

WORK PLAN

Objective of this Session

- To discuss the draft work plan and consider potential projects to be initiated in 2011.

Agenda Material

- 5.2.1 Draft Work Plan
- 5.2.2 IPSASB Project Descriptions
- 5.2.3 Approved Project Brief – Heritage Assets
- 5.2.4 Approved Project Brief – Narrative Reporting
- 5.2.5 Approved Project Brief – Service Performance
- 5.2.6 Approved Project Brief – Entity Combinations
- 5.2.7 Summary of IASB Work Plan

Background

1. The IPSASB started discussions on a new strategy and work plan in September 2009 and continued these discussions through to the December meeting.
2. After discussing the strategy for the next three years as well as a potential new long-term vision, the IPSASB articulated the following strategic priorities for the period 2010-2012:
 - Public sector conceptual framework;
 - Public sector critical projects; and
 - Communications and promoting adoption and implementation.

Public sector CF

3. The IPSASB identified this as its most important project for the next three years and asked staff to accelerate the work plan for the project wherever possible.

Public sector critical

4. These are projects that are considered by the IPSASB as critical to undertaken for the public sector either because existing standards are no longer appropriate or because there is no standard. These projects could be public sector specific or IASB convergence projects.

Communications and promoting adoption and implementation

5. The IPSASB continues to believe that a strong program of communication and outreach activities is fundamental to enhancing the adoption of IPSASs globally. In addition to promoting adoption of IPSASs internationally it is important for the IPSASB to support IFAC in developing implementation materials where possible that will assist in implementing the standards.

6. Based on these strategic priorities staff has commenced a review of the work plan for 2010 and subsequent years, recognizing that these will need to be flexible as the continuing efforts related to the IPSASB's long-term vision will affect activities undertaken in the long-term. These strategic priorities will affect how the IPSASB prioritizes projects and makes decisions on which projects should be included in the work plan.

Developing a work plan for 2010 and beyond

7. One of the key factors affecting project selection is the number of IPSASB meetings held per year. The long-term vision document outlines a plan for holding 4 meetings per year commencing in 2011, a preference the IPSASB expressed last September. While it does have budget ramifications, as a general comment this is supported by IFAC. For 2010 the number of meetings will remain at three but for the 2011 budget is being prepared on the presumption of four IPSASB meetings.

Is there capacity for any additional projects?

8. In order to assess additional projects that might be able to be added to the work plan it is necessary first to understand the potential capacity for additional projects. There are two major factors that affect this – the staff complement and the IPSASB's meeting agenda time.

(i) Staffing

9. Staff have made an assumption, in conjunction with the views of the incoming Chair, that each technical manager generally has capacity to undertake 2 projects at one time at various stages of completion. In addition to these staff resources, we have resources allocated from national standard setters (NSSs) on elements and measurement which equate to two additional project phases that are being progressed. Staff resources have also been committed from the GASB on the Service Performance project though this has not yet commenced.
10. The Deputy Director and Senior Advisor currently have capacity for 1 project each on the technical agenda, as does the Chinese secondee during the length of his 1 year tenure (which ends in August 2010). The Technical Director is not included since projects undertaken would not normally be technical in nature.
11. This translates to approximately nine projects during 2010 at various stages for IPSASB staff, when taking into consideration the end of May start date for the new hire (Gwenda Jensen).

(ii) Meeting time

12. The IPSASB's meeting time is the other major restraint on the capacity for additional projects. There will be 3 meetings for the 2010. In reviewing the work plan for 2010 and considering current projects in process, including strategic planning and developing a long-term vision for the IPSASB, there is limited capacity to initiate additional projects in 2010 given the restricted meeting time.

13. The revised project plan for conceptual framework prioritizes this project consistent with the IPSASB's directions in December 2009. The presentation and disclosure phase of the project will be staffed by Gwenda Jensen starting at the end of May 2010. The work plan for 2010 includes more than two days of each meeting devoted to the conceptual framework project in order to ensure that consultation papers on elements and measurement are approved during 2010. It is important that these targets are maintained in order to progress the project.
14. The annual improvements project was commenced given the staff resource available and the ability to "catch up" on amendments the IASB has already made. During 2010, in addition to these, there is capacity on the agendas to discuss or initiate, at most, two to three additional projects. This includes work to be done on projects committed but not yet commenced.

Work Plan Projects

15. In order to discuss the work plan, it is important first to understand the current projects on the work plan. The IPSASB has a number of projects in process, meaning that work has commenced and these are active on the technical agenda. A number of other projects are categorized as committed because the IPSASB has indicated its approval of these projects to commence but they are not currently active on the technical agenda.

Projects in process

16. Key projects that will still be in process during 2010-2012 and that need to be completed:
 - *Public sector conceptual framework*; ED 2011/2012
 - *Reporting on the long-term sustainability of public finances*; ED 2011; final 2012
 - *Service concession arrangements*; ED 2009/2010; final 2010/2011; and
 - *Cash basis review*; ED 2010; final 2011.
17. All of these projects are well underway and the IPSASB has signaled a strong commitment to each. Of these projects, the public sector conceptual framework project is the highest priority over the next 3 years with significant agenda time devoted to it at each meeting. As noted in agenda papers 2.1 staff have developed a long term project plan to ensure that adequate staff resources are being allocated to this project to ensure that targets and deadlines are met and that an ED as soon as feasible.

Projects committed but not yet commenced

18. A number of other projects have been committed though not yet commenced and these will also be addressed.
 - *Heritage assets*; approved March 2007; deferred due to redeliberation of UK approach, lack of consensus on recognition and measurement and IFRS convergence;

- *Narrative reporting*; approved March 2008; deferred for CF;
 - *Service performance*; approved October 2008; deferred for CF;
 - *Financial instruments- public sector*; committed 2009;
 - *Entity combinations -public sector*; approved March 2007; discussed June 2008; deferred for IFRS convergence;
 - *Annual improvements 2010*; approved March 2008 as annual project; and
 - *IAS 39 amendments*; committed 2009.
19. The draft work plan has been prepared on the assumption that the IPSASB remains committed to these projects and will be in a position to commence all of these projects in 2010 or 2011 as appropriate.
20. Finally there are a number of projects that are considered potentially new projects that the IPSASB has demonstrated some preliminary interest in or had some basic discussions about. But these projects have not been selected or approved for initiation. These projects may be IFRS convergence projects or public sector specific. Item 5.2.7 is a summary of the IASB Work Plan as at March 2010 and includes a summary of the project objective and potential impact on IPSASs of current IASB projects.
21. In order to prioritize projects it is necessary to understand details about at least some projects and their scope. Agenda item 5.2.2 includes a brief description for each of the committed projects as well as for eight potentially new projects. As noted there is little capacity for new projects until 2011, and, even then, current commitments mean that only two new projects may be able to be started. Since it is not possible to prepare full project briefs on each potential new project, and given the capacity to commence two at most prior to 2012, staff have provided brief descriptions of eight potential projects. These were selected based on the IPSASB's December 2009 preliminary discussions and considering areas where some interest has been previously demonstrated as well as, in some cases, the current IASB position on the project. However, this list is not intended to be conclusive. There are of course many other potential new projects and members should not interpret this selection to be restricting debate of other potential projects.

Draft Work Plan

22. Staff has drafted a work plan for the next three years, recognizing the need to be flexible as discussion related to the long-term vision and strategy evolve (see agenda item 5.2.1).
23. It is noted that for 2010 with only three meetings there is no agenda time to address any projects not already committed. The work plan reflected in item 5.2.1 has been developed taking into consideration projects in process, the availability of staff on certain projects, work done to date on projects as well as contribution by NSSs to staff resources.

24. The draft work plan incorporates the CF work plan at a summarized level and presumes that all committed projects will continue. With this plan, all projects in process will progress during 2010, each with agenda time. In addition, all committed projects will be discussed and will commence either in 2010 or the first half of 2011.
25. As noted, agenda item 5.2.2 provides a brief description of each of the committed projects and eight potential new projects. These descriptions are intended to assist the IPSASB in understanding the scope of specific projects in order to help with decision making.
26. Based on this draft work plan, the IPSASB may have some capacity to address two new projects mid way through 2011. This assumes that the proposal of the long-term vision that an additional staff member be hired in 2011 will be met and also assumes that existing NSS commitments will continue. Two additional new projects are anticipated in 2012.

IPSASB AGENDA SCHEDULE 2010-2012 – 3 MEETINGS 2010; 4 MEETINGS 2011 & 2012

	April 10	June 10	Nov 10	Mar 11	June 11	Sept 11	Dec 11	Mar 12	June 12	Sept 12	Dec 12
<i>In Progress</i>											
Conceptual Framework Group 1	RR	DI	DI	ED	ED		DI			RR	RR
Conceptual Framework Elements	DI	CP		RR	ED	ED	DI			RR	RR
Conceptual Framework Meas	DI	DI/CP	CP		RR	ED	ED			RR	RR
Conceptual Framework P&D		DI	DI/CP	CP		RR	ED			RR	RR
Service Concessions/PPPs			RR	IPSAS							
Review Cash Basis IPSAS		DI/ED									
Reporting on the Long-Term Sustainability of Public Finances		RR	RR/DI	ED		RR	RR	Final			
<i>Committed</i>											
Heritage Assets					DI	DI	CP			RR	RR
Narrative Reporting				DI	DI	CP			RR	RR	ED
Service Performance			DI	DI	CP			RR	RR	ED	
Financial instruments public sector				DI	DI		CP			RR	RR
Entity Combinations – public sector		DI	DI	CP		RR	ED		RR		IPSAS
Improvements (annually)	ED		IPSAS	ED		IPSAS		ED		IPSAS	
IAS 39 Amendments	DI										
<i>New</i>											
New project 1					PB		DI	DI	CP/ED		
New project 2					PB		DI	DI	CP/ED		
New project 3								PB	DI	DI	CP/ED
New project 4								PB	DI	DI	CP/ED

Key: IPSAS Final Standard/Guidance, ED Exposure Draft, PB Project Brief, DI Discussion of Issues. RR Review of Responses, CP Consultation Paper

IPSASB PROJECT DESCRIPTIONS

I Committed projects

1. Heritage assets

Background

1. In February 2006 the IPSASB cooperated with the UK ASB in the publication of a Consultation Paper, “Accounting for Heritage Assets under the Accrual Basis of Accounting”. The responses to the CP indicated little consensus on this topic globally and the IPSASB directed staff to prepare a project brief, which was considered at the March 2007 meeting (see 5.2.3).
2. During the discussions at the March 2007 meeting the IPSASB indicated support for the project given its relevance to the public sector but ultimately decided to defer further work on the project. This was done in part due to the enhanced prominence of IFRS convergence but also considering the challenges in achieving international consensus on the topic. As a result the project brief has not been updated.

Scope

3. The project includes approaches to the recognition, measurement, presentation and disclosure of heritage assets (tangible and intangible). The ultimate objective is to develop standards for heritage assets either as a separate IPSAS or as amendments to IPSAS 17 and IPSAS 31.

Staffing and Work Plan

4. Given the challenges it is likely that the project would need to commence with additional research and that a consultation paper would be developed. Subsequent steps would be development of an ED and final IPSAS or modification of IPSASs 17 and 31.
5. The project would require 1 IPSASB staff member and the support of a task based group of IPSASB members.

2. Narrative reporting

Background

6. In March 2008 the IPSASB approved a project brief on Narrative Reporting (see 5.2.4).
7. The project was deferred pending the responses to the Conceptual Framework Phase 1 Consultation Paper in order to assess support for reporting beyond general purpose financial statements (GPFS). In approving the project brief the IPSASB suggested that once initiated, a step-by-step approach might be considered whereby narrative reporting on GPFS would be the starting point and

additional reporting beyond that would be addressed in additional phases. The project brief has been updated to reflect the IPSASB's discussions.

Scope

8. The project will evaluate how narrative explanation by management should be used to enhance the usefulness of financial information provided by general purposes financial statements.

Staffing and Work Plan

9. Given that this will be one of the IPSASB's first forays into addressing areas outside of traditional accounting standards, it is likely that the project would need to commence with a consultation paper. This will sensitize constituents to the issues and help to build consensus to an appropriate approach. Subsequent steps would be development of an ED and final guidance. The form of the final product is undetermined at this stage with the possibility of best practices guidance or non-mandatory guidance being explored along with standards.
10. The project would require 1 IPSASB staff member and the support of a task based group of IPSASB members.

3. Service performance

Background

11. The IPSASB approved a project brief on Reporting of Service Performance Information at the October 2008 IPSASB meeting (see 5.2.5). GASB has volunteered staff resources for this project given its extensive work in this area.
12. The project was deferred pending the responses to the Conceptual Framework Phase 1 Consultation Paper in order to assess support for reporting beyond general purpose financial statements (GPFS). The project brief has been updated to reflect the IPSASB's discussions and reviewed in the context of the CF responses.

