



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

545 Fifth Avenue, 14th Floor Tel: (212) 286-9344
New York, New York 10017 Fax: (212) 286-9570
Internet: <http://www.ifac.org>

DATE: 20 OCTOBER 2006
MEMO TO: MEMBERS OF THE IPSASB
FROM: STEPHENIE FOX
SUBJECT: **TRANSLATION FUNDING AND PRESENTATIONS**

ACTION REQUIRED

The Board is asked to:

- **note** developments in the areas outlined below.

BACKGROUND

The purpose of this paper is to provide an overview and update on funding, promotion and translation activities since the last meeting in Paris in July 2006.

(i) Standards Program Funding

Financial information regarding operation of IPSASB's standards program during 2006 will be provided to members at the meeting.

A funding subcommittee comprising Ian Ball (Convener), Philippe Adhémar, Mike Hathorn, Rick Neville, Simon Bradbury, Laurence Brady (IFAC Consultant) and Stephenie Fox (formerly Paul Sutcliffe) exists to pursue funding opportunities. Matthew Bohun provides staff support to that subcommittee.

A verbal report on funding activities will be provided at the meeting. As you know, strong success has been achieved in the funding area with a \$1,000,000 (CDN\$) commitment from the Government of Canada over 5 years, as well as funding from the CICA in the range of \$175,000 (CDN\$) per year. Funding agreement with the Asian Development Bank have been finalized and reflect \$250,000 (US\$) over 3 years, with the first tranche of \$82,500 already received. US\$250K is committed from the World Bank and ongoing support from IFAC is secure. We have also secured a staff member from the Government of China for 1 year at their expense with the possibility of a second secondment (6 month term) currently being pursued.

Further commitments from other sources are being considered/pursued including from the EEC as well a staff support from NSS and others on certain key projects, particularly Conceptual Framework and Service Concessions.

(ii) Standards Project Promotion and Key Relationship Management

Background

Staff maintain a list of presentations in support of the IPSASB and IPSASs made by members, technical advisors, observers and staff in previous years. A list of invitations and presentations made/scheduled since reporting at the last meeting in July is set out below. If you have agreed to present during 2006, or have already presented at any seminars or

meetings that should be included in this list, please inform Stephenie Fox. In addition to matters identified in this list, IPSASB members and their technical advisors and observers also report on a regular basis to their member bodies, national Boards and/or other relevant bodies on IPSASB activities. The IPSASB Chair and staff also report to the IFAC Board and relevant IFAC Committees on a regular basis.

Date	Location/Activity	Host/Participants/Journal	IPSASB Member, TA, Observer, Staff
June 2006	Journal Article	IICPA <i>Newsletter</i> . Comprehensive review of IPSASB work	Ron Alroy and Haya Prescher
July 2006	Islamabad Pakistan	IPSAS workshop for the government	Ron Points
September 2006	Brussels	Joint EC/FEE conference “Modernizing Accounting in the Public Sector – Exchange of Experience”,	Philippe Adhémar John Stanford
October 2006	San Francisco	International Colloquium on Financial Management for National Governments	Philippe Adhémar
October 2006	Geneva	Adopting IPSAS’s United Nations staff seminar	Ian Ball
October	Norway	Public sector Accounting seminar Bodo graduate School of Business	Harald Brandsaas, Ian Ball
October 2006	Rome	International Research Centre on the Management of Public Administration - Public Sector Accounting Between Standardisation and Governance	Philippe Adhémar
November 2006	Istanbul	World Congress of Accountants	Philippe Adhémar

(iii) Handbooks

The 2006 Handbooks in English are available. Spanish and French editions of the 2005 “IFAC Handbook of Public Sector Pronouncements” are available for download from the IPSASB web. A limited number of hard copy editions have been printed and are available for members.

(iv) Translations

It is intended that the IPSASB Handbook will be updated when new or revised IPSASs are released. (Currently the technical content of the 2005 and 2006 Handbooks are the same.) Translations of IPSASB documents into languages other than French and Spanish are also in progress, or have been completed, by member bodies and other interested organizations. The table below summarizes progress on all translation activities to date. Please advise Stephenie Fox of any further amendments to this listing.

Language	Organization	Status
French	IASC-IPSASB Arrangement	IPSASs 1 – 21, Cash Basis IPSAS and Preface completed and available.
Spanish	IASC – IPSASB Arrangement	IPSASs 1 – 21, the Glossary of Defined Terms and the Cash Basis IPSAS completed and available.
Czech	Chamber of Auditors of the Czech Republic. Supreme Audit Office of Czech Republic	IPSASB Handbook has been translated and is available. Memorandum of Understanding to Translate IPSASs signed May 2005
Bosnia and Macedonia	Ministry of Finance	The accrual and cash basis IPSASs have been translated into the Macedonia language but not yet copied into the government “register”. No progress on translation in Bosnia.
Russian	International Center for Accounting Reform (ICAR) Chamber of Auditors of the Republic of Kazakhstan (IFAC Member Body) Samara Region Institute	Translation of following completed: IPSASs 1-12, the Glossary of Defined Terms, IPSASB Studies and Guideline 1 on GBE’s. The Kazakhstan member body is translating the IPSASB Handbook into Russian. Enquiry re authority to translate received. (Staff have advised of other Russian translation activity.)
Chinese	PRC Ministry of Finance in conjunction with World Bank Federation of CPA Associations of Chinese Taiwan (IFAC Member Body)	IPSASs 1 – 20 and Glossary of Defined Terms completed. Study 11 has been translated into Chinese.
Arabic	The Palestinian Association of Accountants and Auditors Arab Society of Certified Accountants, Amman, Jordan (IFAC Member Body)	Translated IPSASs 1 – 12. Translation of IPSASs 13 – 20 in progress. ASCA has prepared a translation of the IASs into Arabic and translated IPSASs 1-13, Studies 3-12, Guidelines 1 and 2, and is currently translating Studies 13 and 14 and Occasional papers 4 and 5.

