



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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Agenda Item

9

DATE: February 11, 2009
MEMO TO: Members of the IPSASB
FROM: Qi Chang
SUBJECT: Annual Improvements

OBJECTIVE OF THIS SESSION

To **review** and **discuss** the outline proposed changes to certain IPSASs following review and evaluation of “Improvements to IFRS” (Issued in May 2008 by the IASB) and “Exposure Draft of Proposed Improvements to IFRS” (Issued in August 2008, by the IASB with a consultation period that expired on December 15th 2008). To **provide** directions so that an ED, “Improvements to IPSASs” can be brought to the May meeting.

AGENDA MATERIAL

- 9.1 Process for Reviewing and Modifying IASB documents (Rules of the Road)
- 9.2 Project Brief and Outline
- 9.3 Comparison of Improvements and Proposed Improvements to IFRS and Preliminary Draft Improvements to IPSASs

ACTION REQUIRED

To **review** the approach to dealing with the IASB’s adopted and proposed annual improvements, and to **provide** directions so that an Exposure Draft of improvements to IPSASs can be brought to the May meeting.

BACKGROUND AND BASIS OF DEVELOPMENT OF APPROACH

In May 2008, IASB issued “Improvements to IFRS”, which sets out amendments to certain IFRSs and provides a rationale for those improvements in Bases for Conclusions. The IASB publication represented the first output from the IASB’s revised approach to improvements, which adopts an annual cycle. The May 2008 Improvements were in 2 parts. Part I proposed substantive amendments to 14 IFRSs. Part II proposed editorial and terminological changes to 9 IFRSs. (4 IFRSs-IAS 20, “Accounting for Government Grants and Disclosure of Government Assistance” IAS 28, “Investments in Associates”, IAS 40, “Investment Property” and IAS 41, “Agriculture” were covered in both parts of the IASB publication). Of the 19 IFRS affected by the changes, there are 13 direct IPSASB equivalents. Changes to IFRS 7, “Financial Instruments: Disclosure” IAS 38, “Intangible Assets” IAS 39, “Financial Instruments: Recognition and Measurement” and IAS 41, “Agriculture” have been reflected in the development of the EDs primarily drawn from those IFRSs, which are in Agenda Item 2 for this meeting. Because of timing, ED 35, “Borrowing Costs”, which was issued in September 2008, did not reflect the change to IAS 23.

Subsequently, the IASB issued its second round of improvements, “Exposure Draft of Proposed Improvements to IFRS” in August 2008 with a consultation period that expired in November 2008. This proposed amendments to 8 IFRSs. There are 3 current IPSASs, which are direct equivalents of these IFRSs: IPSAS 2, “Statement of Cash Flows”, IPSAS 9, “Revenue from Exchange Transactions” and IPSAS 26, “Impairment of Cash-Generating Assets”. At the time of drafting the IASB was still considering the consultation response and had not adopted the proposed improvements. The *IASB Update* for January 2009 indicated that the IASB had reaffirmed 7 proposed amendments, including those to IAS 7, “Statement of Cash Flows”, IAS 18, “Revenue” and IAS 36, “Impairment of Assets”, which have a potential effect on the above 3 IPSASs. The full position should be known when an ED of “Improvements to IPSASs” is presented at the May meeting. The IASB’s intentions related to the proposed amendments to IAS 39 are discussed in Agenda Item 2B.

As a result of the improvements that have already been adopted by IASB and those proposed by IASB Staff considers that changes are warranted to the following current IPSASs:

IPSAS 2, “Cash Flow Statements”
IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors”
IPSAS 6, “Consolidated and Separate Financial Statements”
IPSAS 7, “Investments in Associates;”
IPSAS 8, “Interests in Joint Ventures”
IPSAS 9, “Revenue from Exchange Transactions”
IPSAS 10, “Financial Reporting in Hyperinflationary Economies”
IPSAS 14, “Events After the Reporting Date”
IPSAS 16, “Investment Property”;
IPSAS 17, “Property, Plant and Equipment”
IPSAS 25, “Employee Benefits” and
IPSAS 26, “Impairment of Cash-Generating Assets.”

Outline proposed changes to these IPSASs and their relationship to the IASB’s changes (and proposed changes) are shown at Agenda Item 8.3.

Because of the likelihood that it will be withdrawn, Staff does not think that it is appropriate to propose improvements to IPSAS 15, “Financial Instruments” Disclosure and Presentation.” Improvements to IFRS 7 and consequential amendments to both IFRS 7 and IAS 32 are dealt with in the development of ED 37, “Financial Instruments: Presentation “ and ED 39,”Financial Instruments: Disclosure” at Agenda Item 2.

A decision on how to deal with the improvement to IAS 23, “Borrowing Costs” that modifies commentary relating to the definition of borrowing costs, is dependent on a decision on how, and if, to progress ED 35. This improvement is therefore not considered further in these agenda papers. In the view of Staff it is inappropriate to effect the change

to any draft IPSAS based on ED 35 without consultation and consulting on an improvement to current IPSAS 5 that may be withdrawn seems unwise.

This project is of “narrow scope”. It only deals with improvements that have as their primary source the IASB documents highlighted above. It does not deal with more general improvements to the current suite of IPSASs, although the agenda papers have highlighted some editorial issues that might be rectified.

Qi Chang
Technical Manager, IPSASB

PROCESS FOR REVIEWING AND MODIFYING IASB DOCUMENTS (RULES OF THE ROAD)”

ANNUAL IMPROVEMENTS

Consistent with all IFRS convergence projects, the starting point is an analysis of public sector issues using the IPSASB, “Process for Reviewing and Modifying IASB Documents” (Rules of the Road). The Rules of the Road have been applied to the relevant IASB documents— “Improvements to IFRS” (issued in May 2008) and “Exposure Draft of Proposed Improvements to IFRS” (issued in August 2008) to determine whether this should be an IFRS convergence project or whether a public sector specific project is needed.

In reviewing both IASB documents, Staff has identified a number of departures, where improvements have been made, or have been proposed, to IFRS, for which there are equivalent IPSASs, as follows:

1. Measurement of Subsidiary Held for Sale in Separate Financial Statements (Improvement to IAS 27)

The amendment to IAS 27, “Consolidated and Separate Financial Statements” in the May 2008 IASB Improvements relates to an apparent inconsistency between IAS 27 and IFRS 5, “Non-current Assets held for Sale and Discontinued Operations”. The issue is the accounting by a parent in its separate financial statements, when investments it accounts for in accordance with IAS 39, “Financial Instruments: Recognition and Measurement” are classified as held for sale in accordance with IFRS 5. Paragraph 38 of IAS 27 requires an entity that prepares separate financial statements to account for such investments that are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5. However, financial assets that an entity accounts for in accordance with IAS 39 are excluded from IFRS 5’s measurement requirements. The amendment to paragraph 38 of IAS 27 clarifies that an entity should continue to account for such investments in accordance with IAS 39 when they meet the held for sale criteria in IFRS 5.

There is no IPSAS equivalent of IFRS 5 and therefore no inconsistency between IPSASs arises. Staff has therefore concluded that an amendment to IPSAS 6, “Consolidated and Separate Financial Statements” is unnecessary.

2. Description of Measurement Basis in Financial Statements (Improvement to IAS 29)

The amendment to IAS 29, “Financial Reporting in Hyperinflationary Economies” in the May 2008 IASB Improvements relates to the restatement of financial statements. IASB considered that paragraph 6 of IAS 29 did not reflect the fact that a number of assets and liabilities may or must be measured on the basis of a current value rather than a historical value. Therefore, IASB included examples rather than a definitive list of such items. The equivalent of IAS 29, IPSAS 10, “Financial Reporting in Hyperinflationary Economies” does not include the equivalent of paragraph 6 of IAS 29. Staff therefore concluded that an amendment to IPSAS 10 is unnecessary. There are further minor changes to 2 other commentary paragraphs in IAS 29 (paragraphs 15 and 19). Staff considers that these are contingent on the change to paragraph 6 and does not think that these changes need to be reflected in IPSAS 10.

3. Unit of Accounting for Goodwill Impairment (Improvement to IAS 36)

IASB proposes to amend paragraph 80(b) of IAS 36 “Impairment of Assets” to state that the required unit for goodwill impairment in IAS 36 is not larger than the operating segment level as defined in paragraph 5 of IFRS 8, “Operating Segments” before the aggregation permitted by paragraph 12 of IFRS 8. IPSAS 26, “Impairment of Cash-Generating Assets” currently excludes “goodwill” from its scope (see paragraph 2(i), IPSAS 26), although ED 41, “Entity Combinations from Exchange Transactions” is likely to propose consequential amendments that would bring the impairment of goodwill and related topics within the scope of IPSAS 26. Regardless of this point, IPSAS 18, “Segment Reporting” is primarily drawn from the 1997 version of IAS 14, “Segment Reporting.” Staff therefore does not consider that a change to IPSAS 26 is currently necessary.

4. Costs of Originating a Loan (Improvement to Appendix of IAS 18)

The editorial amendments to IAS 18 “Revenue” relate to a non-authoritative Appendix dealing with Financial Service Fees. Although IPSAS 9 includes an Appendix on this subject the paragraphs affected by the amendments do not have direct equivalents. Staff therefore does not think that a change to IPSAS 9 is necessary.

The following table provides details of IPSASs which Staff considers should be improved together with the subject of the improvement and brief details of the substance of the proposed improvement:

IPSASs Affected/IFRS Equivalent	Subject of Improvement or Proposed Improvement*	Substance of Proposed Improvement
<i>Part I Substantive Changes</i>		
IPSAS 2, “Cash Flow Statements”/IAS 7, “Statement of Cash Flows” *	Classification of expenditures on unrecognized assets	Only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities.
IPSAS 7 “Investments in Associates/IAS 28, “Investments in Associates”	Required disclosures when investments in associates are accounted for at fair value through surplus or deficit	For investments accounted for at fair value through surplus or deficit disclosure of the nature and extent of any significant restrictions on the ability of associates to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances (paragraph 43(f)) of IPSAS 7.