Scope

13. The project will create a consistent framework for reporting service performance information that focuses on meeting the needs of intended users. The project will review and compare existing national standards and guidance on service performance reporting, highlighting existing approaches where this type of reporting is done. This has become a high profile area as the call for enhanced public sector accountability increases.

Staffing and Work Plan

14. Given that this, along with narrative reporting, will be one of the IPSASB's first forays into addressing areas outside of traditional accounting standards, it is likely that the project would need to commence with a consultation paper. This will sensitize constituents to the issues and help to build consensus to an appropriate approach. Subsequent steps would be development of an ED and final guidance.

The form of the final product is undetermined at this stage with the possibility of best practices guidance or non-mandatory guidance being explored along with standards.

15. The project will be staffed primarily by a GASB staff member, with some oversight provided by an IPSASB staff person to ensure consistency with the IPSASB style and approach. The support of a task based group of IPSASB members is also planned.

4. IAS 39 amendments

Background

16. In February 2009 when the IPSASB approved the ED's on financial instruments (FI), there was significant discussion of the approach needed on the additional amendments that the IASB has completed or area underway on its standards for FI. In addition to being committed to approving IPSASs on FI, the IPSASB committed to developing a plan for addressing the additional amendments to these standards. See Agenda Item 6 for this meeting for a detailed discussion of the possible approaches to addressing this project.

Scope

17. The project will amend IPSASs 28-30 to reflect the fundamental changes that the IASB is currently making. The staff proposal is that all changes be deferred until the first three phases of IFRS 9 have been fully completed as this is likely to be less resource intensive.

Staffing and Work Plan

18. The project would require 1 IPSASB staff member and the support of a task based group of IPSASB members.

5. Financial Instruments -Public Sector

Background

19. In October 2008 the IPSASB concluded that as a result of the global financial crisis and events surrounding that, a different approach to developing standards was needed. At that time the IPSASB decided to develop IPSASs based on existing IASs/IFRSs with minimal changes and not to deal with public sector specific issues other than those related to contractual financial instruments. The IPSASB concluded at that time that it would defer further developments on the financial reporting of sovereign/statutory receivables and reserve assets until after IPSASs 28-30 had been approved.

Scope

20. The project includes approaches to the recognition, measurement, presentation and disclosure of public sector specific financial instruments, such as non-contractual sovereign/statutory receivables, taxes receivable and reserve assets.

The ultimate objective is to develop standards that address these issues either as a separate IPSAS or as amendments to IPSASs 28-30.

Staffing and Work Plan

21. This is likely to be a technically challenging project. Given that it is public sector specific with little precedent in existing literature, it is likely that the project would need to commence with a consultation paper. Subsequent steps would be development of an ED and final IPSAS or modification of IPSASs 28-30.
22. The project would require 1 IPSASB staff member and the support of a task based group of IPSASB members.

6. Entity Combinations-Public Sector

Background

23. In March 2007 the IPSASB approved a project brief on developing standards for entity combinations (see 5.2.6). The project brief has not been updated since that time. The project was considered once again in June 2008, at which time the recommendation was made to split the project into two. The first was to address those entity combinations in the public sector that are in substance the same as private sector business combinations (previously called exchange transactions). See Agenda Item 3 for this meeting. The second project would address those entity combinations that are specific to the public sector and therefore might require different standards.
24. The IPSASB will consider the approval of an IPSAS at this meeting for “Entity Combinations –Acquisitions” after having discussed this in December 2009. At the December meeting, members indicated that the transactions that would fall into that category would be small in the public sector and expressed concern that the draft IPSAS does not adequately deal with the real issues of entity combinations in the public sector.

Scope

25. The project will develop standards to address the accounting for entity combinations in the public sector, other than those addressed in proposed IPSAS 32.

Staffing and Work Plan

26. Given the challenges it is likely that a consultation paper will be developed. Subsequent steps would be development of an ED and final IPSAS or modification of IPSAS 32.
27. The project would require 1 IPSASB staff member and the support of a task based group of IPSASB members.

7. Annual Improvements

Background

28. In March 2008 the IPSASB agreed that as part of its IFRS convergence strategy it should get up to date on the annual improvements projects of the IASB with the goal of staying current on these on a regular (ideally annual) basis. In December 2009 as part of its discussions related to strategy and work plans, some members expressed reservation about spending significant agenda time on this project. They agreed with the necessity of the project but thought that more could be done to fast track its processing.
29. Members also noted that the scope of the IPSASB's Annual Improvements project has been narrow and only addressed improvements derived from the IASB's Annual Improvements project. A tentative decision was made that future projects should adopt a broader approach that would identify improvements other than those that arise from the IASB's Annual Improvements project. Thus, Staff has included other improvements as Part II of this year's Annual Improvements project (see Agenda Item 4).

Scope

30. The objective of the project is two-fold. It will focus on amendments to IPSASs in order to converge with amendments to International Financial Reporting Standards in the
31. IASB's "Improvements to IFRSs" project. Also included in the scope of the project will be amendments to other IPSASs that relate to inconsistent references to standards, terminology and structure resulting from IPSASB's ongoing review of existing IPSASs.

Staffing and Work Plan

32. This project will ideally be undertaken annually and will include the IASB's annual improvements as well as other identified amendments to IPSASs. The goal is that these proposals would be discussed only once by the IPSASB at a single meeting, with approval of the final changes as quickly as possible. A shorter exposure period may also be appropriate.
33. The project would require 1 IPSASB staff member. The support of a task based group of IPSASB members is not considered necessary for this project.

II Potential New Projects

1. Common Control

Background

34. Business combinations under common control are excluded from the scope of IFRS 3, "Business Combinations" and proposed IPSAS 32 (see Agenda Item 3 for this meeting). The IASB project on common control transactions is examining the definition of common control and the methods of accounting for business combinations under common control in the acquirer's consolidated and separate financial statements. The project also considers the accounting for demergers, such as the spin-off of a subsidiary or business.
35. The IASB project is currently deferred which brings to question the relevance of undertaking this project at this time though some members have suggested it is relevant regardless. It is possible that the definition of common control in the public sector may need to be different.

Scope

36. The project would address accounting for entity combinations under common control including assessing the definition of common control in the public sector and the methods of accounting. The project could be incorporated into the entity combinations public sector project that the IPSASB has already committed to (see Agenda Item 6 in the list of committed projects above).

Staffing and Work Plan

37. It is likely that the project would develop in two stages with the development of a consultation paper being first. If incorporated in the entity combinations – public sector project then the timing for that project may extend.
38. The project would require 1 IPSASB staff member and the support of a task based group of IPSASB members, possibly the same task based group as for entity combinations-public sector.

2. Consolidation

Background

39. The objective is to publish a single IFRS on consolidation replacing IAS 27, "Consolidated and Separate Financial Statements" and SIC-12, "Consolidation – Special Purpose Entities." The project addresses the following aspects:
 - **Replacement of IAS 27** - A revision of the definition of control and related application guidance so that a control model can be applied to all entities; and
 - **Disclosures about unconsolidated SPEs/structures entities** - Enhanced disclosures about consolidated and unconsolidated entities

40. An ED was issued in December 2008 and a number of issues are being debated. IFRSs are expected during 2010.
41. While the major principles are unlikely to be changed, it would mean that IPSAS 6 “Consolidated and Separate Financial Statements would not be up to date.

Scope

42. This project would commence as an updating project to ensure that IPSAS 6 is converged with any new IFRSs. The project would consider whether amendments to the IAS 12 and SIC-12 and whether there is any public sector reason for departure. If public sector issues are identified and deemed significant, the need for a public sector specific project would need to be assessed.

Staffing and Work Plan

43. The project would commence with a rules of the road analysis to assess whether there are any public sector reasons that warrant a departure from the amendments to IAS 12 and SIC-12.
44. The project would require 1 IPSASB staff member. If the project is an updating project and departures due to public sector specific reasons are not deemed necessary, the support of a task based group of IPSASB members would not be required. If a public sector specific project is initiated then a task based group would be needed.

3. Emissions Trading Schemes

Background

45. The objective is to provide comprehensive guidance on accounting for the receipt of emission allowances. It addresses issues such as:
 - Whether emissions allowances are assets, and, if so, how they should be accounted for;
 - Accounting for entities that receive allowances free of charge, whether a liability exists, and, if so, how that liability should be recognized and measured.
46. The IPSASB has not yet initiated a project on emission trading schemes though there was some discussion in December 2009 about partnering with the IASB. There are possible implications for IPSAS 31, “Intangible Assets” and/or IPSAS 28, “Financial Instruments: Recognition and Measurement.
47. The IASB expects to issue an ED later in 2010 and an IFRS in 2011.

Scope

48. The project would develop guidance on accounting for emissions allowances. Any such project would need to consider the grantor perspective in addition to the recipient perspective.

Staffing and Work Plan

49. Given the potential to build on existing work of the IASB preliminary thoughts are that this project could proceed to ED without a consultation paper.
50. The project would require 1 IPSASB staff member and the support of a task based group of IPSASB members

4. Fair Value

Background

51. The IASB's objectives in the fair value measurement project are to:
 - Establish a single source of guidance for all fair value measurements;
 - Clarify the definition of fair value and related guidance;
 - Enhance disclosures about fair value measurements; and
 - Increase convergence between IFRS and US GAAP.
52. There are implications for a number of IPSASs, notably IPSAS 29, but not confined to IPSAS 29. The IASB issued an issued in May 2009 with a consultation period that ended in September 2009. If adopted, the IFRS would replace fair value measurement requirements and guidance in several specific standards. An IFRS is expected later in 2010.
53. The project has direct links to the measurement phase of the Conceptual Framework project.

Scope

54. For the public sector the goals of the project would be similar, notably to clarify the definition of fair value, provide guidance that is consistent and to enhance disclosures where appropriate.

Staffing and Work Plan

55. Given the breadth of the project it is likely that a consultation paper would be the initial step. This is likely to be a relatively resource intensive project.
56. The project would require 1 IPSASB staff member and the support of a task based group of IPSASB members

5. First time adoption

Background

57. The recently completed IASB project amended IFRS 1, "First-time Adoption of International Financial Reporting Standards" to address potential challenges for jurisdictions adopting IFRSs in the near future.
58. IFRS 1 was originally issued in June 2003. Whether or not the IPSASB requires an equivalent standard needs to be discussed

Scope

59. The project would develop standards for adopting IPSASs for the first time.

Staffing and Work Plan

60. The project would likely commence with the development of a consultation paper to flesh out the breadth of issues that would need to be addressed.
61. The project would require 1 IPSASB staff member and the support of a task force based group of IPSASB members.

6. IPSAS 23 improvements

Background

62. IPSAS 23 was approved in December 2006. Since that time a number of examples have been identified where the interaction between IPSAS 23 and other IPSASs has resulted in inconsistencies in dealing with non-exchange issues. Most recently IPSASs 27 through 31 resulted in some issues being raised in this context.
63. This has resulted in the suggestion that IPSAS 23 needs to be revisited specifically in the context of its interaction with certain other IPSASs.

Scope

64. The project would consider possible amendments to IPSAS 23 to address potential issues that have arisen recently in relation to the development of other IPSASs e.g. IPSASs 27-31. An assessment of possible amendments to the full suite of IPSASs would need to be undertaken.

Staffing and Work Plan

65. Given the range of issues the project may need to address it would likely commence with the development of a consultation paper. The assessment of issues that would need to be addressed will determine the extent of amendments to IPSAS 23 and other IPSASs that may be needed. It is likely to be a relatively resource intensive project but also has high relevance to the public sector and the development of future IPSASs.
66. The project would require 1 IPSASB staff member and the support of a task force based group of IPSASB members.

7. Joint Arrangements (Formerly Joint Ventures)

Background

67. Existing IPSAS 8, “Interests in Joint Ventures” is based on IAS 31. The IASB is currently reviewing IAS 31 with the objective of improving accounting for joint arrangements as now defined. Joint arrangements include joint operations, joint assets and joint ventures.
68. The IASB project focuses on two aspects of IAS 31 that the IASB considers are an impediment to high quality reporting of joint arrangement activities:

- IAS 31 uses the form of the arrangement as the primary determinant of the accounting, which does not always reflect the underlying rights and obligations agreed to by the parties; and
 - IAS 31 gives an entity a choice of accounting treatment for interests in jointly controlled entities, which makes it difficult to compare financial reports.
69. An ED was issued in September 2007. An IFRS is expected Q2 2010.
70. The main issue for the IPSASB is whether there is a case for retention of both options currently available in IPSAS 8 (proportionate consolidation and equity method) or, alternatively, whether only the equity method will be required.

