

## **Rules of the Road**

### **Guidelines for Modifying IASB Documents**

In November 2007 the IPSASB considered a draft of guidelines to be applied in modifying IASB documents for convergence. The Board reviewed the guidelines at length including a revised version, making suggestions for improvement.

It was agreed that a revised version would be posted to the intranet by December 15 for comment and this was done December 11, 2007. It was also agreed that staff should start using this revised version in reviewing materials for the March meeting.

In addition the revised version was provided to IASB observers who attended the November 2007 meeting as well to the IASB Chair David Tweedie.

### **Comments received**

Only four IPSASB members provided feedback on the revised rules of the road. Two of these commented positively that the revised document reflected the changes discussed in Beijing. Two provided more detailed comments including proposals for modifying the document. Given the positive nature of the responses staff has taken some comfort that generally members and TAs were content with the revised version posted.

Staff has reviewed the comments received and is proposing some changes to the document. Staff does not believe that any of these changes are substantive but agrees that they do improve the document and has used discretion in making changes. Given the general agreement with the revised guidelines, it is not intended to discuss this revised document at length at this meeting.

One issue raised by one of the respondents was the value of the flowchart and whether it serves the purpose intended, i.e. to clarify the guidelines. The respondent suggested its removal. Staff has left the flowchart intact (other than some editorial changes) but would like the IPSASB to provide feedback on its value.

### **Conclusion**

In Beijing the IPSASB agreed that it would like to proceed to field testing the guidelines over the next few months and based on this experience determine any changes that may be needed. The intent is that the document will be kept as a working document at this stage with the understanding that it is evolutionary and subject to change based on the experience in applying it. In the meantime it will provide a framework for staff to use in assessing IASB documents and a framework for the Board to use in analyzing public sector differences.

The IPSASB agreed that in November 2008 it would revisit the guidelines and determine whether any changes would be required. A decision will be made at that time as to whether the guidelines should be posted publicly on the website.

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## Guidelines for Modifying IASB Documents

~~December~~ January 2007 2008



International Federation  
of Accountants

## GUIDELINES FOR MODIFYING IASB DOCUMENTS

### Introduction

The IPSASB's mission is:

*"To serve the public interest by developing high-quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements."*

This will enhance the quality and transparency of public sector financial reporting by providing better information for public sector financial management and decision making. In pursuit of this objective, the IPSASB supports the convergence of international and national public sector accounting standards and the convergence of accounting and statistical bases of financial reporting where appropriate.

In pursuing its mission the IPSASB develops accrual IPSASs that:

- are converged with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) by adapting them to a public sector context when appropriate. In undertaking that process, the IPSASB ~~attempts,~~ wherever possible, ~~to maintain~~ the accounting treatment and original text of the IFRSs unless there is a significant public sector issue which warrants a departure; and
- deal with public sector financial reporting issues that are either not comprehensively or appropriately dealt with in existing IFRSs or for which IFRSs have not been developed by the IASB. ~~(IPSAS Handbook, Preface, paragraph 18)~~

These Guidelines have been developed to assist the IPSASB ~~in identifying public sector issues when considering IASB documents for convergence and assessing to determine whether such public sector issues warrant differences in accounting treatment between the IASB document and the related IPSASB document.~~ To that end the following pages set out the process which will be followed by staff, ~~and the rules that they will apply within the process.~~

It is important to note that in applying these Guidelines, professional judgment will be required by the IPSASB in each case. It will be necessary at times to interpret the Guidelines in order to make a decision. In all cases, the reasons for IPSASB decisions will be documented in the related Basis for Conclusions. In addition, an ongoing assessment of the relationship with other IPSASB standards, particularly internal consistency between standards, will be part of the process. Finally, as the IPSASB's conceptual framework develops, all proposed amendments will be considered in the context of the conceptual framework.

The process of assessing IASB documents is continuous and evolutionary. In applying these Guidelines, new information may become available or ongoing analysis may demonstrate that the initial assessment that a project would be addressed as an IFRS convergence project is no longer valid and that a separate public sector project should be initiated.