Language	Organization	Status
Italian	Consiglio Nazionale dei Dottori Commercialisti (IFAC Member Body)	IPSASs 1-17 completed. IPSASs 18-20 under way.
Bahasa Indonesia	Professor Indra Bastian	IPSASs 1-15 have been translated.
Maltese	Grant Thornton – Malta Office, on behalf of the Government of Malta	English versions used. No translations occurring.
Japanese	Japanese Institute of Certified Public Accountants (IFAC Member Body)	Translation of IPSASs 1- 20, Cash Basis, Study 11 and Study 14 completed. Memorandum of Understanding to translate IPSAS 21 signed August 2005.
Mongolian	Mongolian Institute of Certified Public Accountants (IFAC Associate Member Body) with World Bank support	Translation of IPSAS 1-20 completed.
German	Institut Der Wirtschaftsprüfer (IDW)	Memorandum of Understanding to translate IPSASs signed June 2005.
Bulgarian	Institute of Certified Public Accountants of Bulgaria (IFAC Member Body)	The Bulgarian member body is translating the IPSASB Handbook.
Lithuanian	Accounting Methodology Department, Lithuanian Ministry of Finance	Permission sought to translate. Application supported and approval in progress.
Hebrew	Ministry of Finance, State of Israel	Memorandum of Understanding to translate IPSASB Handbook signed in February 2005.
Serbian	Serbian Association of Accountants and Auditors	Memorandum of Understanding to translate IPSASs signed May 2005



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DATE: 20 OCTOBER 2006
MEMO TO: MEMBERS OF THE IPSASB
FROM: STEPHENIE FOX
SUBJECT: **FUTURE PLANNING**

ACTION REQUIRED

The Board is asked to:

- **note** developments in the areas outlined below.

Background

At the July IPSASB meeting the Board had an extensive discussion on strategic planning and direction. As a result of this discussion you will recall that the Board identified 4 areas of priority for moving forward:

- i) Development of a public sector conceptual framework;
- ii) Development of other public sector specific projects (including convergence with statistical bases of reporting where appropriate);
- iii) IFRS convergence; and
- iv) Other projects and activities, particularly promotion and communication.

Progress will be made at this meeting towards these priorities as follows:

- A project brief on the conceptual framework will be presented for approval
- A project brief on service concessions (public sector specific) will be presented for approval
- An IPSAS for Revenue from Non Exchange Transactions (public sector specific) will be presented for approval
- An Exposure Draft on Social Policy Obligations (public sector specific) will be presented for approval
- IPSAS's on the General Improvements Project (IFRS convergence) will be presented for approval

As new staff get "up to speed" and the IPSASB complement gets fully resourced in terms of staffing additional progress will be made in these areas. Staff have met with IFAC communications staff to discuss future promotion and communications activities including developing a communications plan specific to IPSASB to target this priority.

Based on the volume of agenda material being considered at this meeting and pending full resourcing of the staff complement, it is anticipated that additional future work on strategic planning will be undertaken early in the new year, with the goal to having made significant progress in this area for the Board's March meeting. At that point the hope would be that the

workplan for the next three years will be finalized and a communications plan developed and ready for implementation. At that time the Board will be asked to make final decisions on projects that should be undertaken over the next 3 to 5 years.

For the purposes of this meeting, members are asked to note the draft workplan and information provided on potential projects for the future. It is anticipated that the discussion at this meeting will be fairly brief in order to ensure that the full agenda will be achieved but that the discussion at the March meeting will be more fulsome with the Board making final decisions on the strategic direction and workplan.

IPSASB - STAFF RESPONSIBILITIES - 2006 TO END OF YEAR & POTENTIAL FUTURE WORKPLAN					
	Staff	March Meeting (Japan)	July Meeting (Paris)	November meeting (Norwalk)	
Currently in progress/committed					
Revenue - Non-Exchange	MB	Issue ED (Dec 05/Jan 06)	Note responses IPSAS	Analyze responses draft IPSAS/finalize IPSAS	
Social Policy Obligations-pensions & non pensions	JS	Redraft ED	Redraft ED	combine & finalize ED	
Cash Basis- External Assistance	PS	Review responses ED24	Draft ED	Finalize/Issue ED/Field test	
Budget Actual Comparison (cash+accrual)	PS	Preliminary analysis of responses	Draft IPSAS	Redraft IPSAS (Accrual + Cash)	
Heritage Assets-Recog Measurement	JS	Issue Research Report		Consider responses/strategy	
IPSAS Improvements Project	MB	Review Responses	IPSAS 1,3,4	IPSAS 6,7,8,12,13,14,16,17	
IAS 19 Employee Benefits	JS	Draft ED/Issue Paper	draft ED	Finalize/Issue ED September	
Impairment of Assets - cash- generating	JS	First Draft ED/Issue	Revise ED	Finalize/Issue ED September	
Gen Gov. Sector (GGS)	MB	Preliminary analysis of responses	Draft IPSAS	Finalize/Issue IPSAS September	
Public/Private S. Arrangements	BN	Subcom monitor development	Issues Paper re NSS discussion	Develop Project Brief-letters-etc	
Conceptual Framework	PS/SF	Consider strategy	Project Brief/Agenda for NSS	Revise Project Brief-letters-etc	
Promotion & Communications					
Communications plan	SF				
Other (update, presentation etc)	All				
Other Ongoing Matters					
IPSASB Strategy	PS/SF		Strategy Paper	Annual Observer Review	
IPSASB Seminars	All	Japan	NSS and similar bodies		
IFAC Liaison	MB/SF	Ongoing	Ongoing	Ongoing	
Potential future projects (current "wish list")					
MDA/Operations review					
Business Combinations					
Other IFRSs - (IFRS convergence)					
Long-term Fiscal Sustainability					
Fair value in the public sector					
Financial Instruments recog & meas					
Cash Basis IPSAS review					
IAS 26 Retirement Benefit Plans					
Budget GPFS - Prospective					
Performance Reporting (stat convergence)					
Kyoto Protocol					