Scope

71. The starting point for the project is that it is an updating project to amend IPSAS 8 to converge with the new requirements of IAS 31. The project would consider the amendments made by the IASB and whether there is any public sector reason for departure. If public sector issues are identified and deemed significant, the need for a public sector specific project would need to be assessed.

Staffing and Work Plan

72. The project would commence with a rules of the road analysis to assess whether there are any public sector reasons that warrant a departure from the amendments to IAS 31. If
73. The project would require 1 IPSASB staff member. If the project is an updating project and departures due to public sector specific reasons are not deemed necessary, the support of a task based group of IPSASB members would not be required. If a public sector specific project is initiated then a task based group would be needed..

8. Social benefits

Background

74. Developing standards on social benefits is a project with high relevance to the public sector. Past efforts in this area have demonstrated the challenges in developing a consensus. The interaction with the conceptual framework project, specifically the definition of a liability, resulted in the IPSASB deferring further work on this project at this time. Instead work was progressed in reporting on the long-term sustainability of public finance and the elements phase of the CF project will consider social benefits in the context of the definition of liabilities.

Scope

75. The objective of the project would be to develop recognition, measurement, presentation and disclosure requirements for accounting for social benefits.

Staffing and Work Plan

76. This project has high relevance to the public sector but is also technically challenging and difficult to resolve. It will be resource intensive. Given the significant past efforts to develop guidance in this area it is expected that a consultation paper would be developed as the initial step.
77. The project would require 1 IPSASB staff member and the support of a task force based group of IPSASB members.



INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD

PROJECT BRIEF AND OUTLINE

Heritage Assets

1. Background

The Public Sector Committee (PSC) issued IPSAS 17, “Property, Plant and Equipment” in December 2001. IPSAS 17 does not require entities to recognize heritage assets, otherwise meeting the definition of, and recognition criteria for, property, plant and equipment. If an entity does recognize heritage assets, it must apply the disclosure requirements of IPSAS 17 and is permitted, but is not required to, apply the measurement requirements in IPSAS 17. IPSAS 17 does not define heritage assets but does provide, in commentary, some indicative characteristics. (see paragraphs 8-11 of IPSAS 17 (revised 2006)).

At the time that IPSAS 17 was approved, the PSC acknowledged that the provisions of IPSAS 17 on heritage assets were interim and that further work on this topic would be necessary. A project brief on heritage assets was included in the agenda papers for the meeting in New Delhi in November 2004. However, due to Staff resource constraints it was decided not to initiate a full project at that time, although it was agreed that the UK Technical Advisor (subsequently an IPSASB Staff Member) would develop a Discussion Paper out of session, which might be brought to the PSC at a later date. Shortly afterwards the IPSASB (as the PSC had become) received a proposal from the United Kingdom Accounting Standards Board (UK ASB) for joint working on heritage assets. This offer was accepted. The co-operation resulted in the publication of a Consultation Paper, “Accounting for Heritage Assets under the Accrual Basis of Accounting”, which was approved, subject to final amendment, in December 2005 and published in February 2006. The Consultation Paper included at its core a Discussion Paper developed by the UK ASB. There were 38 submissions to the Consultation Paper. The IPSASB received an analysis of these submissions at the Norwalk meeting in November 2006. At that meeting Members indicated that they wished to continue with this project and directed Staff to produce a project brief.

2. Project Objective

The ultimate objective of the project is to produce requirements and guidance for accounting for heritage assets either through a separate Standard or amendment to IPSAS 17. The objective of this stage of the project is to build on the responses received to the initial Consultation Paper and put forward options, and obtain further feedback from constituents, on accounting for heritage assets, prior to the

development of either a separate ED of an IPSAS dealing with heritage assets or an ED of amendments to IPSAS 17, Property, Plant and Equipment.

3. Project Scope

The project scope includes approaches to the recognition, measurement, presentation and disclosure of all heritage assets. The project will not address accounting for other items of property, plant and equipment, for example infrastructure assets.

4. IPSASB Due Process

It is proposed that the project will follow the standard IPSASB ‘due process’. All documents will be exposed for a consultation period of four months, following which there will be a Staff analysis of submissions. The analysis will be an agenda item at a meeting of the IPSASB. Unless anonymity is requested submissions will be made publicly available on the IFAC website.

The first stage of this project will be the development and issuance of a consultation paper. Following analysis of the submissions to this consultation paper a decision will be made on whether to develop requirements through a separate IPSAS or by amendment to IPSAS 17. Regardless of the route proposals will be exposed for a further period of four months.

5. Relationship with Other IPSASB And IASB Projects and Projects of Other Bodies

The recently initiated collaborative project on the Public Sector Conceptual Framework will be relevant to a number of aspects of this project, in particular the components of the Conceptual Framework Project dealing with: qualitative characteristics, definition and recognition of elements, measurement and presentation and disclosure. The analysis of “benefits that justify costs” in the context of the qualitative characteristics of decision-useful financial reporting information will be particularly relevant to this project (see also below “Assessment of Cost-Benefit” in the Key Issues section. It will be necessary to monitor developments and ensure that any proposals do not conflict, or risk conflicting, with views and proposals in the Conceptual Framework project. There may be very limited overlap with the proposed project on “intangible assets” arising from comments made on the first Consultation Paper. Although IAS 38, “Intangible Assets” does not address the issue of whether intangible assets are contained in heritage or historic assets, IAS 38 does acknowledge that “some intangible assets may be contained in or on a physical substance”.

The International Valuation Standards Committee’s (IVSC) work program includes projects on “Valuation for Public Sector Reporting” and “Valuation of Historic Property”. Publications on both these topics are expected in the first half

of 2007. It will be necessary to monitor these projects and evaluate the impact on IPSASB approaches.

6. Matters to be Dealt with in the Project

(a) Definition

The initial Consultation Paper included the definition of heritage assets proposed by the UK ASB. Subject to widespread reservations about any definition which depends upon the objectives of the reporting entity there was a strong level of support for many of the components of the definition proposed. The project will explore whether the definition should include requirements that heritage items need to be held for “public benefit” purposes, the issue of designation through official registers and other legislative mechanisms and whether religious buildings are within the definition. The project will also address the intangible characteristics of heritage assets, and change of use of heritage assets. These were all issues identified in submissions to the first Consultation Paper.

A large number of heritage items are held in trust by the entities displaying them or have stipulations attached to them: the exact arrangements can vary in precision and clarity. In such circumstances it is questionable whether they are controlled by the reporting entity and therefore whether they meet asset definition criteria. This issue, which arose from comments on the initial Consultation Paper, will be explored.

(b) Recognition and Measurement

This is the most significant issue in the project and also the most contentious. The UK ASB Discussion Paper proposed that heritage assets should be recognized, if it is practicable to obtain reliable valuations for a majority, by value, of all heritage assets on a continuing basis. The majority of respondents to the Consultation Paper did not support this proposal (subsequently modified by the UK ASB as discussed in the accompanying memo and position paper). However, those opposing the proposal fell mainly into two distinct camps.

The first group view heritage assets as a class of property, plant and equipment. This group considers that recognition and measurement criteria for heritage assets should be the same as for other items of property, plant and equipment within the scope of IPSAS 17. The second group considers that acquisitions of heritage items should be expensed or otherwise accounted for outside the statement of financial position and that there should be no recognition of existing heritage items in the statement of financial position. Although fewer submissions supported this approach than the approach advocated by the first group it seems likely that this view was underrepresented at consultation. In particular no responses were received from Canada and the USA. In both countries standard-setters do not require recognition of some or all heritage items. In addition only 4 responses were from preparers. On both practicality and cost-benefit grounds it

seems that preparers are more likely to support non-recognition approaches than respondents in other categories.

One of the key purposes of developing a Consultation Paper in the first stage is to ascertain the level of support globally for a single treatment for the recognition and measurement of heritage assets. The strategic objective of the International Accounting Standards Board (IASB) has been to eliminate options wherever possible, and this has been reflected in the IPSASB's own Improvements Project. Some may view the permitting of options in a new or amended IPSAS as at variance with IPSASB's strategic objectives and therefore a retrograde step. The issue of options for recognition is a fundamental issue that will have a pervasive influence on this project going forward. It is essential to obtain as many views as possible on this issue before progressing to ED stage.

(c) Assessment of Cost-Benefit

One of the principal reasons put forward by those who do not support the recognition and measurement of heritage assets is that the costs of initial recognition exceed the benefit that users derive from the information. This view typically stresses the difficulties in obtaining valuations of huge museum collections comprising thousands or even millions of items, for example excavated archaeological fragments. Even where it is conceded that it is technically feasible to obtain valuations some suggest that the benefit of any information for users is outweighed by the cost of those valuations. It is also suggested that cost information becomes outdated quite quickly and that initial usefulness will decline quite rapidly: this view links cost-benefit arguments with skepticism about the value of measurement on the cost model.

Some are distrustful of any reliance on cost-benefit arguments. They believe that believing that any cost-benefit analysis is a matter of subjective judgment and that cost-benefit considerations can be manipulated to avoid the presentation of financial information which shows an entity in a poor light. This view sometimes also links recognition and measurement to stewardship and suggests that cost-benefit arguments can be used to disguise poor stewardship.

The cost-benefit issue has been identified by the Monitoring Group of National Standard-Setters' report on the first Discussion Paper in the IASB/FASB Conceptual Framework Project as one which needs further consideration in a public sector and not-for-profit context. Whilst it is not an issue that is exclusive to heritage assets the issue is highlighted very starkly in a heritage context.

(d) Assets in Dual or Multiple Use

Some jurisdictions have requirements for assets with heritage characteristics that are used to deliver non-heritage related operational services. Essentially these provisions require or permit entities to measure such assets in the same way as they would non-heritage assets used to provide the same or similar operational services. They would therefore allow entities carrying property, plant and equipment on the valuation model to adopt depreciated replacement cost or

reproduction cost for assets where a reliable value might not otherwise be available. The project will consider whether it is appropriate to provide additional requirements for heritage assets in dual or multiple use, particularly for jurisdictions and entities where operational property, plant and equipment is carried on a valuation model.

A related issue is whether a components approach should be used where an asset has heritage features, but is principally used for operational service purposes, for example where the façade of a historic building has been preserved but the core of the building is a modern office block. The project will address the benefits and disbenefits of componentization.

(e) Measurement Bases

The UK ASB Discussion Paper proposed that heritage assets should be carried on a valuation model and that the cost model should not be permitted. Whilst this proposal received a significant level of support the majority of respondents favored retention of both cost and valuation models for heritage items.

The project will seek confirmation of the staff view that both cost and valuation models are appropriate for heritage assets and will consider practical steps to facilitate the use of the valuation model consider practical steps to facilitate the use of the valuation model for heritage assets. These include some of the suggestions put forward by respondents to the initial Consultation Paper such as the use of revaluation triggers and the relaxation of revaluation requirements for heritage assets, principally the IPSAS 17 requirement that where one item of property, plant and equipment is revalued, the entire class to which the asset belongs shall be revalued.

(f) Guidance on Valuation

A number of respondents indicated that they would welcome further guidance on the valuation of heritage assets. This aspect of the project will assess the approaches of the IVSC and guidance in place in jurisdictions which require the recognition and measurement of heritage assets.

(g) Depreciation and Impairment

The response to the initial Consultation Paper suggested that many respondents considered that depreciation charges and impairment testing of heritage assets would often not be necessary for heritage assets. However, there was limited support for providing a full exemption from depreciation and impairment testing requirements for all heritage assets. The project will seek to clarify circumstances under which depreciation charges and impairment testing is required.

(h) Disclosures

The provision of additional stewardship disclosures for heritage assets, beyond those required by IPSAS 17, was strongly supported at consultation. The project

will propose additional disclosures that will apply to heritage assets, regardless of recognition and measurement.

(i) Transitional Provisions

A number of respondents raised the need for transitional provisions. The project will present options and seek views on the adequacy or over-generosity of transitional provisions.

7. Links to Other IPSASB Projects

There is a link to the project on the conceptual framework and the proposed project on intangible assets.

8. Timing and Key Milestones

The proposed timing and key milestones are as follows:

<i>Date</i>	<i>Milestone</i>
March 2007	Approval of Project Brief
July 2007	First Draft of Consultation Paper
November 2007	Approval of Consultation Paper
December 2007	Publication of Consultation Paper
April 2007	Expiry of Consultation Period on Consultation Paper
May 2007	Submissions posted to Leadership Intranet and to Internet Staff Analysis of Submissions on Consultation Paper
July 2007	IPSASB Review of Submissions and Submissions Analysis
November 2007	First Draft of ED of separate IPSAS or ED of amendments to IPSAS 17
March 2008	Approval of ED
April 2008	Publication of ED
August 2008	Expiry of Consultation Period on ED
September 2008	Submissions posted to Leadership Intranet and to Internet Staff Analysis of Submissions on ED
November 2008	IPSASB Review of Submissions and Submissions Analysis First Draft of Separate IPSAS or Amendments to IPSAS 17
March 2009	Approval of Separate IPSAS or Amendments to IPSAS 17
April 2009	Publication of Separate IPSAS or Amendments to IPSAS 17



INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD

PROJECT BRIEF AND OUTLINE

1. Subject – Narrative Reporting (NR)

This project will evaluate how a narrative explanation (termed Narrative Reporting for this project) by management should be used to enhance the usefulness of financial information provided by general purpose financial statements (GPFS).