	Impairment of investment in associate	An investor should not allocate an impairment loss to any asset that forms part of the carrying amount of the investment in the associate because the investment is the only asset that the investor controls and recognizes, and any reversal of this impairment loss should be recognized as an adjustment to the investment in the associate to the extent that the recoverable amount of the investment increases.
IPSAS 8, “Interests in Joint Ventures”/IAS 31, “Investments in Joint Ventures”	Required disclosures when interests in jointly controlled entities are accounted for at fair value through surplus or deficit	For interests in jointly controlled entities that are accounted for at fair value through surplus or deficit disclosures related to capital commitments, interests in significant joint ventures and jointly controlled entities (paragraphs 62 & 63 of IPSAS 8)
IPSAS 16, “Investment Property”/IAS 40, “Investment Property”	Property under construction or development for future use as investment property	In addition to including investment property under construction within the scope of IPSAS 16, proposed change would also allow investment property under construction to be measured at cost, if fair value cannot be measured reliably until such time as the fair value becomes reliably measurable or construction is completed (whichever comes earlier).
IPSAS 17 “Property, Plant and Equipment”/IAS 16 “Property, Plant and Equipment”	Sale of assets held for rental	Entities whose ordinary activities include renting and subsequently selling the same assets should recognize revenue from both renting and selling the assets.
IPSAS 25, “Employee Benefits”/IAS19, “Employee Benefits”	Replacement of term “fall due”	The critical factor in distinguishing between long-term and short-term benefits is the timing of the expected settlement. Therefore, other long-term benefits are those that are not <i>due to be settled</i> within twelve months after the end of the period in which the employees rendered the service.

	Curtailments and negative past service cost	If a change to a benefit plan affects the extent to which future salary increases after the reporting date are linked to benefits payable for past service, all of the effect of that change on the present value of the defined benefit obligation should be treated as a curtailment, not a negative past service cost.
	Plan administration costs	Requires the deduction of plan administration costs only to the extent that such costs have not been reflected in the measurement of the defined benefit obligation.
IPSAS 26, “Impairment of Cash-Generating Assets”/IAS 36, “Impairment of Assets”	Disclosure of estimates used to determine recoverable amount	Requires the same disclosures for fair value less costs to sell and value in use when discounted cash flows are used to estimate recoverable amount.
<i>Part II More Minor Changes</i>		
IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors”/IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors”/	Status of implementation guidance	Only guidance that is identified as an integral part of IPSASs is mandatory.
IPSAS 6, “Consolidated and Separate Financial Statements”/IAS 27, “Consolidated and Separate Financial Statements”/ “	Editorial changes	No substantive change
Appendix of IPSAS 9, “Revenue from Exchange Transactions”/ Appendix of IAS 18, “Revenue”*	Determining whether an entity is acting as a principal or as an agent	An entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. An entity is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services.

IPSAS 10, “Financial Reporting in Hyperinflationary Economies”, IAS 29, “Financial Reporting in Hyperinflationary Economies	Editorial changes	No substantive change.
IPSAS 14, “ Events After the Reporting Date”/ IAS 10, “Events after the Reporting Date”	Dividends declared after the end of the reporting period	If dividends or similar distributions to owners are declared after the reporting date but before the financial statements are authorized for issue, the dividends or similar distributions are not recognized as a liability at the reporting date because no obligation exists at that time.
<p>The IFRSs with “*” are included in <i>Exposure Draft of Proposed Improvements to IFRS</i> (issued in August 2008). These improvements had not been adopted by IASB as at February 10 2009. The <i>IASB Update</i> for January 2009 indicated that IASB had reaffirmed these proposed improvements ;</p> <p>The other improvements were in <i>Improvements to IFRS</i> (issued in May 2008) and have therefore been adopted.</p>		

APPLYING THE RULES OF THE ROAD

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

In applying the rules in Step 1, public sector issues are assessed to determine if they warrant a departure in recognition, measurement, presentation or disclosure requirements in IFRSs.

In addressing Step 1, Staff has reviewed the public sector issues identified above and analyzed them in the context of the following considerations.

1. Whether applying the requirements of the IASB document would mean that the objectives of public sector financial reporting would not be adequately met.

IPSAS 1 notes that the objectives of general purpose financial reporting in the public sector should be to provide information useful for decision-making, and to demonstrate the accountability of the entity for the resources entrusted to it (paragraph 15). There are 4 improvements to IFRSs for which there are current IPSAS equivalents identified above where improvements are not warranted because the subject of the IASB improvement is not dealt with in the current IPSAS.

2. Whether applying the requirements of IASB document would mean that the qualitative characteristics of public sector financial reporting would not be adequately met.

The IPSASB is addressing qualitative characteristics in its conceptual framework project. The existing IPSASB qualitative characteristics are Understandability, Relevance, Reliability and Comparability.

Staff is of the view that none of the public sector issues raised would have a significant and negative impact on the qualitative characteristics of public sector financial reporting.

3. Whether applying the requirements of IASB document would require undue cost or effort.

There is no indication that the improvements proposed will cause undue cost or effort factors are a major concern.

Summary of Step 1 – Analysis:

Areas of consideration	Issue Identified	Comments
1) Cause objectives of financial reporting to be adequately met?	Measurement of Subsidiary Held for Sale in Separate Financial Statements	No, the inconsistency in IFRSs does not exist in IPSASs.
	Description of Measurement Basis in Financial Statements	No equivalent paragraph in IPSAS 10.

	Unit of Accounting for Goodwill Impairment	Approach based on definition of operating segment in IFRS 8, for which no direct IPSAS equivalent. Goodwill impairment testing currently outside the scope of IPSAS 26
	Costs of Originating a Loan	No, sub-paragraph has no equivalent in IPSAS 9.
2) Cause qualitative characteristics not to be met?	No	N/A
3) Require undue cost or effort?	No	N/A

Conclusion Step 1: Staff concludes that there are four improvements noted above that warrant departure from the improvements to IFRSs.

Therefore in applying the guidelines we need to proceed to Step 2.

Step 2: Should a separate public sector project be initiated?

Four improvements warranting departures from IFRSs have been identified in Step 1. Staff is of the view that the departures identified in Step 1 do not require the initiation of a separate public sector specific project.

Conclusion Step 2: Staff concludes that there is no need to initiate a separate public sector project.

Step 3: Modify IASB documents:

The improvements identified above that are not relevant to current IPSASs and can be dealt with by not developing amendments to IPSASs based on them. Relevant improvements can be developed by drawing on the IASB documents.

Conclusion Step 3: Staff concludes that the improvements that warrant changes can be addressed by modifying the IASB documents.

Step 4: Make IPSAS style and terminology changes to IASB documents

The relevant improvements will be made to reflect IPSAS style and terminology.

Qi Chang
TECHNICAL MANAGER



INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD

PROJECT BRIEF AND OUTLINE

1. Subject – Annual Improvements

The IPSASB has identified “Annual Improvements” as a convergence project with International Financial Reporting Standards (IFRS).

a) Issues Identification

The principal issue is identifying improvements, where, although there is an IPSAS equivalent to the IFRS that has been improved (or where an improvement is proposed), there is no need for an improvement to the IPSAS.

b) Objectives to be achieved

The objective is to improve public sector financial reporting by reducing differences with IFRS equivalents. This contributes to the development of accounting information useful for decision-making, and thereby enhances the demonstration of accountability of the entity for the resources entrusted to it.

c) Link to IFAC/IPSASB Strategic Plans

i. Link to IPSASB Strategy

The annual improvements project is in furtherance of the IPSASB strategic theme: “IFRS Convergence”.

ii. Link to IFAC Strategic Plan

The annual improvements project is in accordance with the IFAC strategic theme: “Recognition as the International Standard Setter” and also has a direct impact on the “Enhancement of Collaborative Efforts” theme, as it involves convergence with a current IFRS.

2. Outline of the Project

a) Project Scope

The project applies to those IPSASs that are potentially affected by the improvements to IFRSs that were adopted in May 2008 by IASB and those proposed in August 2008, but which had not been adopted by IASB at the time that this agenda item was drafted.

b) Major Problems and Key Issues that Should be Addressed

I Non-adoption of certain improvements to IFRSs where there is an equivalent IPSASs

Some improvements to IFRSs for which there is an equivalent IPSAS, are not appropriate because the IFRS improvements relate to requirements and/or guidance that do not have equivalents in the IPSASs or where the text and requirements of IPSASs differ from those in related IFRSs.

II Apply the improvements to IFRSs adopted by IPSASs through similar approaches

After comparing and analyzing the improvements to IFRSs and the related IPSASs (see Agenda Item 8.3 *Comparison of Improvements and Proposed Improvements to IFRS and Preliminary Draft Improvements to IPSAS*), Staff concludes that the majority of the relevant improvements to IFRSs could be applied to IPSASs.

3. Describe the Implications for any Specific Persons or Groups

a) Relationship to IASB

This project draws on the IASB's "Improvements to IFRS" (Issued in May 2008) and "Exposure Draft of Proposed Improvements to IFRS" (Issued in August 2008).

4. Development Process, Project Timetable and Project Output

a) Development process

The development of outputs will be subject to the IPSASB's formal due process. The issuance of documents for public comment will be subject to the usual IPSASB voting rules. As the project progresses, regular assessments will be made to confirm the proposed path in the project timetable remains the most appropriate.

The next step is development of an ED of "Improvements to IPSASs" based on the IASB documents. Following analysis of submissions on the Exposure Draft, a full document will be developed.

b) Project timetable

The project timetable should identify the major project milestones and the expected timeline for achieving the objectives.

