB has an active project on performance reporting. The project will specify the format of the statement of comprehensive income and the basis on which items of income and expense are categorized and ordered. The project is only concerned with the presentation of financial performance and does not deal with issues of recognition and measurement. It is, however, within the scope of the project to disaggregate components of reported performance for the purposes of presentation.

The statement of comprehensive income is a single statement encompassing all recognized changes in assets and liabilities other than those arising from transactions with owners in their capacity as owners. Therefore, comprehensive income is income less expenses which equals the change in equity (net assets) from non-owner sources.

It is expected that there will be consequential changes to the statement of changes in equity, the cash flow statement and possibly also the balance sheet.

Summary of IASB's tentative decisions to date

The objective and working principles

The IASB agreed to the following over-riding objective in its initial deliberations on the project:

“The objective is to categorize and display all income and expenses for the period in a way that enhances users’ understanding of the entity’s achieved performance and that assists users in forming expectations of future performance.”

The IASB also agreed to the following set of working principles that are designed to guide implementation of the objective:

Principle 1: *A statement of comprehensive income should be able to distinguish the return on total capital employed from the return on equity.*

Principle 2: *Components of gains and losses should be reported gross unless they give little information with respect to future income.*

Principle 3: *Income and expenses resulting from the remeasurement¹ of an asset or liability should be reported separately.*

Principle 4: *A statement of comprehensive income should identify income and expenses where the change in economic value does not arise in the period in which it is reported.*

Principle 5: *Within the prescribed format and without the use of proscribed subtotals, the statement of comprehensive income should allow reporting in the form of:*

- (a) *information on the entity as a whole, analyzed by nature or function;*
- (b) *the activities in (a) above disaggregated by business segments (geographic or product-based);*
- (c) *additional distinctions according to managerial discretion.*

¹ Remeasurements are revisions of prices or estimates that change the carrying amounts of assets or liabilities. Remeasurements result from revised expectations of future economic benefits or obligations. They do not include (in particular): income or expenses resulting from transactions or events of the period that give rise to the initial recognition of assets or liabilities; expenses arising from the consumption of assets during the period; and interest income and expenses.

The tentative format of the performance statement

The IASB considered the reporting of various income and expenses in the context of the working principles. A tentative format evolved from deliberations that categorizes items and distinguishes “income and expenses other than remeasurements” from “remeasurements”.

The matrix below depicts the IASB tentative decisions to date on the format of the statement of comprehensive income:

	<i>Total (Column 1)</i>	<i>Income and Expenses Other than Remeasurements (Column 2)</i>	<i>Remeasurements (Column 3)</i>
Business Operating	XX	XX	XX
Other operating	XX	XX	XX
Financial	XX	XX	XX
Financing	XX	XX	XX
Tax	XX	XX	XX
Discontinuing operations	XX	XX	XX
Comprehensive income	XX	XX	XX

Presentation of income and expenses

The following table depicts classifications of some items of income and expense for presentation under the tentative format:

<i>Income or expenses</i>	<i>Items to be included in column 2</i>	<i>Items to be included in column 3</i>
Property, plant and equipment:		
Depreciation	X	
Impairment /revaluations		X
Gains or loss on disposal		X
Provisions:		
Initial recognition	X	
Revision		X
Loan loss provision		X
Post-employment benefits:		
Prior service costs	X	
Interest cost	X	
Actuarial gains or losses (defined benefit plan)		X
Settlements and curtailments		X
Investment Property:		
Interest from the property	X	
Revaluation of property		X
Goodwill impairment		X
Agricultural assets		
Growth	X	
Change in value		X
Investment in equity instruments:		
Dividends		X
Change in value		X
Investment in debt instruments:		
Interest income	X	
Change in value		X
Currency translation gain/loss	X	

Brief explanation of some of the decisions

Distinction between operating and financing activities

Principle 1 (see above) stipulates that a statement of comprehensive income should be able to distinguish the return on total capital employed from the return on equity. This means that the components of comprehensive income should fall in the two categories of operating and financing. Comprehensive income (arrived at by deducting financing costs) measures the return to providers of equity. Operating income measures the return to providers of both equity and debt finance.

The financing category in the statement of comprehensive income includes all interest expense and amortization of discount without netting off interest income.

Return on financial assets comprising interest income and fair value changes of financial assets and liabilities are reported separately (see “Financial” sub-category in the tentative format).

Analysis by nature or function

The IASB considered whether the statement of comprehensive income should analyse expenses by nature or function². The following options were considered:

- (a) allow one of the two methods.
- (b) allow one with additional disclosure based on the other method.
- (c) both methods be allowed.

It was agreed that, where it is practical and meaningful, analysis should be by function on the face of the statement of comprehensive income and that the categories of functional expense (and the disaggregation there of) should be determined at the discretion of preparers.

Extraordinary and exceptional items

A separate category of reported performance should not be created for items such as ‘extraordinary’, ‘exceptional’, ‘unusual’, ‘special’ or ‘abnormal’.

Other operating category

The IASB tentatively agreed to the introduction of an “other operating” category to be reported within business activities after operating and before financial items. This category will include only certain items as identified by the IASB. These items have not yet been identified but possible candidates are: revaluation of property, plant and equipment and intangibles, gains or losses on disposal of property, plant and equipment, investment property fair value changes, foreign exchange gains and losses on net investments and goodwill impairment.

² Under analysis by nature, expenses are aggregated according to their nature such as depreciation, purchases of raw materials, transport costs, wages and salaries and advertising costs. The analysis of expenses by function involves the classification of expenses according to their function as part of cost of sales, distribution or administrative activities.