2. Project Rationale and Objectives

In the private sector and in many governmental jurisdictions, it is reasonably widely accepted that NR enhances the usefulness of financial information. The focus of the project will be to identify and standardize the unique aspects of NR and how they “add value” in a public sector financial reporting context.

NR provides stakeholders with a narrative description of various matters, such as the major factors underlying the performance of the entity during the reporting period or the known factors which are likely to influence its performance in the future. This description can assist in placing aspects of the financial statements in context. NR can also enhance the value of financial information for decision making and to make assessments of the entity’s discharge of accountability. In the public sector this accountability to stakeholders is critical.

As the appropriate scope of NR for the public sector is considered, the project will consider the current International Accounting Standards Boards (IASB) active project on Management Commentary (MC). However, this is not a convergence project because the different user base in the public sector makes the public sector needs quite clear. The project will also consider existing national standards and guidance on NR (or its equivalent) in the public and private sectors, where standards, guidance, and regulatory requirements for NR have a long history. In addition, NR approaches of other public sector bodies interested in making comparative fiscal information, such as Eurostat, IMF, World Bank and the United Nations will be considered.

(a) Issues Identification

The main issues to be considered in the NR project are:

- What are the objectives of NR?
- What are the main attributes of high quality narrative explanations?
- Are there essential content elements to include in NR?

b) Objectives to be achieved

The objective of the project is to provide guidance for NR.

The initial objective is to produce a Consultation Paper - “Narrative Reporting: Exploring the Issues for Standardization and Use in Public Sector General Purpose Financial Reporting.” The Consultation Paper will highlight and analyze existing approaches by the IASB and in jurisdictions where NR is a feature of governmental financial management.

It will be important make distinctions between various types of reporting, for example, performance reporting, budgetary reporting, and narrative reporting. The project will need to establish boundaries, recognizing that there will be overlap and crossover issues.

It may be appropriate to develop a step-by-step approach to implementing narrative reporting, starting with narrative reporting on general purpose financial statements and then expanding this to financial information in general purpose financial reports. Unlike traditional financial statements, NR often includes non-financial information coupled with financial information to explain the current status and potential future financial status while introducing the idea of prospective or future looking financial data. This would need to correlate with the conceptual framework and specific public sector needs.

i. Target Audience

The definition of the users and objectives of NR should correspond closely with the Conceptual Framework work as it develops.

In considering how NR will be developed for the public sector, a consideration of those who currently define the form and content of public sector narrative explanations will be undertaken. In establishing guidance we must be cognizant of regulators and/or the equivalent government agencies that currently set the form and content (i.e. US Office of Management & Budget, European Commission, FReM) of certain types of reporting.

ii. Project Deliverables

The next step in this project would be to develop a draft Consultation Paper. Once approved, this Consultation Paper would be issued for comment and eventually lead to guidance or standards as necessary.

iii. Content of IPSAS

This is not a project directly related to the general purpose financial statements. Therefore, it is not feasible or appropriate to provide definitive final outputs at the initiation stage. Dependent upon decisions following analysis of submissions on a Consultation Paper, an Exposure Draft of a Standard and/or detailed Guidance will be developed.

c) Link to IFAC/IPSASB Strategic Plans

i. Link to IPSASB Strategy

In the IPSASB Strategy and Operating Plan MD&A (NR) is listed as a potential project that is public sector specific and is identified as important. At the March 2008 meeting in Toronto, the IPSASB approved this project brief and agreed to defer initiating the project until responses to the Conceptual Framework Consultation Paper for Phase 1 are received. The NR project was linked to the #2 IPSASB Strategic Theme of Public Sector specific project. High quality NR will enhance the quality and transparency of public sector financial reporting by providing better information for public sector financial management and decision making.

ii. Link to IFAC Strategic Plan

The alignment of the IPSASB Strategic theme concerning NR results in a direct impact on the IFAC Strategic Theme of “Recognition as the International Standard Setter” as well as a direct impact on the “Enhancement of collaborative efforts.”

3. Outline of the Project

a) Project Scope

The scope of the project is to determine how a narrative explanation by management in the public sector should be used to enhance the usefulness of financial information within general purpose financial *statements* (GPFS) and how it should be included within general purpose financial *reporting* (GPFR).

The NR guidance would apply to all public sector entities other than Government Business Enterprises.

Note that there are linkages with the Conceptual Framework, Reporting on the Long-Term Sustainability of Public Finance and Service Performance projects.

(b) Major Problems and Key Issues that Should be Addressed

Key Issue #1 - What are the objectives of NR?

The first issue will be to consider the objectives of narrative reporting since this will ultimately lead to developing the guidance needed to meet those objectives. The work of the IASB and national standard setters will be considered and evaluated in this context as will the responses to the Conceptual Framework Consultation Paper.

Key Issue #2 - What are the main attributes of high quality narrative explanations?

In establishing the main attributes that make narrative explanations useful and of high quality, the needs of the public sector GPFR user will be important. Certain

definitions like “supplement and complement” will be explored. In addition, the term “through the eyes of management” will be assessed to determine if it is appropriate in the public sector and, if so what it means. The use of prospective forward looking information will also be considered.

Key Issue #3 - Are there essential content elements to include in NR?

There are a variety of approaches to the format and elements of NR prescribed by standard setters and regulators. It will be important to consider the approach that will yield the highest quality NR that allows comparison to other entities and periods. Related to this will be the need to consider identifying a step-by-step approach to implementing NR guidance.

4. Describe the Implications for any Specific Persons or Groups

(a) Relationship to IASB

As noted, the IASB project on MC will be followed closely for points of convergence where possible.

(b) Relationship to other projects in process or planned

There are close linkages with the Conceptual Framework project, Reporting on the Long-Term Sustainability of Public Finance, and Service Performance.

(c) Other

This project has implications for the following:

- Assurance and verifiability (IAASB/INTOSAI); and
- Budget and statistical groups involved with public sector financial statements.

5. 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 initial output will be a Consultation Paper. Following analysis of submissions on the Consultation Paper, a decision will be made on whether to develop an Exposure Draft of Reporting Requirements and/or Guidance. An Exposure Draft and/or Guidance will also be subject to formal due process, including a consultation period of at least four months.

(b) Project timetable

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

Major Project Milestones	Expected Completion
Present Project Brief	March 2008
Discussion of Issues	February 2011
Discussion of Issues / Review Draft Consultation Paper	June 2011
Approve Consultation Paper	September 2011
Analysis of Responses to Consultation Paper	June 2012
Approve Exposure Draft (ED)	December 2012
Analysis of ED responses	September 2013
Approve Final IPSAS or Guidance as required	February 2014

(c) Project output

There are a number of potential ways that guidance could be developed, including:

- Recognizing best practices;
- Issuing specific non-mandatory guidance;
- Issuing a standard that applies when certain conditions exist
- (IPSAS 24, “Presentation of Budget Information in Financial Statements); and
- Issuing a standard (revised or new) that is mandatory.

While the IPSASB has primarily issued standards, there may be other appropriate vehicles. In considering the type of guidance, audit and assurance aspects of NR will also be addressed.

The nature of the output will depend on the results of IPSASB process.

6. Resources Required

(a) Task Force

A full Task Force is unlikely to be required; however, members may need to assist the Technical Staff with a broad understanding of current practices in both English and non-English speaking countries. The use of a small group of IPSASB members may be appropriate to assist staff. This project has significant interplay with the current IASB project on Management Commentary and other projects by National Standard Setters in both the Public and Private Sectors.

The project would benefit from input from government agencies that set form and content of existing NR reports. Staff will reach out to groups like (FReM – FRAC, European Commission, US Office of Management and Budget, etc) for input.

(b) Staff

One staff member will be required on this project for the period of the review (February 2011-February 2014). It is anticipated that approximately one-third of an FTE would be needed.

(c) Factors that might add to complexity or length

- Nature of Product;
- Interaction with other projects at the IPSASB (Conceptual Framework, Reporting on the Long-Term Sustainability of Public Finance, etc);
- Developments/Decisions with the IASB Management Commentary project;
- The IPSASB position on prospective forward looking information; and
- Implication to the Audit and Assurance community and verifiability of NR.

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

IASB MC Project:

IASB Project Page Management Commentary

IPSAS Standards & Projects:

IPSAS 01 Presentation of Financial Statements **IPSAS 24** Presentation of Budget information in Financial Statements

Reporting on the Long-Term Sustainability of Public Finance (current project)

IPSAS Conceptual Framework (current project)

IPSAS 18 - Segment Reporting

IPSAS 22 - Disclosure of Financial Information General Government Sector

Public Sector Standard Setters:

Canada PSAB http://www.cica.ca/index.cfm/ci_id/225/la_id/1.htm

FReM - Financial Reporting Manual with consultation with the Financial Reporting Advisory Board and is issued by the relevant authorities in England and

Wales, Scotland and Northern Ireland
[reporting.gov.uk/default.htm](http://www.financial-reporting.gov.uk/default.htm)

[http://www.financial-](http://www.financial-reporting.gov.uk/default.htm)

French websites www.comptes-publics.gouv.fr or **Conseil National de la comptabilite**

USA GASB <http://www.gasb.org/>

USA FASAB <http://www.fasab.gov/>



INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD

PROJECT BRIEF AND OUTLINE

1. Subject—Reporting of Service Performance Information

This project will create a consistent framework for reporting service performance information that focuses on meeting the needs of intended users.

2. Project Rationale and Objectives

The objective of financial reporting by public sector entities is to provide information about the reporting entity that is useful to users of General Purpose Financial Reports (GPFs) for accountability purposes and for making resource allocation, political, and social decisions. GPFs report on the results of transactions, events, and activities that have been entered into or have otherwise affected the reporting entity and the achievement of its service delivery and other objectives.

In addition to more traditional financial performance information, a large number of governments around the world are currently reporting performance information about the programs and services they provide (referred to in this brief as service performance). Practice is fairly diverse in various jurisdictions. In some countries, governments are required by law to report this information annually while in others, the reporting of service performance information is strictly a voluntary action by progressive governments striving to enhance accountability.

As reporting of service performance information is considered, the project will review and compare the existing national standards and guidance on service performance reporting (or its equivalent) in the public and private sectors, where standards, guidance, and regulatory requirements for performance reporting have a long history. The International Accounting Standards Board (IASB) does not currently address this form of reporting directly in its standards. However, the IASB may address this issue as part of its conceptual framework project.

(a) Issues identified

There are a number of issues that will be considered in this project. The major issues with respect to reporting service performance information are:

- What are the objectives of reporting service performance information?
- Does a standardized terminology exist?
- Who are the identified users of service performance information, what are their needs, and what type of service performance information is needed to meet these needs?

(b) Objectives to be achieved

The ultimate objective of the project is to produce a consistent framework for reporting service performance information of governmental programs and services.

The intermediate objective is to produce a Consultation Paper. The Consultation Paper will highlight and analyze existing approaches used by governments around the world, where the reporting of service performance information is a feature of governmental financial management.

i. Target Audience

In considering how reporting service performance information will be developed for the public sector, a consideration of those who currently define the form and content of public sector performance information reporting will be undertaken. In establishing guidance we must be cognizant of regulators and/or the equivalent government agencies that currently set the form and content (for example, Canadian Institute of Chartered Accountants, Institute of Chartered Accountants of New Zealand, and US Governmental Accounting Standards Board) of certain types of reporting, including that of service performance information.

ii. Project Deliverables

The next step in this project is to develop an Issues Paper to be discussed by the IPSASB. Based on direction received, a draft Consultation Paper will then be developed for approval by the IPSASB. Once approved, this Consultation Paper will be issued for comment and eventually lead to voluntary guidance or standards, as considered appropriate by the Board.

iv. Content of IPSAS

This project is not directly related to traditional financial statements and is not linked to an existing International Financial Reporting Standard. Therefore, it is not feasible or appropriate to provide definitive final outputs at the initiation stage. Depending on decisions following analysis of submissions on a Consultation Paper and an Exposure Draft, a Standard or Voluntary Guidance will be developed.