	Expected Completion
Issues Paper & Project Brief Preliminary Proposed Amendments and Directions	February 2009

Approve Exposure Draft	May 2009
Issue Exposure Draft	June 2009. Response date October 31, 2009
Review of responses	February 2010
Approve Final IPSAS	May 2010

The above timetable reflects a standard consultation period of 4 months and the operating convention that responses and an IPSAS based on the ED will not be considered at the same meeting. The timeline could be reduced, if a shorter consultation period is adopted, or if a draft IPSAS is considered at the same meeting as the responses.

c) Project output

The expected output will be an IPSAS, “Improvements to IPSASs” converged with IASB, “Improvements to IFRS” (Issued in May 2008) and “Exposure Draft of Proposed Improvements to IFRS” (Issued in August 2008 and as adopted by IASB). Improvements will be incorporated into the text of relevant IPSASs in the IPSAS Handbook.

5. Resources Required

a) Task Force

A Task Force will not be required.

b) Staff

One staff member will be required on this project for the period of development of the ED. It is anticipated that approximately one-half of an FTE is needed.

6. Important Sources of Information that Address the Matter being Proposed

1. IASB, “Improvements to IFRS” (Issued in May 2008);
2. IASB “Exposure Draft of Proposed Improvements to IFRS” (Issued in August 2008).

Prepared by Qi Chang Date
(Technical Manager IPSASB)

The following should be completed after board or committee approval and after revising the project proposal form to reflect any changes by the board or committee.

Approved by _____ Date
(Chair IPSASB)

COMMENTS BY TECHNICAL MANAGERS

The comments of Technical Manager from each technical area are required before this Project Proposal is considered by the board or committee proposing to undertake the project.

Technical Manager to the Compliance Advisory Panel

[Insert comments (prompts – views on importance of project, other matters wished to be communicated)]

Signed _____ Date _____

Technical Manager to the DNC

[Insert comments (prompts – views on importance of project, other matters wished to be communicated)]

Signed _____ Date _____

Technical Manager to the SMPC

[Insert comments (prompts – views on importance of project, other matters wished to be communicated)]

Signed _____ Date _____

Technical Manager to the IESBA

[Insert comments (prompts – views on importance of project, other matters wished to be communicated)]

Signed _____

Date _____

Technical Manager to the IAASB

[Insert comments (prompts – views on importance of project, other matters wished to be communicated)]

Signed _____

Date _____

Technical Manager to the PAIB Committee

[Insert comments (prompts – views on importance of project, other matters wished to be communicated)]

Signed _____

Date _____

Technical Manager to the IAESB

[Insert comments (prompts – views on importance of project, other matters wished to be communicated)]

Signed _____

Date _____

Technical Manager to the Transnational Auditors Committee

[Insert comments (prompts – views on importance of project, other matters wished to be communicated)]

Signed _____

Date _____

Comparison of Improvements and Proposed Improvements to IFRS and Preliminary Draft Improvements to IPSASs

PART I		
IFRSs	IPSASs	Differences
IAS 7 Statement of Cash Flows	IPSAS 2 Cash Flow Statements	
<p>Proposed amendment to IAS 7 Statement of Cash Flows Paragraph 16 is amended (new text is underlined and deleted text is struck through) and paragraph 56 is added. Paragraph 6 is not proposed for amendment but is included here for ease of reference.</p> <p>Definitions 6 The following terms are used in this Standard with the meanings specified: ... <i>Operating activities</i> are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities. <i>Investing activities</i> are the acquisition and disposal of long-term assets and other investments not included in cash equivalents. <i>Financing activities</i> are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.</p> <p>Presentation of a statement of cash flows Investing activities 16 The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources <u>intended to generate future income and cash flows that are initially recognised as assets in the statement of financial position</u>. Examples of cash flows arising from investing activities are: (a) ...</p>	<p>Paragraph 25 is amended (new text is underlined and deleted text is struck through) and new paragraph 64A is added. It is not proposed to amend paragraph 8, but it is included here for reference, as paragraph 25 provides commentary on a defined term in paragraph 8.</p> <p>Definitions 8. The following terms are used in this Standard with the meanings specified: ... Operating activities are the activities of the entity that are not investing or financing activities.</p> <p>Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents. Financing activities are activities that result in changes in the size and composition of the contributed capital and borrowings of the entity.</p> <p>Presentation of a Cash Flow Statement Investing Activities 25. The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which cash outflows <u>for expenditures</u> have been made for resources which are intended to contribute to the entity's future service delivery that are initially recognized as assets in the statement of financial position. Examples of cash flows arising from investing activities are: (a)...</p>	<p>Improvements similar. (Classification of expenditures on unrecognized assets: only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities.)</p>

<p>Effective date 56 Paragraph 16 was amended by <i>Improvements to IFRSs</i> issued in [date]. An entity shall apply that amendment for annual periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.</p>	<p>Effective Date 64A. Paragraph 25 was amended by “Improvements to IPSASs” issued in XX XX 20XX. An entity shall apply that amendment for annual periods beginning on or after XX XX 20XX. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.</p>	
<p>IAS 28 <i>Investments in Associates</i></p>	<p>IPSAS 7 <i>Investments in Associates</i></p>	
<p>Paragraphs 1 and 33 and the heading above paragraph 41 are amended (new text is underlined and deleted text is struck through). Paragraph 41C is added.</p> <p>Scope 1 This Standard shall be applied in accounting for investments in associates. However, it does not apply to investments in associates held by: (a) venture capital organisations, or (b) mutual funds, unit trusts and similar entities including investment-linked insurance funds that upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading and accounted for in accordance with IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. Such investments shall be measured at fair value in accordance with IAS 39, with changes in fair value recognised in profit or loss in the period of the change. <u>An entity holding such an investment shall make the disclosures required by paragraph 37(f).</u></p> <p>Application of the equity method Impairment losses 33 Because goodwill included in <u>that forms part of</u> the carrying amount of an investment in an associate is not separately recognised, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 <i>Impairment of Assets</i>. Instead, the entire carrying</p>	<p>Paragraph 1, paragraph 39 and the heading above paragraph 47 are amended (new text is underlined and deleted text is struck through). Paragraph 48A is added.</p> <p>Scope 1. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting by an investor for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other formal equity structure. However, it does not apply to investments in associates held by: (a) Venture capital organizations, or (b) Mutual funds, unit trusts and similar entities including investment-linked insurance funds. that are measured at fair value, with changes in fair value recognized in surplus or deficit in the period of the change in accordance with relevant international or national accounting standard dealing with the recognition and measurement of financial instruments. <u>An entity holding such an investment shall make the disclosures required by paragraph 43(f).</u></p> <p>Application of the Equity Method Impairment Losses 39. If application of the requirements in the relevant international or national accounting standard dealing with the recognition and measurement of financial instruments indicates that the investment may be impaired, an entity applies IPSAS 21, “Impairment of Non-Cash Generating Assets.” IPSAS 21</p>	<p>Improvement similar. (Required disclosures when investments in associates are accounted for at fair value through surplus or deficit.)</p> <p>Improvement similar. (Impairment of investment in associate: an investor should not allocate an impairment loss to any asset that forms part of</p>

amount of the investment is tested for impairment under in accordance with IAS 36 as a single asset for impairment, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, whenever application of the requirements in IAS 39 indicates that the investment may be impaired. An impairment loss recognised in those circumstances is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Accordingly, any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases. In determining the value in use of the investment, an entity estimates:

(a) ...

Effective date and transition

41C Paragraphs 1 and 33 were amended by *Improvements to IFRSs* issued in May 2008. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact and apply for that earlier period the amendments to paragraph 3 of IFRS 7 *Financial Instruments: Disclosures*, paragraph 1 of IAS 31 and paragraph 4 of IAS 32 *Financial Instruments: Presentation* issued in May 2008. An entity is permitted to apply the amendments prospectively.

directs an entity to refer IAS 36 to determine the value in use of the cash-generating investment. Based on IAS 36, an entity estimates:

(a) ...

Under appropriate assumptions, both methods give the same result. ~~Any resulting impairment loss for the investment is allocated in accordance with IAS 36. Therefore, it is allocated first to any remaining goodwill (see paragraph 29) Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36. An impairment loss recognized in those circumstances is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment in the associate. Accordingly, any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.~~

Effective Date and Transition

48A. Paragraph 1 and 39 were amended by “Improvements to IPSASs” issued in XX 20XX. An entity shall apply those amendments for annual periods beginning on or after XX XX 20XX. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact and apply for that earlier period ED 39, “Financial Instruments: Disclosure” and ED 37, “Financial Instruments: Presentation” and the amendment to paragraph 1 of IPSAS 8. An entity is permitted to apply the amendments prospectively.

the carrying amount of the investment in the associate because the investment is the only asset that the investor controls and recognizes, and any reversal of this impairment loss should be recognized as an adjustment to the investment in the associate to the extent that the recoverable amount of the investment increases.)