## Step 1: Are there public sector issues that warrant departure?

### Step #1 Rules

*The goal of applying these rules is to assess public sector issues to determine if they warrant a departure in recognition or measurement or in presentation or disclosure.*

In determining whether there is a public sector issue that warrants a departure from an IASB document, the following ~~rules~~ would be ~~observed~~ considered:

1. Where applying the international accounting standards/interpretations would mean the objectives of public sector financial reporting would not be met.
2. Where applying the international accounting standards/interpretations would ~~result in a loss of~~ affect the accountability to stakeholders.
3. Where applying the international accounting standards/interpretations would mean the qualitative characteristics of public sector financial reporting would not be met.
4. Where the cost of applying the international accounting standards/interpretations exceeds the benefit.

All decisions should be made in the context of considering:

- Consistency with the IPSASB conceptual framework as it develops;
- Internal consistency with existing IPSASs; and
- Consistency with the statistical bases.

Items that might affect the above consideration would ~~be considered~~ include:

- the existence of sovereign powers;
- the existence of contributed/donated assets or non-exchange activities;
- the existence of non cash generating activities or assets;
- the existence of social benefits;
- accountability/stewardship differences;
- governance or management structural differences;
- sustainability issues;
- differences related to the structure or control of assets; and
- consolidation of GBEs in whole of government financial statements.

~~All decisions should be made in the context of considering:~~

~~Consistency with the IPSASB conceptual framework as it develops;  
Internal consistency with existing IPSASs; and  
Inconsistency with the statistical basis.~~

***If the answer in consideration of step 1 as a result of applying the rules is that the results in public sector issues that warrant a departure, then proceed to step 2.***

*If the ~~answer is that the~~ public sector issues do not warrant departure then proceed directly to an IPSASB equivalent document where changes are made only to “public sectorize” the language and terminology (see step 4 guidelines).*

**Step 2: Are the ~~departures~~ public sector issues so significant that a public sector specific project should be initiated?**

**Step #2 Rules**

*The goal of applying these rules is to determine if the public sector issues that warrant a departure from the related IASB document are so significant that a public sector specific project should be initiated.*

In assessing whether a public sector specific project should be initiated, the nature of the public sector issue identified and its significance in the public sector would be considered. If the ~~transaction issue~~ is of greater materiality or significance than in the private sector, this might lead to the conclusion that a separate public sector project should be undertaken. This would normally be the case if, for example, when assessing the standard as a whole such a determination is made rather than on a requirement by requirement basis within the standard.

These considerations will arise, for example, when a public sector issue is not dealt with at all in an IASB document. In this case it is likely that a separate public sector project will be initiated. As an example, the IPSASB initiated its project on service concession arrangements because the IASB IFRIC dealt only with the operator side of these transactions. The public sector is often involved in such transactions as the grantor. The lack of guidance on such a fundamental issue drove the IPSASB to approve a new project on service concessions arrangements for the public sector.

In other situations the IASB document may deal with an issue but it may not respond to public sector circumstances. Or, how the issue is dealt with may not be adequate for the public sector. In such situations an assessment of the significance of the issue and the adequacy with which it has been dealt with in the IASB document ~~cost/benefit~~ will be important in deciding whether to amend an IASB document or initiate a public sector project.

~~For example, the IPSASB initiated the conceptual framework project because the fact that the objectives and users of government financial reports are fundamentally different was assessed as significant due to its pervasive effect on the framework as a whole.~~

*If the ~~answer in step~~ consideration of 2 as a result of applying the rules is that ~~the~~ results in public sector differences that are so significant that a public sector specific project should be initiated, a project brief would be prepared for the IPSASB's approval and the project would proceed along the standard setting due process.*

*If the differences are such that they are not so ~~fundamental~~ significant as to require a separate project but can be addressed within a document converged with IASB, then proceed to step 3.*