IFAC- INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (IPSASB)			WORK PLAN 2006 - 2008
Currently in progress/committed	2006	2007	2008
Revenue - Non-Exchange	Issue ED/Develop & approve IPSAS	Issue IPSAS	
Social Policy Obligations-all	Develop/Issue ED	Develop/Issue IPSAS	
Cash Basis- External Assistance	Develop/field testing IPSAS	Issue revised Cash Basis IPSAS	
Budget Actual Comparison (cash+accrual)	Develop/Issue IPSAS	Consider projected budgets	Follow-up activity
Heritage Assets-Recog Measurement	Issue Consult. Paper	Issue ED	Develop/Issue IPSAS
IPSAS Improvements Project	Develop/Approve revised IPSASs	Issue improved IPSASs in handbook	
IAS 19 Employee Benefits	Develop/Issue ED	Develop/Approve & Issue IPSAS	
Impairment of Assets - cash- generating	Issue ED	Develop/Approve & Issue IPSAS	
Gen Gov. Sector (GGS)	Issue IPSAS		
Public/Private S. Arrangements	Develop project brief	Issue ED	Develop/Issue IPSAS
Conceptual Framework	Develop project brief	Develop/consultation paper/Issue Eds	Develop/Issue EDs/Framework
Promotion & Communications			
Communications plan	Develop/implement	ongoing activities	ongoing activities
Other e-news, presentations etc	ongoing activities	ongoing activities	ongoing activities
Other Ongoing Matters			
IPSASB Strategy/Funding/Translation	Finalize plan/implement/ongoing activity	ongoing	ongoing
IPSASB Seminars	Japan/NSS Paris	TBD - Accra/Montreal	TBD - Wellington
IFAC Liaison	Ongoing- education/DNC/PIOB/others	Ongoing- education/DNC/PIOB/others	Ongoing- education/DNC/PIOB/others
IASB Liaison	Monitor ongoing	Monitor ongoing	Monitor ongoing
Information Papers	Issue USA Paper/Develop new country paper	Issue Paper on IPSASB member country	
Potential future projects (Current "wish list")			
MDA/Operations review			
Business Combinations			
Other IFRSs - (IFRS convergence)			
Long-term Fiscal Sustainability			
Fair value in the public sector			
Financial Instruments recog & meas			
Cash Basis IPSAS review			
IAS 26 Retirement Benefit Plans			
Budget GPFS - Prospective			
Performance Reporting (stat convergnce)			
Kyoto Protocol			



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DATE: 30 SEPTEMBER 2006
MEMO TO: MEMBERS OF THE IPSASB
FROM: JOHN STANFORD
SUBJECT: **UPDATE ON PROJECTS OF NATIONAL STANDARDS
SETTERS**

ACTION REQUIRED

The IPSASB is asked to:

- **Note** the Update on projects of standards setters in IPSASB member jurisdictions.

BACKGROUND

On 8 August 2006 staff circulated a table that provided a broad view of various technical projects on the IPSASB work program and on the work programs of national standards-setters in IPSASB member jurisdictions. IPSASB members were requested to update the relevant columns in the table and respond to staff by 15 September. A further reminder was sent on 16 September.

The table has been updated on the basis of information received from the Italian and Swiss Public Members, Argentina, Australia, Canada, India, Israel, Japan, Malaysia, the Netherlands, New Zealand, Norway, South Africa, the United Kingdom and the United States. It is attached to this memorandum.

If staff receives further updates, the attached table will be updated and tabled during the forthcoming IPSASB meeting in Norwalk.

BROAD OVERVIEW OF PROJECT TYPES – STANDARD-SETTERS IN IPSASB MEMBER JURISDICTIONS

**PUBLIC SECTOR PROJECTS AS AT SEPTEMBER 2006
(COMPILED FROM INFORMATION PROVIDED BY IPSASB MEMBERS/TECHNICAL ADVISORS)**

TOPIC	Arg	Aust	Can	Fra	India		Israel	Italy	Jap	Mal	Mex	NZ	N'lands	Nor	SA	UK	Switz	USA	
					ICAI (1)	GASAB (2)												FASAB	GASB
<i>Conceptual Type Projects</i>																			
Performance Reporting – and aspects of including: Non-fin. service/performance indicators Fin. reporting formats and statements and discussion /analysis and economic condition reporting.		✓	✓			☐	✓ (1) (2) (3) (4)	✓				✓	✓	✓	✓	✓			# #
Conceptual Framework or aspects thereof, including	✓		*		✓	✓		✓				✓				✓ (1)	✓	✓	✓
Financial Reporting Entity		✓																#	#
Measurement in fin. statements – including valuation and revaluation of property, plant and equipment, present value			✓			☐	✓	✓				✓	✓	✓	✓	✓ (1)	✓		✓
Monitor IASB-FASB’s joint project on conceptual framework		✓										✓			✓	✓			
<i>IPSASB Active Programs</i>																			
Non-Exchange Revenues and components thereof - Transfers, Contributions, Contributions in kind, External Assistance Received for accrual accounting		✓	✓			☐	✓					✓	✓	✓	✓		✓	✓	✓ #
Social Policy Obligations		*	*									*			✓			#	
Budgetary Reporting – Compliance										✓					✓		✓	#	#