(a) Link to IFAC and IPSASB Strategic Plans

i. Link to IPSASB Strategy

The reporting of service performance information is an area which has become increasingly topical and relevant to the enhancement of public sector accountability. This project was identified in the IPSASB Strategy and Operational Plan 2007-2009, as being a priority in 2008. It was deferred until responses to the Conceptual framework Consultation Paper were analyzed. It is consistent with IPSASB's strategic priority of developing requirements and guidance on public sector specific issues. In 2010-2012 the strategic areas of

focus include the need to address public sector critical projects, of which this is an important project.

ii. Link to IFAC Strategic Plan

Issuing requirements and guidance on public sector financial reporting issues is a primary role of the IPSASB. The development of such requirements and guidance supports IFAC's mission of serving the public interest by contributing to its Strategic Theme of "Recognition as the International Standard Setter" for governmental financial reporting as well as a direct impact on the "Enhancement of collaborative efforts."

3. Outline of the Project

(a) Project Scope

The scope of the project is to use a principles based approach to create a consistent framework for reporting service performance information that focuses on meeting the needs of intended users.

The reporting of service performance information guidance would apply to all public sector entities, except for government business enterprises.

Note that there are linkages with the Conceptual Framework, Reporting on the Long Term Sustainability of Public Finance, and Narrative Reporting projects.

(b) Major Problems and Key Issues that Should be Addressed

Key Issue #1—What are the objectives of reporting service performance information?

A key issue will be to consider the objectives of reporting service performance information since this will ultimately lead to developing the guidance needed to meet those objectives. The work of the conceptual framework project will provide the basic framework for this discussion. Note that the project was deferred after initial approval pending responses to the Consultation Paper on phase 1. Those responses supported developing further work in the area. In addition, the work of the IASB, if appropriate, and national standard setters will be considered and evaluated in this context.

Key Issue #2—Does a standardized terminology exist?

A key issue will be to determine if globally consistent terminology exists for the reporting of service performance information. Also, a number of governments have developed formal or implied definitions of these terms or related terms that will need to be understood and potentially standardized.

Key Issue #3—Who are the identified users of service performance information, what are their needs, and what type of service performance information is needed to meet those needs?

A key issue will be to identify the users of service performance information, as well as their needs. It will be important to consider these needs in determining the types of service performance information to report.

There are a variety of approaches to the format and elements of reporting service performance information prescribed by standard setters and regulators. It will be important to consider the approach that will yield the highest quality reporting of service performance information that meets the needs of intended users. As well, other information such as risk, capacity, and other factors that influence the service performance of the entity will be considered.

4. Describe the Implications for any Specific Persons or Groups

(a) Relationship to IASB

The IASB project on the Conceptual Framework, Phase G, *Application of the framework to not-for-profit entities*, will be followed closely for points of convergence where possible. This phase is currently inactive. The IASB directed its staff to focus on the first four phases of the project before beginning work on the applicability of the conceptual framework to not-for-profit entities.

(b) Relationship to other projects in process or planned

There are close linkages with the Conceptual Framework Project, Reporting on the Long Term Sustainability of Public Finance, and the Narrative Reporting project.

(c) Other

This project has implications for the assurance and verifiability (IAASB/INTOSAI).

The project will explore whether information reported on service performance information can and should be assured and, if so, the possible levels of that assurance. It will explore the balance of responsibilities between (1) preparers of service performance information reports in ensuring the verifiability of measures and (2) auditors in providing any appropriate level of assurance.

5. 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 initial output will be a Consultation Paper. Following analysis of submissions on the Consultation Paper, a decision will be made on whether to develop an Exposure Draft of Reporting Requirements or voluntary Guidance.

While the IPSASB has primarily issued standards, this is a project that may be addressing reporting outside of GPFS and, therefore, there may be other appropriate vehicles. In considering the type of guidance, audit and assurance aspects of service performance information will also be addressed.

(a) Project timetable

Major Project Milestones	Expected Completion
Present Project Brief	October 2008
Discussion of Issues	November 2010
Discussion of Issues / Review Draft Consultation Paper	February 2011
Approve Consultation Paper	June 2011
Analysis of Responses to Consultation Paper	February 2012
Approve Exposure Draft (ED)	September 2012
Analysis of ED responses	June 2013
Approve Final IPSAS or Guidance as required	December 2013

(b) Project output

The initial output will be a Consultation Paper. The nature of the final output will depend on the results of the IPSASB process.

6. Resources Required

(a) Task force/Subcommittee

A Task Force is likely to be required to assist in providing a broad understanding of current practices in both English and non-English speaking countries. This task force would meet in the United States (Connecticut) or Canada (Toronto).

The project would benefit from input from government agencies that set form and content of existing service performance information reports. The task force will reach out to groups like (Canadian Institute of Chartered Accountants, Institute of Chartered Accountants of New Zealand and US Governmental Accounting Standards Board) for input.

(a) Staff

Limited IPSASB staff time will be required on this project for the period of review. It is anticipated that a Project Manager from the US Governmental Accounting Standards Board (GASB) will prepare the consultation paper and

associated guidance that results from the due process. An IPSASB staff person will liaise with the GASB staff to ensure that the products reflect IPSASB style and format.

(b) Factors that might add to complexity and length

- Interrelationship with the Conceptual Framework project
- Nature of the product
- Interaction with other projects e.g., Reporting on the Long Term Sustainability of Public Finance
- Development/Decisions with the IASB Conceptual Framework project, Phase G,
- Implication to the Audit and Assurance community with the verifiability of service performance information.

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

- A number of governments and super-national bodies publish reports on service performance information,
- A number of standard setters have developed, are developing, or are refining existing requirements and guidance for the reporting of service performance information, and
- A number of standard setters are developing approaches to public sector reporting of service performance information.

The following projects provide references to the proposed project:

IASB Conceptual Framework Project:

IASB Project Page Conceptual Framework Project, Phase G,
<http://www.iasb.org/Current+Projects/IASB+Projects/Conceptual+Framework/Conceptual+Framework.htm>

IPSAS Standards & Projects:

Fiscal Sustainability (Current Project)
<http://www.ifac.org/PublicSector/ProjectHistory.php?ProjID=0076>

IPSAS Conceptual Framework (Current Project)
<http://www.ifac.org/PublicSector/ProjectHistory.php?ProjID=0066>

Public Sector Standard Setters:

Canada Statement of Recommended Practice
http://www.cica.ca/index.cfm?ci_id=17150&la_id=1

New Zealand Technical Practice Aid

http://www.nzica.com/AM/Template.cfm?Section=NZEIFRS_2008_Volume_files&Template=/CM/ContentDisplay.cfm&ContentID=11299

United Kingdom National Audit Office

http://www.nao.org.uk/publications/nao_reports/00-01/0001301annex.pdf

USA GASB

<http://www.seagov.org/>



INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD

PROJECT BRIEF AND OUTLINE

ENTITY COMBINATIONS

1. Subject

How to account for entity combinations in the public sector

Business combinations are defined in IFRS 3 *Business Combinations* as:

“The bringing together of separate entities or businesses into one reporting entity.”

Further, it states in IFRS 3:

“The result of nearly all business combinations is that one entity, the acquirer, obtains control of one or more other businesses, the acquiree. If an entity obtains control of one or more other entities that are not businesses, the bringing together of those entities is not a business combination.”

2. Project Rationale and Objectives

At present, the IPSASB Handbook does not provide guidance for public sector entities involved in entity combinations. Entity combinations is scoped out of IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)*.

Entity combinations are transactions that public sector entities enter into and, as such, public sector specific guidance would assist in ensuring those transactions are appropriately reflected in the financial statements.

In addition, for combinations involving entities or businesses under common control, there is currently no international guidance available. Given the many activities and entities that governments can control, this type of combination would not be an unrealistic undertaking in the public sector.

(a) Issue identification

As alluded to above and elaborated on further below, the key issue for this project will be the development of guidance for entity combinations involving entities or businesses under common control. All existing and proposed international guidance on business combinations currently scope out this type of combination.

(b) Objectives to be achieved

Key objectives of the project will be to:

- Converge IFRS 3 *Business Combinations* as much as possible for the public sector; and
- Develop public sector specific guidance on accounting for entity combinations involving entities or businesses under common control (which may be stand-alone guidance or incorporated into a converged IFRS 3 above).

(c) Link to IFAC/IPSASB Strategic Plans

Link to IFAC Strategic Plan

Issuing international public sector accounting standards (IPSAS) is a key role of the IPSASB. The development of accounting guidance on entity combinations (which is viewed as a ‘gap’ in the IPSASB Handbook – see below) would directly contribute to the IFAC mission by establishing and promoting adherence to high quality professional standards.

Link to IPSASB Strategy

The absence of public sector specific guidance of this nature is viewed as a large ‘gap’ in the IPSASB Handbook and as such needs to be addressed if the IPSASB is to support its mission. As such, a project on Entity Combinations is currently ranked as a high priority within the IPSASB draft strategic and operational plan.

Further, guidance on accounting for entity combinations involving entities or businesses under common control is an area where at present, neither the IPSASB Handbook or IASB Handbook currently provide any authoritative guidance. Given there is a need for this form of guidance in the public sector, its provisions will be in alignment with the IPSASB strategy.

3. Outline of the Project

(a) Project Scope

The project will scope in all those entity combination arrangements which are currently scoped within IFRS 3 *Business Combinations* (and subsequent proposed revisions – referred to here as draft IFRS 3) as appropriate for the public sector. Proposed revisions to IFRS 3 scope in all but the following arrangements:

- (a) formations of joint ventures
- (b) combinations involving only entities or businesses under common control

Given the relevance of combinations involving entities or businesses under common control to the public sector, the IPSASB project will also scope in those transactions.

Final approved guidance will be applicable to public sector entities only.

Government Business Enterprises (GBEs) are profit seeking entities. As noted in the “Preface to International Public Sector Accounting Standards” GBEs apply IFRSs issued by the IASB and are therefore subject to the IASB’s “Framework for Preparation and Presentation of Financial Statements” (the IASB Framework).

However, while GBEs are required to apply IFRSs, given that they form part of the government reporting entity and, as such, are ultimately subject to consolidation into the governments financial statements, the IPSASB project may decide to consider possible reporting implications with GBEs if considered appropriate.

(a) Major Problems and Key Issues that Should be Addressed

As a starting premise, staff believe the underlying principles of IFRS 3 are convergent for the public sector. Similarly, the proposed amendments in draft IFRS 3 stemming from phase II of the IPSASB’s review of IFRS 3 also seem convergent with the public sector on initial review. IASB deliberations on proposed revisions to IFRS 3 do not appear to have resulted in any significant deviations from many of the proposals in draft IFRS 3. The IPSASB project will make a final decision as to the applicability of the revised IFRS 3 to the public sector once the IASB project is complete (expected Q3 2007).

Regardless of the content of the revised IFRS 3, there are aspects of IFRS 3 that would require ‘public sectorization’ in order to make it more relevant to the public sector. These are discussed later in this proposal. More significant issues are considered first.

Business Combinations Involving Entities or Businesses Under Common Control

IFRS 3 is scoped as follows – it does not apply to:

- (a) business combinations in which separate entities or businesses are brought together to form a joint venture.
- (b) business combinations involving entities or businesses under common control.
- (c) business combinations involving two or more mutual entities.
- (d) business combinations in which separate entities or businesses are brought together to form a reporting entity by contract alone without the obtaining of an ownership interest (for example, combinations in which separate entities are brought together by contract alone to form a dual listed corporation).

As alluded to above, draft IFRS 3 proposes to broaden the scope effectively addressing business combinations except for situations a) and b) above.

The IPSASB currently has IPSAS 8 *Financial Reporting of Interests in Joint Ventures*. (note the IASB currently has a project on Joint Ventures - An Exposure Draft is expected to be published in the first half of 2007).

However, neither the IASB nor IPSASB has any guidance on accounting for entity combinations involving entities or businesses under common control.

The IASB defines these types of arrangements as follows:

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. (paragraph 10, IFRS 3)

Governments can control a wide variety of entity types, and like any controlling entity, can choose to restructure its activities in response to any number of factors such as changes in its economic or political environment. While perhaps not a regular occurrence for governments or public sector entities, given the broad scope of government activities, governments do choose to amalgamate or consolidate activities in such a way that would meet the definition above.

While there are many ways the project could view this issue and consequently determine methodologies for the most appropriate accounting, staff believe the project could pivot on a key question – the answer to which will significantly influence to size of the project. ‘Has anything changed as a result of the combination?’

In substance, nothing has changed by combining these commonly controlled entities

Accounting should reflect the economic substance of transactions and events. By combining commonly controlled entities, the controlling government arguably has not changed the substance of what existed pre-combination. It has merely brought together the resources of two or more entities (businesses) into a newer entity.

Through-out the consolidation, there was never an acquirer or acquiree in the context of IFRS 3 (though the legal reality could be that one entity sub-sumes the activities of another entity), as none of the commonly controlled parties to the arrangement actually attained control, in the truest sense, of another other party to the restructuring.

The decision for a business combination and final implementation was all based on the government’s intentions and plan so as to enable it to better fulfill its own objectives – not those of the parties who were combined. In the end, the primary functions and activities of government (and possibly also the combined entities themselves) continue the same post combination as they did before.