Approach in Improvements ED dependent on decisions relating to financial instruments and entity combinations at this meeting. Currently IPSAS 26 does not deal with impairment of goodwill, but ED 41 proposes consequential amendments that will bring impairment of goodwill within the scope of IPSAS 26. In accordance with current conventions the reference to IAS 36 should in any case be to the intentional or national accounting standard dealing with the impairment testing of goodwill

IAS 31 <i>Interests in Joint Ventures</i>	IPSAS 8 <i>Interests in Joint Ventures</i>	
<p>Paragraph 1 and the heading above paragraph 58 are amended (new text is underlined). Paragraph 58B is added.</p> <p>Scope 1 This Standard shall be applied in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, income and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place. However, it does not apply to venturers’ interests in jointly controlled entities held by: (a) venture capital organisations, or (b) mutual funds, unit trusts and similar entities including investment-linked insurance funds that upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading and accounted for in accordance with IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. Such investments shall be measured at fair value in accordance with IAS 39, with changes in fair value recognised in profit or loss in the period of the change. <u>A venturer holding such an interest shall make the disclosures required by paragraphs 55 and 56.</u></p> <p>Effective date and transition 58B Paragraph 1 was amended by <i>Improvements to IFRSs</i> issued in May 2008. An entity shall apply that amendment for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact and apply for that earlier period the amendments to paragraph 3 of IFRS 7 <i>Financial Instruments: Disclosures</i>, paragraph 1 of IAS 28 and paragraph 4 of IAS 32 <i>Financial Instruments: Presentation</i> issued in May 2008. An entity is permitted to apply the amendment prospectively.</p>	<p>Paragraph 1 is amended (new text is underlined). Paragraph 70A is added.</p> <p>Scope 1. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, revenue and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place. However, it does not apply to venturers’ interests in jointly controlled entities held by: (a) Venture capital organizations; or (b) Mutual funds, unit trusts and similar entities including investment linked insurance funds that are measured at fair value, with changes in fair value recognized in surplus or deficit in the period of the change in accordance with the relevant international or national accounting standard dealing with the recognition and measurement of financial instruments. <u>A venturer holding such an interest shall make the disclosures required by paragraphs 62 and 63.</u></p> <p>Effective Date 70A. Paragraph 1 was amended by “Improvements to IPSASs” issued in XX 20XX. An entity shall apply that amendment for annual periods beginning on or after XX XX 20XX. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact and apply for that earlier period ED 39, “Financial Instruments: Disclosure” and ED 37, “Financial Instruments: Presentation” “and the amendment to paragraph 1 of IPSAS 7. An entity is permitted to apply the amendment prospectively.</p>	<p>Improvement similar. (Required disclosures when interests in jointly controlled entities are accounted for at fair value through surplus or deficit.). Reference to “relevant international or national accounting standard dealing with the recognition and measurement of financial instruments” may have to be amended, dependent on decisions that are taken at this meeting.</p> <p>Wording of this new paragraph assumes that IPSAS 15 will be withdrawn and replaced by IPSASs based on ED 39 and ED 37.</p>

Appendix to Amendments to IAS 28 and IAS 31 Amendments to other IFRSs	Appendix to Amendments to IPSAS 7 and IPSAS 8 Amendments to other IPSASs	
<p>IFRS 7 <i>Financial Instruments: Disclosures</i></p> <p>Paragraph 3(a) is amended (new text is underlined and deleted text is struck through). Paragraph 44D is added.</p> <p>Scope 3 This IFRS shall be applied by all entities to all types of financial instruments, except: (a) those interests in subsidiaries, associates and <u>or</u> joint ventures that are accounted for in accordance with IAS 27 <i>Consolidated and Separate Financial Statements</i>, IAS 28 <i>Investments in Associates</i> or IAS 31 <i>Interests in Joint Ventures</i>. However, in some cases, IAS 27, IAS 28 or IAS 31 permits an entity to account for an interest in a subsidiary, associate or joint venture using IAS 39; in those cases, entities shall apply the disclosure requirements of in IAS 27, IAS 28 or IAS 31 in addition to those in this IFRS. Entities shall also apply this IFRS to all derivatives linked to interests in subsidiaries, associates or joint ventures unless the derivative meets the definition of an equity instrument in IAS 32.</p> <p>Effective date and transition 44D Paragraph 3(a) was amended by <i>Improvements to IFRSs</i> issued in May 2008. An entity shall apply that amendment for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact and apply for that earlier period the amendments to paragraph 1 of IAS 28, paragraph 1 of IAS 31 and paragraph 4 of IAS 32 issued in May 2008. An entity is permitted to apply the amendment prospectively.</p> <p>IAS 32 <i>Financial Instruments: Presentation</i> Paragraph 4(a) and the heading above paragraph 96 are amended (new text is underlined and deleted text is struck through). Paragraph 97D is added.</p>		<p>IPSAS 15 likely to be replaced by IPSASs based on ED 37, "Financial Instruments: Presentation" and ED 39, "Financial Instruments: Disclosure". Staff therefore does not propose to amend IPSAS 15, as IPSAS 15 will be withdrawn in due course. The changes in paragraph 3 of IFRS 7 and paragraph 4 of IAS 32 have been incorporated in the versions of ED 37 and ED 39 presented at this meeting.</p>

<p>Scope 4 This Standard shall be applied by all entities to all types of financial instruments except: (a) those interests in subsidiaries, associates and <u>or</u> joint ventures that are accounted for in accordance with IAS 27 <i>Consolidated and Separate Financial Statements</i>, IAS 28 <i>Investments in Associates</i> or IAS 31 <i>Interests in Joint Ventures</i>. However, in some cases, IAS 27, IAS 28 or IAS 31 permits an entity to account for an interest in a subsidiary, associate or joint venture using IAS 39; in those cases, entities shall apply the disclosure requirements of in IAS 27, IAS 28 or IAS 31 in addition to those in this Standard. Entities shall also apply this Standard to all derivatives linked to interests in subsidiaries, associates or joint ventures.</p> <p>Effective date and transition 97D Paragraph 4 was amended by <i>Improvements to IFRSs</i> issued in May 2008. An entity shall apply that amendment for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact and apply for that earlier period the amendments to paragraph 3 of IFRS 7, paragraph 1 of IAS 28 and paragraph 1 of IAS 31 issued in May 2008. An entity is permitted to apply the amendment prospectively.</p>		
<p>IAS 40 <i>Investment Property</i> Paragraphs 8, 9, 48, 53, 54 and 57 are amended (new text is underlined and deleted text is struck through). Paragraph 22 is deleted and paragraphs 53A, 53B and 85B are added.</p> <p>Definitions 8 The following are examples of investment property: (a) ... <u>(e) property that is being constructed or developed for future use as investment property.</u></p>	<p>IPSAS 16 <i>Investment Property</i> Paragraphs 12, 13, 57, 62, 63 and 66 are amended (new text is underlined and deleted text is struck through). Paragraph 29 is deleted and new paragraphs 62A, 62B and 102A are added.</p> <p>Definitions 12. The following are examples of investment property: (a) ... <u>(e) Property that is being constructed or developed for future use as investment property.</u></p>	<p>Improvements similar. (Property under construction or development for future use as investment property)</p>

9 The following are examples of items that are not investment property and are therefore outside the scope of this Standard:
(a) ...
(d) ~~property that is being constructed or developed for future use as investment property. IAS 16 applies to such property until construction or development is complete, at which time the property becomes investment property and this Standard applies. However, this Standard applies to existing investment property that is being redeveloped for continued future use as investment property (see paragraph 58).~~
(e) ...

Measurement at recognition

22 ~~[Deleted]~~ The cost of a self constructed investment property is its cost at the date when the construction or development is complete. Until that date, an entity applies IAS 16. At that date, the property becomes investment property and this Standard applies (see paragraphs 57(e) and 65).

Fair value model

48 In exceptional cases, there is clear evidence when an entity first acquires an investment property (or when an existing property first becomes investment property ~~following the completion of construction or development, or after a change in use~~) that the variability in the range of reasonable fair value estimates will be so great, and the probabilities of the various outcomes so difficult to assess, that the usefulness of a single estimate of fair value is negated. This may indicate that the fair value of the property will not be reliably determinable on a continuing basis (see paragraph 53).

Inability to determine fair value reliably

53 There is a rebuttable presumption that an entity can reliably determine the fair value of an investment property on a continuing basis. However, in exceptional cases, there is clear evidence when an entity first acquires an investment property (or when an existing property first

13. The following are examples of items that are not investment property and are therefore outside the scope of this Standard:

- (a) ...
(d) ~~Property that is being constructed or developed for future use as investment property. IPSAS 17 applies to such property until construction or development is complete, at which time the property becomes investment property and this Standard applies. However, this Standard applies to existing investment property that is being redeveloped for continued future use as investment property (see paragraph 68).~~
(ed) ...
(~~fe~~)...
(~~gf~~)...

Measurement at Recognition

29. The cost of a self constructed investment property is its cost at the date when the construction or development is complete. Until that date, an entity applies IPSAS 17. At that date, the property becomes investment property and this Standard applies (see paragraphs 66(e) and 76).

Fair Value Model

57. In exceptional cases, there is clear evidence when an entity first acquires an investment property (or when an existing property first becomes an investment property ~~following the completion of construction or development, or after a change in use~~) that the variability in the range of reasonable fair value estimates will be so great, and the probabilities of the various outcomes so difficult to assess, that the usefulness of a single estimate of fair value is negated. This may indicate that the fair value of the property will not be reliably determinable on a continuing basis (see paragraph 62).

Inability to Determine Fair Value Reliably

62. There is a rebuttable presumption that an entity can reliably determine the fair value of an investment property on a continuing basis. However, in exceptional cases, there is clear evidence when an entity first acquires an investment property (or when an existing property first

<p>becomes investment property following the completion of construction or development, or after a change in use that the fair value of the investment property is not reliably determinable on a continuing basis. This arises when, and only when, comparable market transactions are infrequent and alternative reliable estimates of fair value (for example, based on discounted cash flow projections) are not available. <u>If an entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).</u> In such cases, an <u>If an entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the</u> entity shall measure that investment property using the cost model in IAS 16. The residual value of the investment property shall be assumed to be zero. The entity shall apply IAS 16 until disposal of the investment property.</p> <p>53A Once an entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it shall measure that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, in accordance with paragraph 53, the property shall be accounted for using the cost model in accordance with IAS 16.</p> <p>53B The presumption that the fair value of investment property under construction can be measured reliably can be rebutted only on initial recognition. An entity that has measured an item of investment property under construction at fair value may not conclude that the fair value of the completed investment property cannot be determined reliably.</p>	<p>becomes investment property following the completion of construction or development, or after a change in use that the fair value of the investment property is not reliably determinable on a continuing basis. This arises when, and only when, comparable market transactions are infrequent and alternative reliable estimates of fair value (for example, based on discounted cash flow projections) are not available. <u>If an entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).</u> In such cases, an <u>If an entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the</u> entity shall measure that investment property using the cost model in IPSAS 17, “Property, Plant and Equipment.” The residual value of the investment property shall be assumed to be zero. The entity shall apply IPSAS 17 until disposal of the investment property.</p> <p>62A. Once an entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it shall measure that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, in accordance with paragraph 62, the property shall be accounted for using the cost model in accordance with IPSAS 17.</p> <p>62B. The presumption that the fair value of investment property under construction can be measured reliably can be rebutted only on initial recognition. An entity that has measured an item of investment property under construction at fair value may not conclude that the fair value of the completed investment property cannot be determined reliably.</p>	
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54 In the exceptional cases when an entity is compelled, for the reason given in ~~the previous paragraph 53~~, to measure an investment property using the cost model in accordance with IAS 16, it measures at fair value all its other investment property, including investment property under construction at fair value. In these cases, although an entity may use the cost model for one investment property, the entity shall continue to account for each of the remaining properties using the fair value model.