TOPIC	Arg	Aust	Can	Fra	India		Israel	Italy	Jap	Mal	Mex	NZ	N'lands	Nor	SA	UK	Switz	USA	
					ICAI (1)	GASAB (2)												FASAB	GASB
Development Grants and Other Aid (External Assistance, cash accounting only)					✓	✓													
Heritage Assets		✓										✓			✓	✓ (2)		#	✓ #
Asset Impairment – Cash-generating Assets															✓		#		#
Other IASB/IPSAS Convergence projects that overlap with IPSASs, including inventories, sale/lease back, property, plant and equipment, joint ventures, consolidated and separate financial statements, associates					(3)		✓ (5) (6) (7) (8) (9)					✓		✓	✓	✓ (3)			
Employee Benefits (consider IAS 19)					✓		✓					✓			✓			#	# ✓
GAAP/GFS Convergence		✓							✓ *								✓		
<i>Projects considered by IPSASB not yet actioned</i>																			
Service Concessions (monitor IFRIC, IASB, and/or offer to contribute resources to IPSASB collaborative project)		✓					*					✓			✓	✓			✓ (1)
Public Sector Conceptual Framework (offer to contribute resources to IPSASB collaborative project)		✓																	
<i>Other Projects</i>																			
Budget Reporting – prospective information	*							✓				✓ #					✓		
Earthworks																			
Projects that overlap with existing IPSASs, including segments, rel. parties, liabilities, contingent liabilities, hyperinflation economies, disclosure of fin instruments, exchange revenues (and similar)		✓	✓		(4)		✓ (10) (11) (12)		✓			✓		✓	✓		✓	#	#

TOPIC	Arg	Aust	Can	Fra	India		Israel	Italy	Jap	Mal	Mex	NZ	N'lands	Nor	SA	UK	Switz	USA	
					ICAI (1)	GASAB (2)												FASAB	GASB
IASB overlap projects (No IPSAS), including:			✓			<input type="checkbox"/>	✓					✓							
Termination benefits						<input type="checkbox"/>	✓								✓				#
Financial Instruments recognition/measurement or aspects thereof – Derivatives and Hedging			✓									✓					#	✓	✓ #
Government / Business Combinations		✓				<input type="checkbox"/>	✓					✓			✓				✓
Intangible Assets		✓				<input type="checkbox"/>	✓								✓				✓
Capital Assets/Infrastructure Asset			✓				*							✓				#	✓ #
Simplified/Abbreviated Financial Reporting		✓						✓				✓						✓	✓
Net Assets / Fund Balance Reporting																			✓
Pollution Remediation Obligations																		#	✓
Fiduciary Responsibilities																		✓	✓
Disclosures about Administered Items		✓													✓				
Electronic Reporting														#					✓
Securitizations and Other Transfers																			#
GAAP, including hierarchy of guidance			#					✓							✓				
Review of National Standards for Government		✓	✓							✓					✓		✓		
Management Commentary																✓			#
Puttable Options (Co-operative Shares)		✓										✓							
Joint Ventures																			#
Kyoto Protocol/ Emission Rights			✓																
Natural Resources															✓			✓	
Determining control of public sector entities		✓																<input type="checkbox"/>	
Definition of not-for-profit entities		✓	<input type="checkbox"/>															<input type="checkbox"/>	

* Consideration of National Standards for Governments (including Local Governments) and Government Departments in a number of jurisdictions is likely to involve at least some consideration of these issues.

Standards have been issued.

Notes

Canada

- (*) Consideration of National Standards for Governments (including Local Governments) and Government Departments in a number of jurisdictions is likely to involve consideration of some of these issues.
- (#) Standards have been issued.

India

- (1.) The Accounting Standards being formulated by the Institute of Chartered Accountants of India (ICAI) will be applicable to local bodies. These Standards would not apply to the Union Government and State Governments of India which follow cash basis of accounting (refer to footnote 2).
- (2.) Government Accounting Standards Advisory Board (GASAB) constituted by Comptroller & Auditor General (C & AG) of India formulates Accounting Standards for Union Government and State Governments of India.
- (3) The Accounting Standard only on Property, Plant and Equipment is under preparation
- (4) The Accounting Standard only on Segment Reporting is under preparation

Israel

- (1) Adoption of IPSAS 1 *Presentation of Financial Statement*.
- (2) Adoption of IPSAS 3 *Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies*.
- (3) Adoption of IPSAS 14 *Events After the Reporting Date*.
- (4) Adoption of IPSAS 2 *Cash Flow Statements*.
- (5) Adoption of IPSAS 12 *Inventories*.
- (6) Adoption of IPSAS 17 *Property, Plant and Equipment*.
- (7) Adoption of IPSAS 9 *Revenue from Exchange Transactions*.
- (8) Adoption of IPSAS 6 *Consolidated financial statements and accounting for controlled entities*.
- (9) Adoption of IPSAS 7 *Accounting for Investments in Associates*.
- (10) In process of adoption of IPSAS 20 *Related Party Disclosures*.
- (11) In process of adoption of IPSAS 5 *Borrowing Costs*.
- (12) In process of adoption of IPSAS 4 *The Effects of Changes in Foreign Exchange Rates*.

Japan

Draft policy paper for public sector financial reporting, which is prepared by Ministry of Finance emphasizes further harmonization with IPSASs. However, concrete plan on individual issues have not been designed.

(*) A research project is going to start by initiative of statistics authority of the Japanese Government

Netherlands

- (1) Non-financial service/performance indicators : Non-financial indicators project by Public Sector Committee of Royal Nivra (accountants' institute)
- (2) Measurement in fin. statements –Project on land valuation and project on fixed assets by accounting standardsetting body for municipalities and provinces.
- (3) Non-Exchange Revenues: Recognition and valuation of local sewage taxes by accounting standard-setting body for municipalities and provinces.