If in substance nothing has changed, then the financial statements of the newly created entity should reflect this economic reality. As such, arguably there

should be no need to consider matters or provide guidance related to matters such as:

- Determining an acquirer;
- Determining an acquiree;
- Defining control with supporting guidance;
- Asset revaluations;
- Liability revaluations;
- Guidance on valuation techniques;
- Recognition of goodwill upon combining;
- Amortization or impairment testing of goodwill; and
- Bargain purchase considerations

Instead, the financial statements for the newly created entity, at their simplest, could merely be an amalgamation (consolidation) of the existing financial information for each of the entities pre-combination.

From a user perspective, assuming that pre-combination each commonly controlled entity issued its own separate financial statements relevant to the users of those statements, users of the financial statements of the newly combined entity will continue to receive equally relevant and meaningful financial information.

In substance, something has changed by combining these commonly controlled entities

An alternative perspective to viewing the combination as being ‘nothing has changed’, is that by combining commonly controlled entities, the controlling government arguably has changed the substance of what existed pre-combination - ‘something has changed’. As such, the accounting should reflect this.

The creation of the new entity is much more than simply amalgamating the assets and liabilities of two or more entities (businesses). While it may be very difficult to determine an acquirer and acquiree, and the final combined entity is the result of a plan developed and implemented by a greater controlling body - the sum of the individual entities aggregate to something different than simply adding together the assets and liabilities of the individual entities.

As such, it may be necessary to develop guidance for public sector entities which address many of the matters considered within IFRS 3 – for example:

- A basis for valuing and recognizing the assets and liabilities of the combined entities;
- Given the sometimes unique nature of some fixed assets of public sector entities, determining appropriate surrogates for valuation when application of mainstream valuation approaches do not appear appropriate;

- If the combined entities are considered to create new synergies or intangible benefits which were believed not to exist pre-combination (or believed to exist in some/all of the individual entities but were unable to be recognized – eg: internally generated goodwill, previously expensed R&D) such as goodwill or other intangible assets – how these should be identified, measured and recognized in the financial statements;
- If goodwill is recognized, how to account for amortization/impairment;
- Treatment of any revaluations;
- Treatment of any benefit, akin to a perceived bargain purchase, by any of the parties to the arrangement;
- Treatment of any subsequent revenues and expenses associated with combining the entities;
- Supporting disclosures for all the above;
- How to account for all the above upon consolidation into the government reporting entity.

In substance, something has changed for some, nothing has changed for others

Is there a need to consider the economic substance of these arrangements on an individual basis acknowledging that entity combinations involving entities or businesses under common control can result in newly combined entities where nothing has changed in some instances, but where something has changed in some other instances.

If this is considered appropriate, criteria will need to be developed which will enable a distinction to be made.

APPLICABILITY OF THE OBJECTIVES OF IFRS 3

The underlying premise of existing and draft IFRS 3 are substantially the same – namely for the acquisition method of accounting to be used for all business combinations and for an acquirer to be identified for every business combination (extract from draft IFRS).

The IASB acknowledges that in some business combinations, domestic legal, taxation or economic factors can make it extremely difficult to identify an acquirer. Does a public sector context add an additional layer of complexity to determining an acquirer which could make application of IFRS 3 even more difficult? Staff do not consider that a public sector context does in fact add an additional layer of complexity.

However, there are a few matters within existing IFRS 3 which will need modification in order to make it applicable to the public sector environment.

Definition of a business

A key ingredient for a business combination is for the combination to involve businesses – a business is defined as:

an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing either:

- (1) a return to investors, or*
- (2) dividends, lower costs, or other economic benefits directly and proportionately to owners, members or participants. (extract from draft IFRS)*

Both existing and proposed revised definitions of business in IFRS 3 do not seem completely applicable to the public sector.

The profit oriented focus of the IFRSs understandably do not fully embrace the notion of a ‘business’ as a means of achieving an output beyond a return of economic benefit. While there may be entities within the government reporting entity which have this type of focus and for which, the above definition would be relevant (such entities would likely be GBEs who would not be required to comply with IPSASs), given that the majority of activities of the public sector are not profit oriented but more the achievement of social policy objectives, the project would need to review the definition of a business to ensure it encompasses circumstances when a public sector entity is not a profit oriented entity or becomes the acquirer of an entity which does not have a profit focus.

RELEVANCE OF SOME DISCUSSION WITHIN IFRS 3 FOR THE PUBLIC SECTOR

While staff consider IFRS 3 is convergent for the public sector, the project will need to consider the appropriateness of some of the content of IFRS 3 for the public sector – examples follow:

Shares of the acquirer

IFRS 3 discusses scenarios involving the acquirer issuing shares/equity in relation to the business combination transaction (eg: reverse acquisition). The need for such guidance for a government does not seem appropriate as a government is not made up of share capital.

Similarly, for entities within the government reporting entity who do issue share capital, they would arguably be entities to which IPSASs would not apply and as such would not require IPSASB guidance in relation to the issuance of shares as part of a business combination.

Mutual Entities

Draft IFRS 3 proposes to broaden its scope to include business combinations involving mutual entities. Mutual entities are defined as an entity other than an investor-owned entity that provides dividends, lower costs, or other economic benefits directly and proportionately to its owners, members, or participants. The project will need to consider the relevance of mutual entities to the public sector.

Recognition of Tax Benefits

IFRS 3 discusses the creation and recognition of tax benefits that can result from a business combination. It is arguable that there is a need for such guidance in a public sector context.

4. Describe the Implications for any Specific Persons or Groups

(a) Relationship to IASB

The most direct implication with the IASB will be use of IASB materials as a basis for the IPSASB project. Implications may also flow from the final composition of the IPSASB task force – if considered it is appropriate to have IASB representation or some other involvement. At the very least, staff believe that close liaison with the IASB will be a reality for the IPSASB project.

Relationship to other projects in process and planned

Existing IFRS 3 has relationships with many other IASs (IPSASB equivalent in brackets) – examples are listed below.

IFRS 5: Non-current Assets Held for Sale and Discontinued Operations

IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors
(IPSAS 3: improved version)

IAS 18: Revenue (IPSAS 9: Revenue from Exchange Transactions)

IAS 27: Consolidated and Separate Financial Statement (IPSAS 6 improved version)

IAS 28: Investment in Associates (IPSAS 7: Investment in Associates (improved))

IAS 38: Intangible Assets

IAS 39: Financial Instruments: Recognition and Measurement

Dependent upon the final form of the IPSASB work plan, the Entity Combinations project could impact on a number of proposed IPSASB projects in both the short or long term. For example, in the short term, approval for a project brief on financial instruments may be impacted. In the longer term, approval for a project on intangible assets could also be impacted by entity combinations.

As with all IPSASB projects, an IPSASB Entity Combination project will need to be cognizant of developments with the IPSASB's conceptual framework project.

(b) Other

Nothing at this stage.

5. Development Process, Project Timetable and Project Output

(a) Development process

The development of guidance will be subject to the IPSASB's formal due process. As the project progresses, regular assessment will be made to confirm the proposed path remains the most appropriate.

At a high level, for development of an IPSAS, the following steps will be taken:

- Development of a consultation paper (only the 'common control' component – see below)
- Issuance for public comment of an exposure draft (ED) of proposed requirements of an IPSAS;
- Consideration of ED responses; and
- Approval and issuance of a final IPSAS.

The issuance of documents for public comment will be subject to the usual IPSASB voting rules. Once approved for release, documents may also be released by the NSS for domestic review together with any contextual commentary considered necessary by the NSS in each jurisdiction.

Documents will be developed using a task force approach – details below.

Staff envisage the project be developed in two components.

- 1) To converge IFRS 3 for the public sector as soon as possible and will essentially follow the last three bullets of the due process outlined above.
- 2) Working in tandem with 1) but focusing on developing public sector specific guidance for combinations involving entities or businesses under common control.

Given the potential difficulty and less-evolved nature of accounting for combinations involving entities or businesses under common control, staff plan to commence that portion of the project with a consultative paper which will consider the issue from a more fundamental level and which will eventually be used as a basis to develop final guidance.

It is planned that a final IPSAS (a public-sectorized IFRS 3) would be approved first with guidance on common control to follow.

As a public-sectorized IFRS 3 is developed, the guidance on common control could either eventually be incorporated within the approved public-sectorized IFRS 3 (similar to what was done when the IPSASB approved the cash-basis components portion relating to budget reporting), or if felt more appropriate, establish entirely separate guidance.

The decision to either incorporate or issue separate guidance in relation to accounting for entity combinations involving entities or businesses under common control does not need to be finalized at this phase of the project.

(b) Project timetable

2007	Converged IFRS 3	Common Control
March	Project proposal approved	
March/April	Task Force selected and confirmed	
April-July	Task force develop: <ul style="list-style-type: none"> • IPSAS ED of IFRS 3; and • Consultative paper on accounting for entity combinations involving entities or businesses under common control; for public comment 	
22-26 July - Montreal	Update IPSASB on progress of task force	
July - October	Task force continue developing: <ul style="list-style-type: none"> • IPSAS ED of IFRS 3; and • Consultative paper on accounting for entity combinations involving entities or businesses under common control; for public comment 	
27-30 November Beijing	ED presented for IPSASB approval	Update IPSASB on progress of task force on consultation paper
December – January 2008	ED issued for public comment	Task force continue developing consultative paper
2008		
January-March	Responses to ED considered IPSAS drafted	Task force continue developing consultative paper
March IPSASB Meeting Wellington	Update IPSASB on ED responses	Consultative paper presented for IPSASB approval
March/April		Consultative paper issued
March-July	IPSAS drafted	
July IPSASB Meeting	IPSASB approve IPSAS on Entity Combinations	Update IPSASB on consultative paper responses
July-November		ED on common control drafted
November Meeting		ED on common control approved by IPSASB
November/December		ED on common control issued
2009		
March Meeting		Update IPSASB on ED responses
July Meeting		IPSAS on common control approved

(c) Project output

- November 2007: ED – Public sectorized IFRS 3 *Entity Combinations*
- March 2008: Consultative paper - accounting for entity combinations involving entities or businesses under common control
- July 2008: IPSAS - Public sectorized IFRS 3 *Entity Combinations*
- November 2008: ED - accounting for entity combinations involving entities or businesses under common control
- July 2009: IPSAS - accounting for entity combinations involving entities or businesses under common control (to be issued either as a separate document or integrated within IPSAS on entity combinations)

6. Resources Required

(a) Task Force/subcommittee required?

A task force is proposed with a membership of six (incl Chair) – a group sizing which will make the task force more manageable. Representation should reflect a broad cross section of IPSASB constituents to enable a broad range of points of view, technical expertise and discussion to be brought to task force meetings.

Where possible, geographical representation should also be a consideration. Staff envisage that the composition would approximate the following mix:

- One surrogate for an acquirer (eg: government preparer);
- One surrogate for an acquiree (eg: government entity preparer);
- One legislative auditor (who will be required to opine on these arrangements);
- Two surrogates for users of financial statements (eg: from the IPSASB Observer group, academics, member of legislative assembly); and
- One IASB representative (preferably whose had involvement with the IASB's current project on revising IFRS 3 *Business Combinations*).

Selection of task force members will be made by the Technical Director and IPSASB Chair.

The majority of meetings are expected to be by conference call, with at least one face-to-face meeting expected.

Unless an offer of resources can be negotiated with NSS, all project materials will be written by IPSASB staff.

(b) Staff

It is envisaged that one Technical Manager will be required to resource the project.

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

- IFRS 3 *Business Combination*
- Exposure Draft of proposed Amendments to IFRS 3 *Business Combinations* – and IFRS deliberations resulting from.
- Any known guidance in member bodies which address entity combinations and accounting for common control
- Understood the IASB could have compiled a report on the status of business combination accounting amongst NSS – staff to follow up.

8. Factors that might add to complexity or length

The project, in particular the component relating to accounting for entity combinations involving entities or businesses under common control, could potentially become very complex – particularly if the view is taken that the entity combination has in substance resulted in more than simply two controlled entities being merged together.

Further, as evidenced by discussion under section 4(b), accounting for entity combinations involves relationships with numerous other standards. Consideration of any implications and/or consequential amendments stemming from this project could add complexity.

Signed _____

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.