Transfers

57 Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

(a) ...

(c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or

(d) commencement of an operating lease to another party, for a transfer from inventories to investment property; ~~or.~~

(e) ~~[deleted] end of construction or development, for a transfer from property in the course of construction or development (covered by IAS 16) to investment property.~~

Effective date

85B Paragraphs 8, 9, 48, 53, 54 and 57 were amended, paragraph 22 was deleted and paragraphs 53A and 53B were added by *Improvements to IFRSs* issued in May 2008. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2009. An entity is permitted to apply the amendments to investment property under construction from any date before 1 January 2009 provided that the fair values of investment properties under construction were determined at those dates. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact and at the same time apply the amendments to paragraphs 5 and 81E of IAS 16 *Property, Plant and Equipment*.

63. In the exceptional cases when an entity is compelled, for the reason given in ~~the previous paragraph 62~~, to measure an investment property using the cost model in accordance with IPSAS 17, it measures at fair value all its other investment property, including investment property under construction at fair value. In these cases, although an entity may use the cost model for one investment property, the entity shall continue to account for each of the remaining properties using the fair value model.

Transfers

66. Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

(a) ...

(c) End of owner-occupation, for a transfer from owner-occupied property to investment property; or

(d) Commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property; ~~or.~~

~~(e) End of construction or development, for a transfer from property in the course of construction or development (covered by IPSAS 17) to investment property.~~

Effective Date

102A. Paragraphs 12, 13, 57, 62, 63 and 66 were amended, paragraph 29 was deleted and paragraphs 62A and 62B were added by “Improvements to IPSASs” issued in XX 20XX. An entity shall apply those amendments prospectively for annual periods beginning on or after XX XX 20XX. An entity is permitted to apply the amendments to investment property under construction from any date before XX XX 20XX provided that the fair values of investment properties under construction were determined at those dates. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact and at the same time apply the amendments to paragraphs 7 of IPSAS 17, “Property, Plant and

	Equipment”.	
Appendix to IAS 40 Amendment to IAS 16	Appendix to IPSAS 16 Amendment to IPSAS 17	
Entities shall apply the amendment to IAS 16 in this appendix when they apply the related amendments to IAS 40.	Entities shall apply the amendment to IPSAS 17 in this appendix when they apply the related amendments to IPSAS 16.	
<p>IAS 16 Property, Plant and Equipment Paragraph 5 is amended (new text is underlined and deleted text is struck through). Paragraph 81E is added.</p> <p>5 An entity shall apply this Standard to property that is being constructed or developed for future use as investment property but does not yet satisfy the definition of ‘investment property’ in IAS 40 <i>Investment Property</i>. Once the construction or development is complete, the property becomes investment property and the entity is required to apply IAS 40. IAS 40 also applies to investment property that is being redeveloped for continued future use as investment property. An entity using the cost model for investment property in accordance with IAS 40 <i>Investment Property</i> shall use the cost model in this Standard.</p> <p>Effective date 81E Paragraph 5 was amended by <i>Improvements to IFRSs</i> issued in May 2008. An entity shall apply that amendment prospectively for annual periods beginning on or after 1 January 2009. Earlier application is permitted if an entity also applies the amendments to paragraphs 8, 9, 22, 48, 53, 53A, 53B, 54, 57 and 85B of IAS 40 at the same time. If an entity applies the amendment for an earlier period it shall disclose that fact.</p>	<p>IPSAS 17 Property, Plant and Equipment Paragraph 7 is amended (new text is underlined and deleted text is struck through). Paragraph 108A is added.</p> <p>7. An entity shall apply this Standard to property that is being constructed or developed for future use as investment property but does not yet satisfy the definition of investment property in IPSAS 16, “Investment Property.” Once the construction or development is complete, the property becomes investment property and the entity is required to apply IPSAS 16. IPSAS 16 also applies to investment property that is being redeveloped for continued future use as investment property. An entity using the cost model for investment property in accordance with IPSAS 16, “Investment Property” shall use the cost model in this Standard.</p> <p>Effective Date 108A Paragraph 7 was amended by “Improvements to IFRSs” issued in XX XX 20XX. An entity shall apply that amendment prospectively for annual periods beginning on or after XX XX 20XX. Earlier application is permitted if an entity also applies the amendments to paragraphs 12, 13, 29, 57, 62, 62A, 62B 63, 66 and 102A of IPSAS 16 at the same time. If an entity applies the amendment for an earlier period it shall disclose that fact.</p>	Improvements similar.
IAS 16 Property, Plant and Equipment	IPSAS 17 Property, Plant and Equipment	
Paragraphs 6 and 69 are amended (new text is underlined and deleted text is struck through). Paragraphs 68A and 81D are added.	Paragraphs 85 is amended (new text is underlined and deleted text is struck through). Paragraphs 83A and 108A are added.	

<p>Definitions 6 The following terms are used in this Standard with the meanings specified: ... <i>Recoverable amount</i> is the higher of an asset's net selling price <u>fair value less costs to sell</u> and its value in use. ... Derecognition 68A However, an entity that, in the course of its ordinary activities, routinely sells items of property, plant and equipment that it has held for rental to others shall transfer such assets to inventories at their carrying amount when they cease to be rented and become held for sale. The proceeds from the sale of such assets shall be recognised as revenue in accordance with IAS 18 <i>Revenue</i>. IFRS 5 does not apply when assets that are held for sale in the ordinary course of business are transferred to inventories. 69 The disposal of an item of property, plant and equipment may occur in a variety of ways (eg by sale, by entering into a finance lease or by donation). In determining the date of disposal of an item, an entity applies the criteria in IAS 18 Revenue for recognising revenue from the sale of goods. IAS 17 applies to disposal by a sale and leaseback. Effective date 81D Paragraphs 6 and 69 were amended and paragraph 68A was added by <i>Improvements to IFRSs</i> issued in May 2008. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact and at the same time apply the related amendments to IAS 7 <i>Statement of Cash Flows</i>.</p>	<p>Definitions This definition of recoverable amount in paragraph 13 is consistent with the improvement to IAS 16. Derecognition 83A. However, an entity that, in the course of its ordinary activities, routinely sells items of property, plant and equipment that it has held for rental to others shall transfer such assets to inventories at their carrying amount when they cease to be rented and become held for sale. The proceeds from the sale of such assets shall be recognized as revenue in accordance with IPSAS 9, "Revenue from Exchange Transactions". 84. The disposal of an item of property, plant and equipment may occur in a variety of ways (e.g., by sale, by entering into a finance lease or by donation). In determining the date of disposal of an item, an entity applies the criteria in IPSAS 9; "Revenue from Exchange Transactions" for recognizing revenue from the sale of goods. IPSAS 13, "Leases" applies to disposal by a sale and leaseback. Effective Date 108A. Paragraph 85 was amended and paragraph 84 was added by <i>Improvements to IPSASs</i> issued in XX 20XX. An entity shall apply those amendments for annual periods beginning on or after XX XX 20XX. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact and at the same time apply the related amendments to IPSAS 2 <i>Cash Flow Statement</i>.</p>	<p>Definition already in line with equivalent IAS 16 definition Improvements similar. (Sale of assets held for rental.)</p>
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<p>Appendix to Amendments to IAS 16 Amendments to IAS 7 <i>Entities shall apply these amendments to IAS 7 when they apply the related amendments to IAS 16.</i></p> <p>IAS 7 Statement of Cash Flows Paragraph 14 is amended (new text is underlined and deleted text is struck through). Paragraph 55 is added.</p> <p>14 Cash flows Some transactions, such as the sale of an item of plant, may give rise to a gain or loss which that is included in the determination of <u>recognised</u> profit or loss. However, the cash flows relating to such transactions are cash flows from investing activities. <u>However, cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale as described in paragraph 68A of IAS 16 <i>Property, Plant and Equipment</i> are cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also cash flows from operating activities.</u></p> <p>Effective date 55 Paragraph 14 was amended by <i>Improvements to IFRSs</i> issued in May 2008. An entity shall apply that amendment for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact and apply paragraph 68A of IAS 16.</p>	<p>Appendix to Amendments to IPSAS 17 Amendments to IPSAS 2 <i>Entities shall apply these amendments to IPSAS 2 when they apply the related amendments to IPSAS 17.</i></p> <p>IPSAS 2 Cash Flow Statement Paragraph 22 is amended (new text is underlined and deleted text is struck through). Paragraph 65 is added.</p> <p>22. Cash flows Some transactions, such as the sale of an item of plant, may give rise to a gain or loss which that is included in the determination of net surplus or deficit. However, the cash flows relating to such transactions are cash flows from investing activities. <u>However, cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale as described in paragraph 109 of IPSAS 17, “Property, Plant and Equipment” are cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also cash flows from operating activities.</u></p> <p>Effective Date 64A. Paragraph 22 was amended by “Improvements to IPSASs” issued in XX 20XX. An entity shall apply that amendment for annual periods beginning on or after XX XX 20XX. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact and apply paragraph 83A of IPSAS 17.</p>	<p>Improvements similar.</p>
<p>IAS 19 Employee Benefits Paragraphs 7, 8(b), 32B, 97, 98, 111 and 160 are amended (new text is underlined and deleted text is struck through). Paragraphs 111A and 159D are added.</p> <p>Definitions</p>	<p>IPSAS 25 Employee Benefits Paragraphs 10, 11(b), 37, 113, 114, 131 and 160 are amended (new text is underlined and deleted text is struck through). Paragraphs 131A and 159D are added.</p> <p>Definitions 10. ... Other long-term employee benefits are employee benefits</p>	<p>Improvements similar. (Replacement of term ‘fall</p>