Norway

- (1) The Government will propose their follow-up of the 10 pilot projects in Norway in October 2006

United Kingdom

- (1) Consultation on the UK Statement of Principles: Interpretation for Public Sector Entities has been completed, but a full Statement has not yet been issued
- (2) Consultation to the UK Discussion Paper has been completed. An exposure draft of amendments to requirements for UK accounting requirements is expected in September.
- (3) Prior to issuance of a full UK Statement of Principles Interpretation, we expect additional work to be progressed on Liabilities and Capital Grants

United States

- (1) Private/Public Partnership (Concessions) project is not an IASB/IFRIC monitoring project



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DATE: OCTOBER 20, 2006
MEMO TO: MEMBERS OF THE IPSASB
FROM: JOHN STANFORD
SUBJECT: IASB UPDATE

ACTION REQUIRED

- Members are asked to **note** the update on the activities of the IASB and IFRIC and the latest publicly available version of the IASB work plan.

BACKGROUND

This memorandum provides a brief update of the activities of the IASB and IFRIC since the IPSASB's meeting in Paris in July 2006. It also includes some points from the IASB meeting in June, which preceded the IPSASB meeting by a few days. The information in this memorandum is drawn from:

- IASB Updates for June, July and September 2006;
- IFRIC Updates for July and September 2006;
- IASB and IFRIC press releases; and
- Review of the IASB website (www.iasb.org) as at October 18, 2006.

The IASB Updates reflect discussions and decisions of the IASB at its June, July and September meetings. The IFRIC Updates reflect discussions and decisions at its July and September meetings. The IASB work plan and timetable at Appendix 1 are extracted from the latest work plan available on the IASB website and show the IASB's most recently published expectations about the publication date for projects on its active agenda. This timetable distinguishes:

- Short-term Convergence Projects with the US Financial Accounting Standards Board (FASB);
- Other Convergence Projects;
- The Conceptual Framework;
- Other Projects (such as Small and Medium Sized Enterprises and Insurance Contracts);
- Amendments to Standards; and
- Research Agenda.

A number of the projects on the work program have not been dealt with in this memorandum, because, in the view of staff, they are not of significant public sector relevance, eg Accounting Standards for Small and Medium-Sized Entities and Insurance. The most recent IASB Updates and IFRIC Updates are available from the IASB website at www.iasb.org, and give considerably more detail on both the projects highlighted in this

Update and a much fuller exposition of the position on IASB and IFRIC activities. The IASB website has been remodeled and was re-launched on 3 October 2006.

Members may wish to note that the IASB has announced that it will not require the application of new IFRSs under development or major amendments to existing IFRS before 1 January 2009. The aim is to provide a period of stability for preparers and provide countries yet to adopt IFRSs with a clear target date for adoption. However, new Standards may be published before 1 January 2009 and it is open to entities to implement standards before their effective date. Interpretations and minor amendments to deal with potential issues identified during implementation would not be subject to this approach. The IASB also intends to allow a minimum of one year between the date of the publication of wholly new IFRSs, or major amendments to existing IFRSs, and the date when implementation is required.

DOCUMENTS RECENTLY ISSUED

IFRS, EDs, IFRIC Interpretations and Draft Interpretations issued by the IASB and IFRIC since the last IASB Update Report include:

	Date of Issue	Document
	June 2006	Amendments to IAS 32, “Financial Instruments”: Puttable Instruments
	July 2006	Conceptual Framework: “Phase A: Objectives and Qualitative Characteristics”
	July 2006	IFRIC 10, “Interim Financial Reporting and Impairment”
	September 2006	IFRIC D19, “IAS 19—The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements”
	September 2006	IFRIC D20, “Customer Loyalty Programmes”

IASB DOCUMENTS ANTICIPATED TO BE ISSUED IN 2006

IASB documents projected to be issued in the remainder of 2006 and the first quarter of 2007, according to the IASB Work Plan are listed in the following table:

	Document
	IFRS on IAS 14, "Segment Reporting"
	ED on IFRS1, "First-time Adoption: Cost of Investment in Subsidiary"
	ED to amend IAS 32, "Financial Instruments: Presentation and Disclosure", on Puttable Instruments
	ED on IAS 33, "Earnings per Share" on Treasury Stock Method
	ED on "Small and Medium-Sized Entities"
	Discussion Paper on "Fair Value Measurement Guidance"
	ED on IAS 24, "Related Party Disclosures"
	IFRS on IAS 23, "Borrowing Costs"
	ED on IAS 12, "Income Taxes"
	Discussion Paper on Insurance Contracts

TECHNICAL PROJECTS

This section deals with certain active projects of the IASB and IFRIC on which there have been developments since the IPSASB meeting in Paris.

(a) Revenue Recognition

At its September meeting the IASB discussed how a performance obligation should be measured after initial recognition under the customer-consideration model in the context of a two-year warranty, in which estimates about the number of expected claims changed at the end of the first-year. Two possible approaches were considered

- Under the first approach, all estimates about the performance obligation are locked in at inception. The estimates are not revised until the measurement of the liability is deemed inadequate compared with a direct measure of the liability, in which case the liability is remeasured; and
- Under the second approach, the subsequent measurement of the performance obligation reflects current estimates of future cash flows. However, the margin used for subsequent measurement is derived from the initial customer consideration and is not revised for subsequent changes.

The IASB noted that the second approach would be more consistent with the model for liabilities being developed in the IAS 37 project and is continuing to explore the issue.