### Step 3: Modify IASB documents

#### Step #3 Rules

*The goal of applying these rules is to set parameters on the modifications that would be made to an IASB document to address public sector differences.*

When a decision has been made that public sector issues that warrant departure can be addressed within a converged IASB document with some modification, it is important to establish parameters for the extent of modification allowed. Modifications should be made ~~only as they relate to~~ to address the specific public sector issue that provoked the amendment. ~~The following rules apply in~~ determining the modifications that would be made, the following would be considered:

- i) Recognition and measurement requirements may be modified ~~only~~ if doing so will result in the objectives of public sector financial reporting being better met.
- ii) Where appropriate, deletions from, or other amendments to, an IASB standard will be replaced by an alternative that achieves the objective of ~~the deleted requirement~~ public sector financial reporting.
- iii) Amendments would occur to eliminate options in accounting treatments if one option is clearly inappropriate for the public sector. Likewise, options in accounting treatments may be added ~~but only~~ if doing so will result in the objectives of public sector financial reporting being better met.
- iv) Guidance may be added that provides public sector context.
- v) ~~It is expected that IFRS disclosures would be minimum disclosures unless~~ may be modified where a) they relate to recognition and measurement requirements that have been deleted in accordance with i) above or b) a cost/benefit analysis indicates that deleting some disclosures or adding other disclosures would be appropriate for the public sector. Disclosure requirements may be added in order to better meet the objectives of public sector reporting.
- vi) Public sector examples may be added. Examples would be deleted if they are clearly inappropriate or inapplicable for the public sector. If examples are deleted it is expected that comparable public sector examples would be added.
- vii) Amendments may be made to the scope to be consistent with existing IPSASs.
- viii)

Having amended the IASB document as necessary, proceed to step 4.

**Step 4: Issue Make IPSAS style and terminology changes to converged  
(to varying degrees) with IASB documents**

**Step #4 Rules**

*The goal of applying these rules is to identify changes in style and terminology that are to be applied to all IPSASs.*

In all cases, when an IPSASB document is converged with a related IASB document, changes will be made to the style and structure for preparing or modifying the related IPSASB document. In that context, amendments will be limited and would result after the following considerations: applying the following rules:

- i) The text and style of the ~~IFRSs-IASB document~~ will be maintained as much as possible. Where changes in style are made it is expected that these would simplify or clarify the document from a public sector perspective and that these would be consistent with the prescribed style for IPSASB documents.
- ii) The word “shall” rather than “should” ~~is~~ will be used.
- iii) A boxed rubric ~~is~~ will be included at the front of each IPSAS. The rubric identifies the material that constitutes the IPSAS, and the documents that provide the context in which the IPSAS should be read.
- iv) Unnecessary definitions in certain ~~IFRSs-IASB documents~~ will be deleted.
- v) References to IAS/IFRS for which an equivalent IPSAS has not been issued will be replaced with “the relevant international or national accounting standard dealing with [specific topic]”.
- vi) Certain terminology changes will be made to better reflect the public sector scope of the documents. For example, “business” will be replaced with “entity”.
- vii) Appendices will form part of an IPSAS to which they belong.
- viii) Amendments to Other Pronouncements will be included as an appendix to the IPSAS. The appendix identifies amendments to other IPSASs that arise as a consequence of updating the IPSAS. Certain non-authoritative Appendices (such as Illustrative Examples) will be relabeled as Implementation Guidance, which accompanies but does not form part of an IPSAS.
- ix) Each IPSAS will include a Basis for Conclusions. The Basis for Conclusions accompanies but does not form part of an IPSAS. The Basis for Conclusion will focus on the modifications to the IASB document. Specifically, the Basis for Conclusions will include a detailed description of the public sector issue, the rationale for allowing a departure from the related IASB document and the implications of the changes being made.
- x) Initial adoption and transitional provisions may differ to reflect public sector circumstances.

## Guidelines for Modifying IASB Documents

### IASB PROJECT DOCUMENTS