<p>7 ... <i>Other long-term employee benefits</i> are employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly <u>that are not due to be settled</u> within twelve months after the end of the period in which the employees render the related service.</p> <p>... <i>Past service cost</i> is the increase <u>change</u> in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where when <u>when</u> benefits are introduced or improved <u>changed</u> so that the present value of the defined benefit obligation increases) or negative (where when <u>when</u> existing benefits are reduced <u>changed</u> so that the present value of the defined benefit obligation decreases).</p> <p>... <i>The return on plan assets</i> is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.</p> <p>... <i>Short-term employee benefits</i> are employee benefits (other than termination benefits) which fall due wholly <u>that are due to be settled</u> within twelve months after the end of the period in which the employees render the related service.</p> <p>Short-term employee benefits 8 Short-term employee benefits include items such as: (b) short-term compensated absences (such as paid annual leave and paid sick leave) where the <u>compensation for the absences</u> are expected to occur <u>is due to be settled</u> within twelve months after the end of the period in which the employees render the related employee service;</p>	<p>(other than postemployment benefits and termination benefits) which do not fall due wholly <u>that are not due to be settled</u> within twelve months after the end of the period in which the employees render the related service.</p> <p>... Past service cost is the increase <u>change</u> in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where when <u>when</u> benefits are introduced or improved <u>changed</u> so that the present value of the defined benefit obligation increases) or negative (where when <u>when</u> existing benefits are reduced <u>changed</u> so that the present value of the defined benefit obligation decreases).</p> <p>... The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realized and unrealized gains or losses on the plan assets, less any costs of administering the plan plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.</p> <p>... <u>Short-term employee benefits</u> are employee benefits (other than termination benefits) which fall due wholly <u>that are due to be settled</u> within twelve months after the end of the period in which the employees render the related service.</p> <p>Short-Term Employee Benefits 11. Short-term employee benefits include items such as: (b) Short-term compensated absences (such as paid annual leave and paid sick leave) where the <u>compensation for the absences</u> are expected to occur <u>is due to be settled</u> within twelve months after the end of the period in which the employees render the related employee service;</p>	<p>due')</p>
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<p>Post-employment benefits: distinction between defined contribution plans and defined benefit plans</p> <p>Multi-employer plans</p> <p>32B IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> requires an entity to recognise, or disclose information about certain <u>some</u> contingent liabilities. In the context of a multi-employer plan, a contingent liability may arise from, for example:</p> <p>(a) ...</p> <p>Post-employment benefits: defined benefit plans</p> <p>Past service cost</p> <p>97 Past service cost arises when an entity introduces a defined benefit plan <u>that attributes benefits to past service</u> or changes the benefits payable <u>for past service</u> under an existing defined benefit plan. Such changes are in return for employee service over the period until the benefits concerned are vested. Therefore, <u>the entity recognises</u> past service cost is recognised over that period, regardless of the fact that the cost refers to employee service in previous periods. <u>The entity measures</u> pPast service cost is measured as the change in the liability resulting from the amendment (see paragraph 64). <u>Negative past service cost arises when an entity changes the benefits attributable to past service so that the present value of the defined benefit obligation decreases.</u></p> <p>98 Past service cost excludes:</p> <p>(a) the effect of differences between actual and previously assumed salary increases on the obligation to pay benefits for service in prior years (there is no past service cost because actuarial assumptions allow for projected salaries);</p> <p>(b) underestimates and overestimates of discretionary pension increases where <u>when</u> an entity has a constructive obligation to grant such increases (there is no past service cost because actuarial assumptions allow for such increases);</p> <p>(c) estimates of benefit improvements that result from actuarial gains that have already been recognised in the financial statements if the entity is obliged, by either the formal terms of a plan (or a constructive obligation that goes beyond those terms) or legislation, to use any surplus in the plan for the</p>	<p>Postemployment Benefits: Distinction between Defined Contribution Plans and Defined Benefit Plans</p> <p>Multi-Employer Plans</p> <p>37. IPSAS 19, “Provisions, Contingent Liabilities and Contingent Assets” requires an entity to recognize, or disclose information about certain <u>some</u> contingent liabilities. In the context of a multi-employer plan, a contingent liability may arise from, for example:</p> <p>(a) ...</p> <p>Postemployment Benefits—Defined Benefit Plans</p> <p><i>Past Service Cost</i></p> <p>113. Past service cost arises when an entity introduces a defined benefit plan <u>that attributes benefits to past service</u> or changes the benefits payable <u>for past service</u> under an existing defined benefit plan. Such changes are in return for employee service over the period until the benefits concerned are vested. Therefore, <u>the entity recognizes</u> past service cost is recognized over that period, regardless of the fact that the cost refers to employee service in previous periods. <u>The entity measures</u> pPast service cost is measured as the change in the liability resulting from the amendment (see paragraph 77). <u>Negative past service cost arises when an entity changes the benefits attributable to past service so that the present value of the defined benefit obligation decreases.</u></p> <p>114. Past service cost excludes:</p> <p>(a) The effect of differences between actual and previously assumed salary increases on the obligation to pay benefits for service in prior years (there is no past service cost because actuarial assumptions allow for projected salaries);</p> <p>(b) Under and over estimates of discretionary pension increases where <u>when</u> an entity has a constructive obligation to grant such increases (there is no past service cost because actuarial assumptions allow for such increases);</p> <p>(c) Estimates of benefit improvements that result from actuarial gains that have already been recognized in the financial statements if the entity is obliged, by either the formal terms of a plan (or a constructive obligation that goes beyond those terms) or legislation, to use any surplus in the plan for the</p>	<p>(Curtailments and negative past service cost)</p>
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benefit of plan participants, even if the benefit increase has not yet been formally awarded (the resulting increase in the obligation is an actuarial loss and not past service cost, see paragraph 85(b));

(d) the increase in vested benefits when, in the absence of new or improved benefits, employees complete vesting requirements (there is no past service cost because the entity recognised the estimated cost of benefits ~~was recognised~~ as current service cost as the service was rendered); and

(e) the effect of plan amendments that reduce benefits for future service (a curtailment).

Curtailment and settlements

111 A curtailment occurs when an entity either:

- (a) is demonstrably committed to make a material significant reduction in the number of employees covered by a plan; or
- (b) amends the terms of a defined benefit plan ~~such so~~ that a material significant element of future service by current employees will no longer qualify for benefits, or will qualify only for reduced benefits.

A curtailment may arise from an isolated event, such as the closing of a plant, discontinuance of an operation or termination or suspension of a plan, or a reduction in the extent to which future salary increases are linked to the benefits payable for past service. ~~An event is material enough to qualify as a curtailment if the recognition of a curtailment gain or loss would have a material effect on the financial statements.~~

Curtailments are often linked with a restructuring. When this is the case ~~Therefore~~, an entity accounts for a curtailment at the same time as for a related restructuring.

111A When a plan amendment reduces benefits, only the effect of the reduction for future service is a curtailment. The effect of any reduction for past service is a negative past service cost.

Effective date

159D Paragraphs 7, 8(b), 32B, 97, 98 and 111 were amended and paragraph 111A was added by *Improvements to IFRSs* issued in May 2008. An entity shall apply the amendments in

benefit of plan participants, even if the benefit increase has not yet been formally awarded (the resulting increase in the obligation is an actuarial loss and not past service cost, see paragraph 98(b));

(d) The increase in vested benefits when, in the absence of new or improved benefits, employees complete vesting requirements (there is no past service cost because the entity recognized the estimated cost of benefits ~~was recognized~~ as current service cost as the service was rendered); and

(e) The effect of plan amendments that reduce benefits for future service (a curtailment).

Curtailments and Settlements

131. A curtailment occurs when an entity either:

- (a) Is demonstrably committed to make a material significant reduction in the number of employees covered by a plan; or
- (b) Amends the terms of a defined benefit plan ~~such so~~ that a material significant element of future service by current employees will no longer qualify for benefits, or will qualify only for reduced benefits.

A curtailment may arise from an isolated event, such as the closing of a plant, discontinuance of an operation or termination or suspension of a plan, or a reduction in the extent to which future salary increases are linked to the benefits payable for past service. ~~An event is material enough to qualify as a curtailment if the recognition of a curtailment gain or loss would have a material effect on the financial statements.~~

Curtailments are often linked with a restructuring. When this is the case ~~Therefore~~, an entity accounts for a curtailment at the same time as for a related restructuring.

131A. When a plan amendment reduces benefits, only the effect of the reduction for future service is a curtailment. The effect of any reduction for past service is a negative past service cost.