(b) Conceptual Framework

In July the US Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) published for public comment a consultative document setting out their preliminary views on the first two chapters of an enhanced conceptual framework. The draft chapters define the objective of financial reporting, and the qualitative characteristics of decision-useful financial information.

The preliminary views restate the existing framework's definition of the objective of general purpose external financial reporting as providing information that is useful to present and potential investors and creditors and others in making investment, credit and similar resource allocation decisions. The document also identifies relevance, faithful representation, comparability (including consistency) and understandability among the characteristics of financial information that make it decision-useful. From a public sector perspective there have been considerable reservations that there has been an over attention to future decision-making and insufficient attention to stewardship. More detail on the public sector perspective of this Discussion Paper is provided at Agenda Item 11.5.

The IASB continued its deliberations on the reporting entity and control issues at its September meeting. Consistent with its previous consideration of the issue the IASB tentatively decided that the conceptual framework should describe what constitutes an entity for the purposes of financial reporting, but should not define a reporting entity. The IASB also tentatively decided that a group entity for financial reporting purposes should be distinguished from the parent entity and that the control concept should be used to determine the composition of a group entity. A group entity may consist of only those entities under the control of the same ultimate parent. Therefore combined financial statements for a combination of two entities in which one entity was not controlled by the other or both were not controlled by the same ultimate parent, could not be described as general purpose external financial reports prepared in accordance with IFRSs.

In the context of further discussions on "control" the IASB considered the relationship between the control concept and situations in which (a) two or more entities collectively have control of a joint venture or (b) an entity has significant influence over another entity. The IASB tentatively decided that, because control involves a single entity, rather than multiple entities having control over another entity, an individual venturer does not have control over the joint venture. The existence of significant influence by one entity over another also does not mean that it has control over the other entity.

At the September meeting the IASB considered a summary of comment letters received in response to the Discussion Paper, "Measurement Bases for Financial Accounting-Measurement on Initial Recognition", prepared by Staff of the Canadian Accounting Standards Board and issued by the IASB in November 2005. No decisions were made.

I

(c) Interim Financial Reporting and Impairment

IFRIC 10, "Interim Financial Reporting and Impairment" addresses the apparent conflict between the requirements of IAS 34, "Interim Financial Reporting" and those in other Standards on the recognition and reversal in financial statements of impairment losses on goodwill and certain financial assets.

IFRIC 10 states that any such impairment losses recognized in an interim financial statement must not be reversed in subsequent interim or annual financial statements.

(d) Leasing

In July the IASB announced details of a project on lease accounting. The IASB noted that the current accounting requirements, set out in IAS 17, “Leases”, were developed around 25 years ago and have been criticized for allowing similar transactions to be accounted for in very different ways. The project will reconsider all aspects of lease accounting and is expected to lead to a fundamental revision of the way that lease contracts are treated in the financial statements both of lessees and of lessors. This project will be conducted jointly with the US Financial Accounting Standards Board (FASB) and is expected to result in the publication of a joint discussion paper in 2008. IPSAS 13, “Leases” is, of course, drawn primarily from IAS 17.

(e) Employee Benefits, including Pensions

The accounting for employee benefits and, in particular, defined benefit pension plans has received much media attention. The heightened public interest underlines the need for high quality and well-understood financial reporting of pension plans and other employee benefits. The project, to be conducted in two phases, will be a comprehensive reconsideration of the accounting required by IAS 19, “Employee Benefits”. The first phase will consider revisions that would achieve significant improvements in the short term, with a view to an interim standard in 2010. The issues to be included in the first phase of the project are:

- Accounting for intermediate risk plans (including cash balance plans), including the definition of defined benefit and defined contribution arrangements;
- Smoothing and deferral mechanisms;
- Presentation and disclosure; and
- Treatment of settlements and curtailments.

Other aspects of accounting for employee benefits will be considered in the second phase. The FASB is also undertaking a two-phase post-retirement benefits project. Although the timing and scope of the first phases may differ, the two Boards are committed to arriving at a common approach at the end of the second phase.

IASB has subsequently issued a call for nominations for a working group it is setting up to inform the Employee Benefits project. The proposed Employee Benefits Working Group is intended to provide a variety of expert perspectives on accounting for post-employment. As the first step in its due process the IASB intends to publish a Discussion Paper in 2007. ED31, “Employee Benefits” is drawn from IAS 19 (2004).

(f) IAS 24, “Related Party Disclosures”

In July the IASB decided to review IAS 24, “Related Party Disclosures” in the light of issues raised by the Chinese Ministry of Finance and the Accounting Standards Board of Japan (ASBJ) and by interested parties in other jurisdictions.

In the course of its work with the Chinese Ministry of Finance towards the convergence of Chinese accounting standards and IFRSs, the IASB became aware of the difficulties that state-controlled entities face when applying IAS 24. At the same time, work with the ASBJ

highlighted concerns about aspects of the definition of a related party in IAS 24. Similar issues have also been raised by other jurisdictions and contacts around the world.

At its September meeting the IASB tentatively decided that when an entity qualifies as a related party of another entity simply because of the existence of common control from the State, IAS 24 should provide relief from the requirement to disclose related party transactions between the two controlled entities. However, the IASB also decided that there are some situations in which disclosures should be made because of the nature of the relationship that exists. Examples of the indicators that would require the relationship to be disclosed include:

- The existence of compulsion by the State for the entity to act in a particular way;
- The existence of transactions at non-market rates between the two commonly controlled entities;
- Board members in common;
- The use of shared resources; and
- Economically significant transactions.

The IASB also tentatively decided that the entity should disclose that it is not aware of the existence of any indicators that would require the disclosure of other related party transactions. The Board also tentatively decided that the definition of a related party transaction should be clarified to mean transactions between the entity and its related parties rather than transactions between two of an entity's related parties.