Signed _____

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 _____

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Abbreviations			
CP	Consultation Paper	DP	Discussion Paper
ED	Exposure Draft	IFRS	International Financial Reporting Standard
IPSAS	International Public Sector Accounting Standard	RT	Roundtable

Summary of Project Objective	Potential Impact on IPSASs	Current Progress and Likely Time Frame for Completion	Other Comments
Financial Crisis Related Projects			
Consolidation			
The objective is to publish a single IFRS on consolidation replacing IAS 27, “Consolidated and Separate Financial Statements” and SIC-12, “Consolidation – Special Purpose Entities.” The project addresses the following aspects:	Seems unlikely to change major principles but would mean that IPSAS 6, “Consolidated and Separate Financial Statements” would no longer be converged with up-to-date IFRS.	The IASB issued an ED in December 2008 for which the consultation period ended in March 2009. The IASB is currently re-deliberating a number of issues, including disclosures.	See 5.2.2
Replacement of IAS 27 A revision of the definition of control and related application guidance so that a control model can be applied to all entities.		An IFRS is expected Q4 2010.	
Disclosures about unconsolidated SPEs/structures entities Enhanced disclosures about consolidated and unconsolidated entities.		An IFRS is expected Q2 2010.	
Derecognition			
The project encompasses the requirements in IAS 39, “Financial Instruments: Recognition and Measurement” for when a financial asset or financial liability must be removed from an entity’s statement of financial position and the related derecognition disclosure requirements in IFRS 7, “Financial Instruments: Disclosures.”	Impact on the derecognition requirements of IPSAS 29 and the disclosure requirements of IPSAS 30.	ED issued in March 2009 with consultation period that expired in July 2009. A further Ed is expected Q2–Q3 2010. A final amendment to the derecognition requirements of IAS 39 is expected Q4 2010–Q1 2011.	

Summary of Project Objective	Potential Impact on IPSASs	Current Progress and Likely Time Frame for Completion	Other Comments
Fair Value Measurement Guidance			
<p>The Board's objectives in the fair value measurement project are to:</p> <ul style="list-style-type: none"> • Establish a single source of guidance for all fair value measurements; • Clarify the definition of fair value and related guidance; • Enhance disclosures about fair value measurements; and • Increase convergence between IFRS and US GAAP. 	<p>Implications for a number of IPSASs, notably IPSAS 29, but not confined to IPSAS 29.</p> <p>Also important background for "Measurement" in the Conceptual Framework project.</p>	<p>ED issued in May 2009 with consultation period that ended in September 2009. If adopted, the IFRS would replace fair value measurement requirements and guidance in specific standards. An IFRS is expected Q3 2010.</p>	<p>Fair value measurement from a public sector perspective has been suggested as a possible project for initiation in the 2010–2012 period.</p> <p>See 5.2.2</p>
IFRS 9: Financial Instruments (FI) (IAS 39 replacement)			
<p>The objective of this project is to improve the decision-usefulness of financial statements for users by simplifying the classification and measurement requirements for financial instruments. The project will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement."</p>	<p>Major impact on IPSASs 28–30.</p>	<p>The first phase culminated in the issuance of chapters of IFRS 9 dealing with classification and measurement of financial assets in November 2009. The scope of this first phase did not include financial liabilities, which is currently being development and will be exposed as an additional section of IFRS 9.</p>	<p>Agenda Item 6 at the April 2010 meeting will consider options for dealing with the replacement of IAS 9 and other IASB projects with implications for IPSASs 28–30.</p>
<p>FI – Classification and measurement – financial liabilities</p> <p>The objective is to replace the classification and measurement requirements in IAS 39 for financial liabilities</p>	<p>Major impact on IPSAS 29.</p>	<p>An ED dealing with the classification and measurement of financial liabilities is expected Q2 2010. An IFRS is expected in Q3–Q4 2010.</p>	

Summary of Project Objective	Potential Impact on IPSASs	Current Progress and Likely Time Frame for Completion	Other Comments
FI – Impairment This is the second phase of the project to replace IAS 39 with a new Standard (IFRS 9). It proposes adoption of the “expected loss model” rather than the “incurred loss model” that underpins the impairment approach in IAS 39.	Major implications for the impairment provisions in IPSAS 29.	ED, “Financial Instruments: Amortised Cost and Impairment” was issued in November 2009. Comments are due by 30 June 2010. An IFRS (as a chapter of IFRS 9) is expected Q4 2010.	
FI – Hedge Accounting This is the third phase of the project to replace IAS 39 with a new Standard (IFRS 9). The aim is to simplify and replace the hedge accounting requirements of IAS 39. This includes considering: <ul style="list-style-type: none"> • Portfolio hedging; • Simplifying cash flow hedge accounting; • Implications on hedge accounting for net investments in a foreign operation. 	Implications for the hedge accounting requirements of IPSAS 29.	An ED is expected Q2 2010. An IFRS (as a chapter of IFRS 9) is expected Q4 2010–Q1 2011.	
Memorandum of Understanding Projects			
Financial Statement Presentation (FSP)			
FSP – Presentation of items of other comprehensive income In October 2009 the IASB decided to consider as a separate matter the presentation of Other Comprehensive Income (OCI). The IASB decided to give more urgency to this matter because of the increasing importance of OCI to		An ED is expected Q1 2010. An amendment to IAS 1 is expected Q3–Q4 2010.	

Summary of Project Objective	Potential Impact on IPSASs	Current Progress and Likely Time Frame for Completion	Other Comments
other projects, particularly those on financial instruments and on post-employment benefits, for which new components of OCI have been introduced or proposed.			
FSP – Discontinued operations Limited scope project to amend IFRS 5, “Non-Current assets Held for Sale and Discontinued Operations.” The objective of this project is to develop a common definition of discontinued operations and to require common disclosures related to disposals of components of an entity.	None at present. The IPSASB has no equivalent of IFRS 5. The application of IFRS 5 to public sector entities was considered in the development of the “Strategy and Operational Plane 2007–2009” and deferred.	An ED was issued in September 2008 with a consultation period that ended in January 2009. Revised amendments are expected Q3–Q4 2010.	
FSP – Replacement of IAS 1 and IAS 7 The objective of this part of the FSP project is to develop a revised standard for financial statement presentation. In IFRSs, the new standard will replace IAS 1, “Presentation of Financial Statements” and IAS 7, “Statement of Cash Flows.”	IPSAS 1, “Presentation of Financial Statements” is based on the 2003 version of IAS 1. The IPSASB has not considered the notion of comprehensive income. This project is also highly relevant for the Presentation and Disclosure component of the Conceptual Framework project.	A DP was issued in October 2008 with a consultation period that ended in April 2009. An ED is expected Q2 2010. Roundtables are expected to be held Q3–Q4 2010. An IFRS is expected Q2 2011.	
FI with Characteristics of Equity			
The objective of this project is to improve and simplify the financial reporting requirements for financial instruments with characteristics of equity. Specifically, this project is intended to develop a better distinction between equity and non-	Implications for IPSAS 28, “Financial Instruments: Presentation.”	A DP was issued in February 2008 with a consultation period that expired in September 2008. An ED is expected Q2 2010. An IFRS (or an amendment of IAS 32) is expected Q1–Q2 2011.	

Summary of Project Objective	Potential Impact on IPSASs	Current Progress and Likely Time Frame for Completion	Other Comments
equity instruments and converge with US GAAP in this area.			
Income Taxes			
The objective is to clarify and improve IAS 12, “Income Taxes” and to reduce the differences between IAS 12 and US GAAP.	No direct impact. No IPSAS equivalent of IAS 12.	An ED was published by the IASB in March 2009. The consultation period ended on 31 July 2009. The IASB, together with the FASB is considering undertaking a fundamental review of accounting for income taxes as some time in the future. In the meantime, the IASB will consider, in the first half of 2010, whether to propose more limited amendments. A revised ED is expected Q3 2010. An IFRS is expected Q1–Q2 2011.	
Joint Arrangements (formerly Joint Ventures)			
<p>The objective is to improve accounting for what the new IFRS will define as joint arrangements. Joint arrangements include joint operations, joint assets and joint ventures.</p> <p>The project focuses on two aspects of IAS 31 that the IASB considers are an impediment to high quality reporting of joint arrangement activities:</p> <ul style="list-style-type: none"> • IAS 31 uses the form of the arrangement as the primary determinant of the accounting, 	Impact on IPSAS 8, “Interests in Joint Ventures.” The main issue appears to be whether there is a case for retention of both options currently available in IPSAS 8 (proportionate consolidation and equity method) or, alternatively, whether only the equity method will be required.	An ED was issued in September 2007. An IFRS is expected Q2 2010.	See 5.2.2

Summary of Project Objective	Potential Impact on IPSASs	Current Progress and Likely Time Frame for Completion	Other Comments
<p>which does not always reflect the underlying rights and obligations agreed to by the parties.</p> <ul style="list-style-type: none"> IAS 31 gives an entity a choice of accounting treatment for interests in jointly controlled entities, which makes it difficult to compare financial reports. 			
Leases			
<p>The objective of the project is to develop a new single approach to lease accounting that would ensure that all assets and liabilities arising under lease contracts are recognized in the statement of financial position.</p> <p>The most significant impact will be to remove the distinction between finance leases and operating leases and the differing accounting consequences that arise from that distinction in IAS 17, “Leases.”</p>	Major impact on IPSAS 13, “Leases”, which is primarily drawn from IAS 17.	<p>A DP was jointly developed with FASB and issued in March 2009. The consultation period expired in July 2009. That paper focused on lessee accounting. A further ED is expected Q2 2010. Roundtables are expected to be held Q3–Q4 2010. An IFRS is expected Q2 2011.</p>	
Post-Employment Benefits (PEB)			
<p>The objective is to significantly improve pension accounting. The IASB intends to complete limited scope amendments to IAS 19 within four years, pending a fundamental review of all aspects of post-employment benefit accounting.</p> <p>As a result of the Board’s review of comments received on the discussion paper, published in</p>			

Summary of Project Objective	Potential Impact on IPSASs	Current Progress and Likely Time Frame for Completion	Other Comments
March 2008, and further input received from a broad range of stakeholders, the Board decided to work towards three separate exposure drafts as follows:			
PEB – Defined benefit plans An ED on the recognition and presentation of changes in the defined benefit obligation and in plan assets, disclosures, and other issues raised in the comment letters that can be addressed expeditiously.	Significant impact on parts of IPSAS 25, “Employee Benefits.”	An ED is expected Q1 2010. An IFRS is expected Q1 2011.	
PEB – Termination Benefits A limited scope project dealing with the accounting for termination benefits in IAS 19. The amendments will deal with the recognition of voluntary and involuntary termination benefits. It will also clarify that voluntary termination benefits do not relate to future services.	This project has direct implications for the section of IPSAS 25, “Employee Benefits” dealing with termination benefits.	<p>In June 2005, the IASB published an ED of Amendments to IAS 19, dealing with the accounting for termination benefits, together with proposed amendments to IAS 37. In October 2009, the IASB tentatively decided that entities should apply the amendments for annual periods beginning on or after 1 January 2011, with early adoption permitted.</p> <p>An amended IFRS is expected to be issued Q1 2010, together with an amended IFRIC 14, “The Limit on Defined Benefit Assets: Minimum Funding Requirements and their Interaction”.</p>	

Summary of Project Objective	Potential Impact on IPSASs	Current Progress and Likely Time Frame for Completion	Other Comments
Revenue Recognition			
<p>The objective of this project is to develop a new standard for revenue recognition that will apply to a range of industries. The new standard will replace the existing standards on revenue recognition, IAS 11, “Construction Contracts” and IAS 18, “Revenue.”</p> <p>The key principle is that an entity recognizes revenue when it satisfies its performance obligations in a contract by transferring goods and services to a customer.</p>	<p>Although the fundamental principles will probably not be altered, there are significant implications for IPSAS 9, “Revenue from Exchange Transactions” and IPSAS 11, “Construction Contracts”, which are primarily drawn from IAS 11 and IAS 18.</p>	<p>A DP was issued in December 2008. An ED is expected Q2 2010. Roundtables are expected to be held in Q3–Q4 2010. An IFRS is expected Q2 2011.</p>	
Other projects			
Annual Improvements (AIP)—2008–2010			
<p>Process to deal with minor amendments of both a substantive and editorial nature. Ongoing on an annual cycle.</p>	<p>This project has the potential to affect 6 IPSASs.</p>	<p>The IASB’s latest proposed Annual Improvements were exposed in August 2009. An IFRS is expected Q2 2010.</p>	<p>The IPSASB will consider these amendments as part of its annual improvements project. For further details see Agenda Item 4. See 5.2.2</p>
Annual Improvements (AIP)—2009–2011			
<p>Process to deal with minor amendments of both a substantive and editorial nature. Ongoing on an annual cycle.</p>	<p>Unknown impact at this time.</p>	<p>An ED is expected Q3 2010. An IFRS is expected Q2 2011.</p>	<p>The IPSASB will consider these amendments as part of its annual improvements project in 2012. See 5.2.2</p>
Emissions Trading Schemes			
<p>The objective is to provide comprehensive guidance on accounting for the receipt of</p>	<p>There is no direct impact on IPSASs at present as the IPSASB has not initiated a project on emission trading schemes.</p>	<p>An ED is expected Q4 2010. An IFRS is expected H2 2011 or later.</p>	<p>See 5.2.2</p>