Field Testing:

At its February 2003 meeting, the IASB approved proposals to conduct field visits to aid the development of an exposure draft and to seek input on the Board's tentative decisions from the users of financial statement and reporting entities. At its May 2003 meeting, the IASB reviewed some of the findings from the pilot test in the UK but no decisions were made. An ED is expected to be published in the fourth quarter of 2003.

From: Jlbgaapcon@aol.com
Sent: Thursday, June 19, 2003 8:42 PM
To: psutcliffe@ifac.org
Subject: International Accounting Standards Committee

19-Jun-03

The IASB has issued IFRS 1 First-time Adoption of International Financial Reporting Standards.

19-Jun-03

IASB ISSUES A STANDARD ON TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Following recent decisions by various jurisdictions to adopt International Financial Reporting Standards (IFRSs), more than 90 count

The IASB through IFRS 1 has sought to address the demand of investors to have transparent information that is comparable over all pe

IFRS 1 requires an entity to comply with every IASB standard in force in the first year when the entity first adopts IFRSs, with som

Introducing the standard, Sir David Tweedie, IASB Chairman, said:

"IFRS 1 is very timely, because demand is growing for high quality international standards set by the IASB. Thousands of companies t

Sir David also emphasised the role that national bodies play in the IASB's deliberations: "The French Conseil National de la Comptab
Copies of IFRS 1 First-time Adoption of International Financial Reporting Standards (ISBN 1-904230-19-9 (three-part set) are availab

Subscribers to the IASB's Comprehensive Subscription Service can view IFRS 1 from the secure online services area of the IASB's Webs

END

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NOTES TO EDITORS

About IFRS 1

IFRS 1 applies when an entity adopts IFRSs for the first time, by an explicit and unreserved statement of compliance with IFRSs.

To create a starting point for its later accounting under IFRSs, an entity adopting IFRSs for the first time (a first-time adopter)

In general, IFRS 1 requires a first-time adopter to comply with each IFRS that has come into effect at the reporting date for its fi

recognise all assets and liabilities whose recognition is required by IFRSs.

not recognise items as assets or liabilities if IFRSs do not permit such recognition.

classify all recognised assets and liabilities in accordance with IFRSs.

apply IFRSs in measuring all recognised assets and liabilities.

IFRS 1 grants a first-time adopter limited exemptions from these requirements in specified areas where the cost of complying with th

IFRS 1 applies if an entity's first IFRS financial statements are for a period beginning on or after 1 January 2004, although earlie

includes some targeted exemptions.

clarifies that an entity applies the latest version of IFRSs and specifies that the transitional provisions in other IFRSs do not ap

clarifies how a first-time adopter's estimates under IFRSs relate to its estimates for the same date under previous GAAP.

requires enhanced disclosure to explain how the transition to IFRSs affected the entity's reported financial position, financial per

The IASB has published IFRS 1 together with two separate booklets. The first contains the IASB's Basis for Conclusions, which sets o

18-Jun-03

Observer notes provided at the IASB meeting 16-18 June 2003 are now available.
Business combinations (phase II) [0306ob02.pdf]
IAS 33 Earnings per Share [0306ob03.pdf]
Consolidation and SPEs [0306ob04.pdf]
Share-based payment [0306ob05.pdf]
Performance reporting [0306ob06.pdf]
Revenue and liabilities 0306ob07.pdf]
Insurance (phase I) [0306ob08.pdf]
Financial instruments [0306ob09.pdf]
IFRIC - Decommissioning funds [0306ob10.pdf]
Business combinations (phase I) 0306ob11.pdf]
IAS 12 Income Taxes [0306ob12.pdf]

17-Jun-03

The agenda for the IFRIC Meeting on Tuesday 1 July and Wednesday 2 July and the Observer Registration Form for the IFRIC meeting are

Open Meetings of the IFRIC

As a convenience for IASB's constituents, meetings of the International Financial Reporting Interpretations Committee are open to pu
Upcoming Meeting of the International Financial Reporting Interpretations Committee Dates: 1 and 2 July 2003 (Tuesday - Wednesday) T

IASB Offices
30 Cannon Street,
London, EC4M 6XH, United Kingdom

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Agenda:

Changes in decommissioning and similar liabilities
IAS 19 - multi-employer plan exemption
IAS 19 - Money Purchase Plan with Minimum Guarantee
IAS 19 - EITF Issues Update
Decommissioning and environmental rehabilitation funds
Rights of use
IAS 11 Construction Contracts: The criteria for combining and segmenting contracts
Hyperinflation and deferred tax
Partner/liaison activities update

Running Order:
Tuesday 1 July 2003

The Public Gallery opens at 0900
The meeting will start at 0930 and finish at 1730

Morning session

[0930] Opening matters

[0945] Draft Interpretation - Changes in decommissioning and similar liabilities
In prior meetings, the IFRIC considered accounting for changes in the measurement of decommissioning and similar liabilities. In its

Lunch

Afternoon session

[1400] IAS 19 - Money purchase plan with minimum guarantee

[1500] IAS 19 - EITF issues update

[1600] Decommissioning and environmental rehabilitation funds

Wednesday, 2 July 2003

The Public Gallery opens at 0830

The meeting will start at 0900 and finish at 1500

Morning session

[0900] Rights of use

The IFRIC will continue its discussion of issues arising from its consideration of a draft Interpretation Determining Whether an Agr

The IFRIC will discuss the criteria for combining and segmenting contracts contained in IAS 11. In particular, whether additional gu

Lunch

[1330] Hyperinflation and deferred tax

[1430] Items not taken on the Agenda

Meeting ends - 1500

END