Currently IPSAS 18, "Related Party Disclosures" requires the disclosure of related party transactions between related parties other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favorable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances". IPSAS 18 further states that "economic dependency would on its own be unlikely to lead to control or significant influence and is therefore unlikely to give rise to a related party relationship. As such, a single customer, supplier, franchiser, distributor, or general agent with whom a public sector entity transacts a significant volume of business will not be a related party merely by virtue of the resulting economic dependency. However, economic dependency, together with other factors, may give rise to significant influence and therefore a related party relationship." IPSAS 18 encourages reporting entities that are economically dependent on another entity to disclose the existence of that dependency. In the view of Staff IPSAS 18 therefore already incorporates some of the indications highlighted above.

(g) Service Concessions

At its September meeting IFRIC approved, subject to drafting comments to be provided to Staff, a text of an Interpretation on Service Concessions for approval by the IASB for issue as an Interpretation. The text is developed from the 3 Draft Interpretations issued in March 2005-D12, "Service Concession Arrangements-Determining the Accounting Model", D13, "Service Concession Arrangements-the Financial Asset Model" and D14, "Service Concession Arrangements-the Intangible Asset Model". The IFRIC noted the following main changes from the proposals in D12-D14. Some of these changes were highlighted in the IASB Update for the Paris meeting. They include that:

- A more comprehensive discussion of the reasons for the scope limitations (i.e. operators rather than grantors) and the reasons for the control approach are provided;
- The scope of the draft now includes infrastructure used in a service concession arrangement for its entire useful life (“whole of life infrastructure”);
- Modification to the issue of determining whether the financial asset or intangible asset model applies. The financial asset model applies to the extent that the operator has an unconditional contractual right to receive cash from, or at the direction of, the grantor. The intangible asset model applies when the operator receives a license to charge users of the service. Bi-furcation is necessary when the operator is paid for its services partly by a financial asset and partly by an intangible asset;
- Clarification that the nature of the asset recognized by the operator as consideration for providing construction services (a financial asset or an intangible asset) does not determine the accounting for the operation phase of the arrangement; and
- The draft text contains an amendment to IFRIC 4, “Determining Whether an Arrangement Contains a Lease”, to specify that, if a service concession arrangement meets the scope of the draft text, it would not be within the scope of IFRIC 4.

Additional guidance will also be inserted to clarify that, in the context of IAS 23, “Borrowing Costs”, an intangible asset meets the definition of a qualifying asset of the operator because the license to operate the infrastructure would not be ready for use until the infrastructure was constructed. However, a financial asset does not meet the definition of a qualifying asset of the operator. Instead interest is accreted on the carrying value of the financial asset.

Further worked examples will be provided in guidance illustrating the different types of service concession arrangements that exist in practice.

Staff will provide a verbal update at the Norwalk meeting on IASB’s consideration of the Interpretation and whether the IASB has approved the Interpretation for issuance. Agenda Item 10 contains a revised project brief for the IPSASB project on PPPs/Service Concessions”.

(h) IAS 37, “Liabilities”

The IASB continued deliberations on the IAS 37 project at its June, July and September meetings. The project is now termed “Liabilities” rather than “Non-financial Liabilities” as it was previously known. The issues considered included:

- Omitting the probability recognition criteria;
- Determining whether an entity has a liability when the existence of a present obligation is uncertain;
- Eliminating the term “contingent liability”; and
- Recognition of a liability prejudicing the outcome of legal proceedings.

From an IPSASB perspective the discussions on the appropriateness of the probability recognition criterion and the elimination of the term “contingent liability” are particularly relevant. As pointed out by some members and Technical Advisers at previous IPSASB meetings decisions on these issues will have a potential impact on IPSAS 19, “Provisions, Contingent Liabilities and Contingent Assets” and a number of IPSASB projects.

The IASB’s discussion on the probability recognition criterion was in response to the view of a number of respondents disagreeing with the proposal in the ED to omit the probability recognition criterion on the basis that this is inconsistent with the Framework. The IASB took the view that the Framework does not explain what recognition threshold is meant by “probable” and that the “more likely than not” threshold exists only in Standards-level guidance. Furthermore, a “more likely than not” threshold would result in a conclusion that a performance obligation from a guarantee, a warranty or an insurance contract should not be recognized until it is probable that a claim will arise. In the Board’s view such a conclusion would be flawed. In the IASB’s view the notion of probability is relevant to the resolution of element uncertainty. The IASB therefore is of the view that a probability recognition criterion is inconsistent with the measurement requirements proposed in the ED and furthermore is largely inconsistent with the measurement requirements of current IAS 37.

At its July meeting the IASB discussed the proposal in the ED to eliminate the term “contingent liability”, noting that whilst some respondents to the ED had disagreed with the proposal on the basis that the term is well understood and consistently applied in practice, other respondents agreed with the approach in the ED that:

- The current definition of a “contingent liability” is confusing because it is used to describe two distinct notions: an unrecognized present obligation and a possible obligation;
- Describing a present obligation as a possible obligation is contradictory; and
- It is misleading to describe possible obligations as liabilities, even with the modifier “contingent” and arguably at odds with the Framework which states that the existence of a present obligation is an essential characteristic of a liability.

The IASB also noted that the term creates tension between the current IAS 37 and other Standards dealing with liabilities. Items that would be deemed liabilities in other Standards and recognized would be described as “contingent liabilities” in IAS 37. The IASB therefore confirmed its proposal to eliminate the term.

At the September meeting the Board began its re-deliberation of issues associated with the measurement principle proposed in the 2005 Exposure Draft and in particular considered the interpretation of the principle that would require an entity to measure a liability at the amount that it would rationally pay to settle the obligation or transfer it to a third party at the balance sheet date. The IASB explained that the scope of the amendments is to clarify the existing IAS 37 measurement principle and aspects of the accompanying guidance. The IASB wish to emphasize that IAS 37 measurement is based on a current settlement notion as ascertained at the balance sheet date rather than what is described as “an ultimate settlement notion”-the amount required to settle the obligation in the future.