Effective Date

177A. Paragraphs 10, 11(b), 37, 113, 114 and 131 were amended and paragraph 131A was added by “Improvements to IPSASs” issued in XX 20XX. An entity shall apply the

<p>paragraphs 7, 8(b) and 32B for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact. An entity shall apply the amendments in paragraphs 97, 98, 111 and 111A to changes in benefits that occur on or after 1 January 2009.</p> <p>160 IAS 8 applies when an entity changes its accounting policies to reflect the changes specified in paragraphs 159–159CD. In applying those changes retrospectively, as required by IAS 8, the entity treats those changes as if they had been applied at the same time as the rest of this Standard, except. <u>The exception is</u> that an entity may disclose the amounts required by paragraph 120A(p) as the amounts are determined for each annual period prospectively from the first annual period presented in the financial statements in which the entity first applies the amendments in paragraph 120A.</p>	<p>amendments in paragraphs 10, 11(b) and 37 for annual periods beginning on or after XX XX 20XX. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact. An entity shall apply the amendments in paragraphs 113, 114, 131 and 131A to changes in benefits that occur on or after XX XX 20XX.</p> <p>177B. IPSAS 3 applies when an entity changes its accounting policies to reflect the changes specified in paragraphs 177A. In applying those changes retrospectively, as required by IPSAS 3, the entity treats those changes as if they had been applied at the same time as the rest of this Standard. The exception is that an entity may disclose the amounts required by paragraph 141(p) as the amounts are determined for each annual period prospectively from the first annual period presented in the financial statements. .</p>	
<p>IAS 36 <i>Impairment of Assets</i></p>	<p>IPSAS 26 <i>Impairment of Cash-Generating Assets</i></p>	
<p>Paragraph 134(e) is amended (new text is underlined and deleted text is struck through). Paragraph 140C is added.</p> <p>Disclosure Estimates used to measure recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives 134 An entity shall disclose the information required by (a) –(f) for each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant in comparison with the entity’s total carrying amount of goodwill or intangible assets with indefinite useful lives: (e) if the unit’s (group of units’) recoverable amount is based on fair value less costs to sell, the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for the unit (group of units), the following</p>	<p>Paragraph 123(d) is amended (new text is underlined and deleted text is struck through). Paragraph 127A is added.</p> <p>Disclosure Disclosure of Estimates used to Measure Recoverable Amounts of Cash-Generating Units Containing Intangible Assets with Indefinite Useful Lives 123. An entity shall disclose the information required by (a)–(e) for each cash-generating unit for which the carrying amount of intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity’s total carrying amount of intangible assets with indefinite useful lives: (d) If the unit’s recoverable amount is based on fair value less costs to sell, the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for the unit, the following information shall also be disclosed:</p>	<p>Improvements similar. (Disclosure of estimates used to determine recoverable amount)</p>

<p>information shall also be disclosed:</p> <p>(i) a description of each key assumption on which management has based its determination of fair value less costs to sell. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive.</p> <p>(ii) a description of management's approach to determining the value(s) <u>(or values)</u> assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.</p> <p><u>If fair value less costs to sell is determined using discounted cash flow projections, the following information shall also be disclosed:</u></p> <p><u>(iii) the period over which management has projected cash flows.</u></p> <p><u>(iv) the growth rate used to extrapolate cash flow projections.</u></p> <p><u>(v) the discount rate(s) applied to the cash flow projections.</u></p> <p>Transitional provisions and effective date 140C Paragraph 134(e) was amended by <i>Improvements to IFRSs</i> issued in May 2008. An entity shall apply that amendment for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.</p>	<p>(i) A description of each key assumption on which management has based its determination of fair value less costs to sell. Key assumptions are those to which the unit's recoverable amount is most sensitive; and</p> <p>(ii) A description of management's approach to determining the value(s) <u>or values</u> assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.</p> <p><u>If fair value less costs to sell is determined using discounted cash flow projections, the following information shall also be disclosed:</u></p> <p><u>(iii) The period over which management has projected cash flows.</u></p> <p><u>(iv) The growth rate used to extrapolate cash flow projections.</u></p> <p><u>(v) The discount rate(s) applied to the cash flow projections.</u></p> <p>Effective Date 127A. Paragraph 123(d) was amended by "Improvements to IPSASs" issued in XX 20XX. An entity shall apply that amendment for annual periods beginning on or after XX XX 20XX. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.</p>	
<p>Proposed amendment to IAS 36 <i>Impairment of Assets</i> Paragraph 80 is amended (new text is underlined and deleted text is struck through) and paragraph 140E is added.</p> <p>Cash-generating units and goodwill Recoverable amount and carrying amount of a cash-generating unit Goodwill <i>Allocating goodwill to cash-generating units</i> 80 For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-</p>	<p>Currently the impairment testing of goodwill and the allocation of goodwill to cash-generating units for the purpose of impairment testing are outside the scope of IPSAS 26. As part of the entity combinations project it is likely that consequential amendments will be proposed bringing the impairment testing of goodwill and the allocation of goodwill to cash-generating units for the purpose of impairment testing within the scope of IPSAS 26. However, the IASB's proposed amendment to IAS</p>	<p>N/A</p>

<p>generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated shall:</p> <p>(a) represent the lowest level within the entity at which the goodwill is monitored for internal management purposes; and</p> <p>(b) not be larger than an operating segment determined in accordance with <u>as defined by paragraph 5 of IFRS 8 Operating Segments before aggregation.</u></p> <p>Transitional provisions and effective date 140E <i>Improvements to IFRSs</i> issued [date] amended paragraph 80(b). An entity shall apply that amendment prospectively for annual periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.</p>	<p>36 relates to definitions in IFRS 8, which IPSASB has not yet considered.</p>	
PART II		
<p>IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors</p>	<p>IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors</p>	
<p>Paragraphs 7, 9 and 11 are amended (new text is underlined and deleted text is struck through).</p> <p>Accounting policies Selection and application of accounting policies 7 When an IFRS specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the IFRS, and considering any relevant Implementation Guidance issued by the IASB for the IFRS.</p> <p>9 IFRSs are accompanied by guidance to assist entities in applying their requirements. All such guidance states whether <u>it is an integral part of IFRSs. Implementation Guidance that is an integral part of IFRSs is mandatory for Standards issued by the IASB does not form part of those Standards, and therefore</u></p>	<p>Paragraphs 9,11 and 14 are amended (new text is underlined and deleted text is struck through).</p> <p>Accounting Policies Selection and Application of Accounting Policies 9. When an IPSAS specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the Standard, and considering any relevant Implementation Guidance issued by the IPSASB for the Standard.</p> <p>11. IPSASs are accompanied by guidance to assist entities in applying their requirements. All such guidance states whether <u>it is an integral part of IPSASs. Implementation Guidance that is an integral part of IPSASs is mandatory for Standards issued by the IPSASB does not form part of those Standards, and</u></p>	<p>Improvements similar. (Status of implementation guidance: only guidance that is identified as an integral part of IFRSs is mandatory.)</p>

<p><u>Guidance that is not an integral part of IFRSs</u> does not contain requirements for financial statements.</p> <p>11 In making the judgement described in paragraph 10, management shall refer to, and consider the applicability of, the following sources in descending order: (a) the requirements and guidance in IFRSs dealing with similar and related issues; and (b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework.</p>	<p>therefore <u>Guidance that is not an integral part of IPSASs</u> does not contain requirements for financial statements.</p> <p>14. In making the judgment, described in paragraph 12, management shall refer to, and consider the applicability of, the following sources in descending order: (a) The requirements and guidance in IPSASs dealing with similar and related issues; and (b) The definitions, recognition and measurement criteria for assets, liabilities, revenue and expenses described in other IPSASs.</p>	
<p>IAS 27 Consolidated and Separate Financial Statements</p>	<p>IPSAS 6 Consolidated and Separate Financial Statements</p>	
<p>Paragraph 38 is amended (new text is underlined and deleted text is struck through). Paragraph 45A is added.</p> <p>Accounting for investments in subsidiaries, jointly controlled entities and associates in separate financial statements 38 When <u>an entity prepares</u> separate financial statements are prepared, <u>it shall account for</u> investments in subsidiaries, jointly controlled entities and associates that are not classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations shall be accounted for either: (a) at cost, or (b) in accordance with IAS 39. The <u>entity shall apply the</u> same accounting shall be applied for each category of investments. Investments in subsidiaries, jointly controlled entities and associates that accounted for at cost shall be accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 shall be accounted for in accordance with that IFRS. The measurement of</p>	<p>Paragraph 58 is amended (new text is underlined and deleted text is struck through).</p> <p>Accounting for Controlled Entities, Jointly Controlled Entities and Associates in Separate Financial Statements 58. When <u>an entity prepares</u> separate financial statements are prepared, <u>it shall account for</u> investments in controlled entities, jointly controlled entities and associates shall be accounted for: (a) Using the equity method as described in IPSAS 7; (b) At cost; or (c) As financial instruments. The <u>entity shall apply the</u> same accounting shall be applied for each category of investments.</p>	<p>N/A (The minor editorial changes have been indicated. However, the core improvement dealing with the measurement of a subsidiary held for sale in separate financial statements, is not applicable as the IPSASB does not have an IPSAS equivalent to IFRS 5.)</p>

<p><u>investments accounted for in accordance with IAS 39 is not changed in such circumstances.</u></p> <p>Effective date and transition 45A Paragraph 38 was amended by <i>Improvements to IFRSs</i> issued in May 2008. An entity shall apply that amendment for annual periods beginning on or after 1 January 2009, prospectively from the date at which it first applied IFRS 5. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.</p>		
<p>IAS 18 Revenue---Appendix</p>	<p>IPSAS 9 Revenue from Exchange Transactions---Appendix</p>	
<p>Paragraph 14(a) is amended (new text is underlined and deleted text is struck through) and a footnote is added.</p> <p>Rendering of services 14 <i>Financial service fees.</i> The recognition of revenue for financial service fees depends on the purposes for which the fees are assessed and the basis of accounting for any associated financial instrument. The description of fees for financial services may not be indicative of the nature and substance of the services provided. Therefore, it is necessary to distinguish between fees that are an integral part of the effective interest rate of a financial instrument, fees that are earned as services are provided, and fees that are earned on the execution of a significant act. (a) <i>Fees that are an integral part of the effective interest rate of a financial instrument.</i> Such fees are generally treated as an adjustment to the effective interest rate. However, when the financial instrument is measured at fair value with the change in fair value recognised in profit or loss, the fees are recognised as revenue when the instrument is initially recognised. (i) <i>Origination fees received by the entity relating to the creation or acquisition of a financial asset other than one that under IAS 39 is classified as a financial asset 'at fair value through profit or loss'.</i></p>	<p>Current paragraph shown here for reference purposes.</p> <p>Rendering of Services 10. <i>Financial service fees</i> The recognition of revenue for financial service fees depends on the purposes for which the fees are assessed and the basis of accounting for any associated financial instrument. The description of fees for financial services may not be indicative of the nature and substance of the services provided. Therefore, it is necessary to distinguish between fees which are an integral part of the effective yield of a financial instrument, fees which are earned as services are provided, and fees which are earned on the execution of a significant act. (a) <i>Fees which are an integral part of the effective yield of a financial instrument</i> Such fees are generally treated as an adjustment to the effective yield. However, when the financial instrument is to be measured at fair value subsequent to its initial recognition the fees are recognized as revenue when the instrument is initially recognized. No corresponding paragraph in IPSAS 9.</p>	<p>The example in Appendix of IPSAS 9 does not contain the sub-paragraphs that are the subject of the IASB improvement. No amendment is warranted.</p>

Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction. These fees are an integral part of generating an involvement with the resulting financial instrument and, together with the related direct transaction costs* (as defined in IAS 39), are deferred and recognised as an adjustment to the effective interest rate.