In response to comments to the ED the IASB has also commenced consideration of whether the amount to settle a liability at the balance sheet date is the same as the amount to transfer a liability at the balance sheet date. This issue will be considered further at a future meeting.

Members may wish to note that there will be round-table discussions on the proposed amendments to the recognition and measurement principles in the United States, United Kingdom and Australia in November and December 2006. However, priority attendance is being given to those who provided written responses to the proposed amendments in the ED issued in 2005.

(i) Segment Reporting

In the context of the Short-Term Convergence Project with FASB the IASB discussed a number of issues related to Segment Reporting at its September meeting. One of the issues discussed was the disclosure of geographical information, including issues raised by the Publish What You Pay Campaign, a grouping of non-governmental organizations, primarily concerned with transparency in the geographical reporting of extractive industries. The IASB decided not to address the issues raised by the Publish What You Pay Campaign relating to country-by-country disclosures in the IFRS on operating segments. However, it was decided that a sub-group of IASB members should discuss the issues with relevant bodies. The IPSASB was amongst the bodies indicated, along with the IASC Foundation Trustees, the World Bank, the IMF, the UN and the Financial Stability Forum.

Appendix A

IASB Work Plan

IASB Work Plan - projected timetable as at 30 September 2006

The timetable shows the current best estimate of document publication dates. The effective date of amendments and new standards is usually 6-18 months after publication date. However, except for the items listed in the section 'Amendments to standards', the effective date of IFRSs resulting from the current work plan will be no earlier than financial periods beginning 1 January 2009. In appropriate circumstances, early adoption of new standards will be allowed.

		MoU milestone by 2008	2006	2007					2008	Timing yet to be determined
			Q4	Q1	Q2	Q3	Q4			
ACTIVE AGENDA										
Projects in Memorandum of Understanding (MoU) with the FASB [Note 1]										
Short-term convergence projects										
Borrowing costs	(IASB)	Determine whether major differences should be eliminated and substantially complete work		IFRS						
Government grants [Note 2]	(IASB)								Pending work on Liabilities	
Joint ventures	(IASB)				ED			IFRS		
Segment reporting	(IASB)		IFRS							
Impairment	(Joint)								Staff work in progress	
Income tax	(Joint)			ED				IFRS		
Fair value option	(FASB)									
Investment properties	(FASB)									
Research and development	(FASB)									
Subsequent events	(FASB)									
Other convergence projects										
Business combinations	Converged standards				IFRS					
Consolidations	Work towards converged standards			DP				ED	IFRS	
Fair value measurement guidance	Converged guidance	DP						ED	IFRS	
Financial statement presentation [Note 3]										
Phase A				IFRS						
Phase B	One or more due process documents			DP				ED	IFRS	
Revenue recognition	One or more due process documents					DP		ED	IFRS	

Post-retirement benefits (including pensions)				DP			ED, IFRS
Leases	Agenda decision					DP	
Conceptual Framework							
Phase A: Objectives and qualitative characteristics							
Phase B: Elements, recognition and measurement			DP				
Phase C: Measurement		RT					DP
Phase D: Reporting entity			DP				
Phase E: Presentation and disclosure							DP
Phase F: Purpose and status							DP
Phase G: Application to not-for-profit entities							DP
Phase H: Finalisation [Note 4]							TBD
Other projects							
Small and medium-sized entities	ED			IFRS			
Insurance contracts		DP				ED	IFRS
Liabilities [Note 5]	RT				IFRS		
Emission trading schemes [Note 2]							
Amendments to standards							
Financial instruments: puttable instruments (IAS 32)			IFRS				
Earnings per share: treasury stock method (IAS 33)	ED			IFRS			
First-time adoption: cost of investment in subsidiary (IFRS 1)	ED			IFRS			
Share-based payment: vesting conditions and cancellations (IFRS 2)			IFRS				
Related party disclosures (IAS 24)	ED				IFRS		

RESEARCH AGENDA

Projects yet to be added to the ACTIVE AGENDA but included in the MoU with the FASB (except as shown)

	MOU milestone by 2008
Derecognition	Publish staff research as due process document
Financial instruments (replacement of existing standards)	One or more due process documents
Intangible assets	Consider research and make agenda decision
Liabilities and Equity [Note 6]	One or more due process documents
Extractive activities	Not in MoU

Abbreviations used in the IASB Work Plan:

DP Discussion Paper (containing the Board's preliminary views)

ED Exposure Draft

RT Round-table Discussion

IFRS International Financial Reporting Standard

TBD The type of initial document (DP or ED) is yet to be determined

Notes:

¹The Memorandum of Understanding (MoU) sets out the milestones that the FASB and the IASB have agreed to achieve in order to demonstrate standard-setting convergence, which is one part of the process towards removal of the requirement imposed on foreign registrants with the SEC to reconcile their financial statements to US GAAP.

[Click here for more information on the MoU.](#)

²Work on government grants and emission rights has been deferred pending conclusion of work on other relevant projects.

³The Financial Statement Presentation project was formerly known as the Performance Reporting project.

⁴The IASB and the FASB are considering how they will finalise the Conceptual Framework project, once the initial documents on each phase have been subject to public consultation and redeliberation by the boards.

⁵The Liabilities project is the amendments to IAS 37. It was formerly known as the Non-financial Liabilities project.

⁶Project is being conducted as a 'modified joint' project, ie the IASB expects to make a formal agenda decision and begin work when the FASB has completed work on an initial discussion document.