(ii) *Commitment fees received by the entity to originate a loan when the loan commitment is outside the scope of IAS 39.*

If it is probable that the entity will enter into a specific lending arrangement and the loan commitment is not within the scope of IAS 39, the commitment fee received is regarded as compensation for an ongoing involvement with the acquisition of a financial instrument and, together with the related ~~direct~~ transaction costs (as defined in IAS 39), is deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the entity making the loan, the fee is recognised as revenue on expiry. Loan commitments that are within the scope of IAS 39 are accounted for as derivatives and measured at fair value.

(iii) *Origination fees received on issuing financial liabilities measured at amortised cost.*

These fees are an integral part of generating an involvement with a financial liability. When a financial liability is not classified as 'at fair value through profit or loss', the origination fees received are included, with the related transaction costs (as defined in IAS 39) incurred, in the initial carrying amount of the financial liability and recognised as an adjustment to the effective interest rate. An entity distinguishes fees and costs that are an integral part of the effective interest rate for the financial liability from origination fees and transaction costs relating to the right to provide services, such as investment management services.

* In *Improvements to IFRSs* issued in May 2008, the Board replaced the term 'direct costs' with 'transaction costs' as

<p>defined in paragraph 9 of IAS 39. This amendment removed an inconsistency for costs incurred in originating financial assets and liabilities that should be deferred and recognised as an adjustment to the underlying effective interest rate. 'Direct costs', as previously defined, did not require such costs to be incremental.</p>		
<p>Proposed amendment to Appendix of IAS 18 Revenue In the Appendix of IAS 18, after example 20, a heading, a footnote and example 21 are added.</p> <p>Recognition and measurement 21 <i>Determining whether an entity is acting as a principal or as an agent (2008 amendment)*</i> * In 2007 the IFRIC recommended that the Board include in this Appendix guidance on determining whether an entity is acting as a principal or as an agent in accordance with IAS 18. The IFRIC noted that this issue has widespread and practical relevance. The Board noted that paragraph 8 of IAS 18 specifies the accounting for amounts collected on behalf of a principal. However, the Board acknowledged that IAS 18 does not provide guidance on determining whether an entity is acting as a principal or as an agent. Example 21 was added by <i>Improvements to IFRSs</i> issued in [date].</p> <p>Paragraph 8 states that 'in an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of commission.' Determining whether an entity is acting as a principal or as an agent depends on facts and circumstances and requires judgement. An entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. Features that, individually or in combination, indicate that an entity is acting as a principal include: (a) the entity has the primary responsibility for providing the goods or services to the customer or for fulfilling the order, for example by being responsible for the acceptability of the</p>	<p>In the Appendix of IPSAS 9, after example 25, a heading, and example 26 are added. New Text is underlined.</p> <p>Recognition and Measurement <u>26 Determining whether an entity is acting as a principal or as an agent</u></p> <p><u>Paragraph 12 states that 'in a custodial or agency relationship, the gross inflows of economic benefits or service potential include amounts collected on behalf of the principal and which do not result in increases in net assets/equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of any commission received or receivable for the collection or handling of the gross flows.'</u> <u>Determining whether an entity is acting as a principal or as an agent depends on facts and circumstances and requires judgement. An entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. Features that, individually or in combination, indicate that an entity is acting as a principal include:</u> <u>(a) The entity has the primary responsibility for providing the goods or services to the customer or for fulfilling the order, for example by being responsible for the acceptability of the products or services ordered or purchased by the customer;</u> <u>(b) The entity has inventory risk before or after the customer order, during shipping or on return;</u> <u>(c) The entity has discretion in establishing prices, either directly or indirectly, for example by providing additional goods or services;</u> <u>(d) The entity bears the customer's credit risk.</u> <u>An entity is acting as an agent when it does not have exposure</u></p>	<p>Improvements similar. (Determining whether an entity is acting as a principal or as an agent)</p>

<p>products or services ordered or purchased by the customer; (b) the entity has inventory risk before or after the customer order, during shipping or on return; (c) the entity has discretion in establishing prices, either directly or indirectly, for example by providing additional goods or services; (d) the entity bears the customer's credit risk.</p> <p>An entity is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. One feature indicating that an entity is acting as an agent is that the amount the entity earns is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed to the customer.</p>	<p><u>to the significant risks and rewards associated with the sale of goods or the rendering of services. One feature indicating that an entity is acting as an agent is that the amount the entity earns is predetermined, being either a fixed fee per exchange transaction or a stated percentage of the amount billed to the customer.</u></p>	
<p>IAS 29 Financial Reporting in Hyperinflationary Economies</p> <p>Paragraphs 6, 15 and 19 are amended (new text is underlined and deleted text is struck through). These amendments shall be applied for annual periods beginning on or after 1 January 2009. Earlier application is permitted.</p> <p>The restatement of financial statements 6 <u>Entities that prepare</u> In most countries, financial statements are prepared on the historical cost basis of accounting <u>do so</u> without regard either to changes in the general level of prices or to increases in specific prices of <u>recognised assets or liabilities held</u>. <u>The exceptions to this are those assets and liabilities that the entity is required, or chooses, to measure at fair value.</u> For example, except to the extent that property, plant and equipment and investments may be revalued <u>to fair value</u> and biological assets are generally required to be <u>measured at fair value</u>. Some entities, however, present financial statements that are based on a current cost approach that reflects the effects of changes in the specific prices of assets held.</p> <p>15 Most non-monetary items are carried at cost or cost less depreciation; hence they are expressed at amounts current at their date of acquisition. The restated cost, or cost less</p>	<p>IPSAS 10 Financial Reporting in Hyperinflationary Economies</p> <p>Paragraphs 18 and 22 are amended (new text is underlined and deleted text is struck through). These amendments shall be applied for annual periods beginning on or after XX XX 20XX. Earlier application is permitted.</p> <p>The Restatement of Financial Statements No corresponding paragraph in IPSAS 10.</p> <p>18. Most non-monetary items are carried at cost or cost less depreciation; hence they are expressed at amounts current at their date of acquisition. The restated cost, or cost less</p>	<p>N/A</p> <p>Improvements similar.</p>

<p>depreciation, of each item is determined by applying to its historical cost and accumulated depreciation the change in a general price index from the date of acquisition to the end of the reporting period. Hence<u>For example</u>, property, plant and equipment, investments, inventories of raw materials and merchandise, goodwill, patents, trademarks and similar assets are restated from the dates of their purchase. Inventories of partly-finished and finished goods are restated from the dates on which the costs of purchase and of conversion were incurred.</p> <p>19 The restated amount of a non-monetary item is reduced, in accordance with appropriate <u>IFRSs Standards</u>, when it exceeds <u>its the recoverable amount recoverable from the item's future use (including sale or other disposal)</u>. Hence <u>For example</u>, in such cases, restated amounts of property, plant and equipment, goodwill, patents and trademarks are reduced to recoverable amount; <u>and</u> restated amounts of inventories are reduced to net realisable value and restated amounts of current investments are reduced to market value.</p>	<p>depreciation, of each item is determined by applying to its historical cost and accumulated depreciation the change in a general price index from the date of acquisition to the reporting date. Hence<u>For example</u>, property, plant and equipment, investments carried at cost, inventories of raw materials and merchandise, goodwill, patents, trademarks and similar assets are restated from the dates of their purchase. Inventories of partly finished and finished goods are restated from the dates on which the costs of purchase and of conversion were incurred.</p> <p>22. To determine whether the restated amount of a non-monetary item has become impaired and should be reduced an entity applies relevant impairment tests in international and/or national accounting standards. Hence <u>For example</u>, in such cases, restated amounts of property, plant and equipment, goodwill, patents and trademarks are reduced to recoverable amount; <u>and</u> restated amounts of inventories are reduced to net realizable value and restated amounts of current investments are reduced to market value.</p>	
<p>IAS 10 Events after the Reporting Period</p>	<p>IPSAS 14 Events After the Reporting Date</p>	
<p>Paragraph 13 is amended (new text is underlined and deleted text is struck through).</p> <p>13 If dividends are declared (ie the dividends are appropriately authorized and no longer at the discretion of the entity) after the reporting period but before the financial statements are authorised for issue, the dividends are not recognised as a liability at the end of the reporting period because <u>no obligation exists at that time they do not meet the criteria of a present obligation in IAS 37</u>. Such dividends are disclosed in the notes in accordance with IAS 1 <i>Presentation of Financial Statements</i>.</p>	<p>Paragraph 16 is amended (new text is underlined and deleted text is struck through).</p> <p>16. If dividends or similar distributions to owners are declared (i.e., the dividends or similar distributions are appropriately authorized and no longer at the discretion of the entity) after the reporting date but before the financial statements are authorized for issue, the dividends or similar distributions are not recognized as a liability at the reporting date because <u>no obligation exists at that time they do not meet the criteria of a present obligation in IPSAS 19</u>. Such dividends or similar distributions are disclosed in the notes in accordance with IPSAS 1, "Presentation of Financial Statements. Dividends and similar distributions do not include a return of capital.</p>	<p>Same improvement. (Dividends declared after the end of the reporting period)</p>