Summary of Project Objective	Potential Impact on IPSASs	Current Progress and Likely Time Frame for Completion	Other Comments
<p>emission allowances. It addresses issues such as:</p> <ul style="list-style-type: none"> Whether emissions allowances are assets, and, if so, how they should be accounted for; Accounting for entities that receive allowances free of charge, whether a liability exists, and, if so, how that liability should be recognized and measured. 	<p>Any such project would need to consider the grantor perspective rather than just the recipient perspective. Possible implications for IPSAS 31, “Intangible Assets” and/or IPSAS 28, “Financial Instruments: Recognition and Measurement.”</p>		
Extractive Industries			
<p>A research project that forms the first step towards the development of an approach to resolving accounting issues that are unique to upstream extractive activities. The ultimate objective of this project is to develop an IFRS on accounting for extractive activities that would supersede IFRS 6, “Exploration for and Evaluation of Mineral Resources”, issued in December 2004 as an interim measure pending completion of the comprehensive project.</p>	<p>None. No equivalent IPSAS to IFRS 6.</p>	<p>A working draft of a DP prepared by a number of National Standard Setters was made available on the IASB website in August 2009. The IASB will publish a request for views Q1 2010.</p>	<p>The IPSASB attended a meeting of the IASB and NGO representatives in London in September 2008. It is possible that the IPSASB will be asked to carry out work on disclosures from a governmental perspective, if, and when, an IFRS is issued.</p>
Insurance Contracts			
<p>The overall aim of the project is to provide consistent and sound requirements for accounting for insurance contracts. The project has been conducted in 2 stages. Phase 1 culminated in the publication of</p>	<p>There is no direct impact on IPSASs at present as the IPSASB does not have an IPSAS equivalent of IFRS 4. There are likely to be implications for the scope sections of IPSASs 28–30 when IFRS 4 is replaced.</p>	<p>An ED is expected Q2 2010. An IFRS is expected Q2 2011.</p>	<p>Insurance has not generally considered a high priority in IPSASB deliberations.</p>

Summary of Project Objective	Potential Impact on IPSASs	Current Progress and Likely Time Frame for Completion	Other Comments
IFRS 4, “Insurance Contracts” in 2004. Phase 2 will result in the replacement of IFRS 4.			
Liabilities (IAS 37 Amendments)			
The objective is to revise the requirements in IAS 37, “Provisions, Contingent Liabilities and Contingent Assets.” IAS 37 addresses the accounting for liabilities that are not within the scope of specific standards. The initial intention was to amend IAS 37, but it is now planned to issue a replacement Standard.	There are fundamental implications for IPSAS 19, “Provisions, Contingent Liabilities and Contingent Assets” and for future work on social benefit obligations and other areas where accounting for liabilities is not within the scope of a specific IPSASs. For example, the revised IFRS will remove the probability threshold that has been a key recognition feature of IAS 37 and is reflected in IPSAS 19 and make probability a measurement issue. It will also eliminate the notion of a contingent liability and provide guidance on distinguishing business risks and stand-ready obligations. There are also fundamental implications for the definition of a liability in the IPSASB Conceptual Framework project.	The IASB published an ED of proposed amendments in November 2005 and followed this with Roundtables in 2006. Currently, the IASB is consulting on proposed measurement guidance, with a comment period to 12 April 2010. The IASB has posted a working draft of the entire Standard on its website. An IFRS is expected Q2 2010.	A summary of tentative decisions is available on the IASB website that provides a useful indication of the issues that may impact on IPSAS 19.
Management Commentary			
The objective is to produce guidance on management commentary.	This project has the potential to provide important background material for the IPSASB’s project on Narrative Reporting. It could also potentially affect the scope component of the IPSASB’s Conceptual Framework project.	The IASB issued a DP in November 2005. In June 2009 the IASB issued an ED with a consultation period that expires in March 2010. Completed guidance is expected Q3–Q4 2010.	See 5.2.2 and 5.2.4

Summary of Project Objective	Potential Impact on IPSASs	Current Progress and Likely Time Frame for Completion	Other Comments
Rate-Regulated Activities			
The objective is to develop a standard on rate-regulated activities that clarifies whether regulated entities could or should recognize an asset or a liability as a result of rate regulation.	There is no direct impact on current IPSASs. In some jurisdictions public sector entities which provide services such as electricity may be within the scope of the requirements of the ED. There are also implications by analogy from a conceptual perspective for the public sector e.g., entities with deficits at the reporting date operating under balanced budget legislation.	The IASB issued an ED in August 2009 with a consultation period that expired in November 2009. An IFRS is expected Q2 2011–H2 2011.	
Conceptual Framework Project			
Conceptual Framework			
To develop a Conceptual Framework. This will replace the IASB's current framework, which dates from 1989. The project's overall objective is to create a sound foundation for future accounting standards that are principles-based, internally consistent and internationally converged.	This project is monitored on behalf of the NSS by Senior Adviser Paul Sutcliffe, from a public sector perspective. The IPSASB has made it clear that it is developing its own Conceptual Framework, not an interpretation of the IASB-FASB framework. The IASB's line of travel is, however, of crucial importance in informing the IPSASB's approach.	The IASB is conducting the project in eight phases. Four of these phases have begun. The remaining four are not currently active.	The IPSASB's revised accelerated timetable will mean that it is likely to be in advance of IASB in a number of areas. For further details see Agenda Item 2.1.
Phase A: Objectives and Qualitative Characteristics		A DP "Objectives of Financial Reporting and Qualitative Characteristics of, and Constraints on, Useful Financial Information" (Phase A) was issued in July 2006. An ED was issued in May 2008. A Final Chapter is expected Q1 2010.	

Summary of Project Objective	Potential Impact on IPSASs	Current Progress and Likely Time Frame for Completion	Other Comments
Phase B: Elements and Recognition		A DP is expected Q4 2010. An ED is expected Q2 2011.	
Phase C: Measurement		A DP is expected Q4 2010.	
Phase D: Reporting Entity		A DP was issued in May 2008. An ED was issued in March 2010. A Final Chapter is expected Q4 2010.	
Research and Other Projects			
Common Control Transactions			
Business combinations under common control are excluded from the scope of IFRS 3, "Business Combinations." The project on common control transactions is examining the definition of common control and the methods of accounting for business combinations under common control in the acquirer's consolidated and separate financial statements. The project also considers the accounting for demergers, such as the spin-off of a subsidiary or business.	Currently the IPSASB does not have an equivalent of IFRS 3. Staff has developed ED 41 primarily drawn from IFRS 3, which will be reconsidered at the April 2010 IPSASB meeting. A later phase of the project on entity combinations will address entities under common control.	The IASB's project is currently deferred.	The relevance of this project depends on progress on ED 41, as well as the reactivation of the IASB's project. See 5.2.2
Earnings per Share			
The objective is to simplify and converge the calculation of earnings per share according to IAS 33, "Earnings per Share" and SFAS 128, "Earnings per Share".	None. No equivalent IPSAS and no intention to develop one.	An ED was issued in August 2008. The IASB will resume consideration of the responses later in 2010.	

Summary of Project Objective	Potential Impact on IPSASs	Current Progress and Likely Time Frame for Completion	Other Comments
Government Grants			
<p>The objective is to update IAS 20, “Government Grants” to improve the information provided to users of financial statements by:</p> <ul style="list-style-type: none"> • Eliminating inconsistencies with the Framework, in particular the recognition of a deferred credit when the entity has no liability; and • Eliminating options that can reduce the comparability of financial statements and understate the assets controlled by an entity. 	<p>The IPSASB does not have a Standard primarily drawn from IAS 20. Rather it has issued IPSAS 23, “Revenue from Non-exchange Transactions (Taxes and Transfers)” which specifies the requirements relating to the recognition of revenue arising from government grants and liabilities related to stipulations attached to those grants.</p> <p>Any replacement of IAS 20 would not have direct implications, but might indicate that a review of the requirements of IPSAS 23 might be appropriate.</p>	<p>The IASB has deferred this project since 2006 and awaits progress on other projects such as Emissions Trading Schemes and Revenue Recognition.</p>	
Intangible Assets			
<p>The objective of the project is ultimately to provide requirements for the initial accounting for identifiable intangible assets other than those acquired in a business combination (with a particular focus on, but not limited to, internally-generated identifiable intangible assets); and the subsequent accounting for all identifiable intangible assets.</p>	<p>The replacement or amendment of IAS 38, “Intangible Assets” would have a potential impact on IPSAS 31, “Intangible Assets.”</p>	<p>Currently this project is still on the research agenda and is not an active project. The timing of any replacement, or amendment, of IAS 38 is uncertain and likely to be considered after 2012.</p>	<p>It is possible that this project will ultimately lead to a less restrictive approach to the recognition of intangible assets.</p>

Summary of Project Objective	Potential Impact on IPSASs	Current Progress and Likely Time Frame for Completion	Other Comments
Recently Completed Projects			
IFRS 1, “First-time Adoption of IFRSs” Amendments			
<p>The objective of this project is to amend IFRS 1, “First-time Adoption of International Financial Reporting Standards” to address potential challenges for jurisdictions adopting IFRSs in the near future.</p> <p>There have been two separate amendments to IFRS 1 considered by the Board:</p> <ul style="list-style-type: none"> • Additional Exemptions for First-time Adopters; and • Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters. 	None. No equivalent IPSAS to IFRS 1.	<p>The amendments to IFRS 1 for “Additional Exemptions for First-time Adopters” were issued in July 2009. The amendments to IFRS 1 for the “Limited Exemption from Comparative IFRS 7 Disclosures” was issued in January 2010</p>	<p>IFRS 1 was originally issued in June 2003. Whether or not the IPSASB requires an equivalent standard needs to be discussed.</p> <p>See 5.2.2</p>
Amendment to IFRIC 14, “Prepayments of a Minimum Funding Requirement”			
A limited scope project to correct an unintended consequence of IFRIC 14.	Possible implications for IPSAS 25, “Employee Benefits” issued in February 2008.	The amendment to IFRIC 14 was issued in November 2009.	IFRIC 14 was originally issued in July 2007. Whether or not the IPSASB should amend IPSAS 25 for this Interpretation needs to be discussed.
Related Party Disclosures			
<p>Limited scope project to deal with specific issues:</p> <ul style="list-style-type: none"> • Providing an exemption from disclosure requirements for transactions between entities controlled, jointly controlled or 	IPSAS 20, “Related Party Disclosures” is drawn primarily from the reformatting 1994 version of IAS 24 and does not reflect 2003 revisions. It differs substantially from IAS 24 and arguably presaged the line of travel of the current	<p>In November 2009, following the publication of EDs in February 2007 and December 2008, the IASB published amendments to IAS 24 that provide:</p> <ul style="list-style-type: none"> • A partial exemption for 	

Summary of Project Objective	Potential Impact on IPSASs	Current Progress and Likely Time Frame for Completion	Other Comments
<p>significantly influenced by the same state (“state-controlled entities”); and</p> <ul style="list-style-type: none"> Amending the definitions of a related party and of a related party transaction to clarify the intended meaning and remove some inconsistencies. 	IASB project. Therefore the implications may be relatively minor.	<p>government-related entities from the requirements of IAS 24; and</p> <ul style="list-style-type: none"> A revised definition of a related party. 	
Annual Improvements (AIP)—2009			
Process to deal with minor amendments of both a substantive and editorial nature. Ongoing on an annual cycle.	Relevant April 2009 IASB Improvements will be dealt with in IPSASB’s 2010 Improvements project.		For further details see Agenda Paper 4.
Annual Improvements (AIP)—2008			
Process to deal with minor amendments of both a substantive and editorial nature. Ongoing on an annual cycle.	Relevant “Improvements to IFRSs” issued in May 2008 by the IASB were reflected in “Improvements to IPSASs” issued in January 2010.		
Credit Risk in Liability Measurement			
<p>The IASB is examining the area of credit risk in liability measurement as part of its comprehensive review of accounting issues emerging from the global financial crisis.</p> <p>The issue is relevant to a number of the IASB’s projects - in particular in the accounting for financial instruments, insurance, fair value measurement and provisions, contingent liabilities and contingent assets.</p>	Important background for “Measurement” in the Conceptual Framework project. Potential impact on IPSASs 28–30 and IPSAS 19, “Provisions, Contingent Liabilities and Contingent Assets” as well as other IPSASs dealing with liabilities.	A DP was issued in June 2009 with a consultation period until September 2009. This project has now been incorporated into the Measurement phase of the IASB’s Conceptual Framework project.	

Summary of Project Objective	Potential Impact on IPSASs	Current Progress and Likely Time Frame for Completion	Other Comments
Financial Instruments Amendments			
IFRIC 19, “Extinguishing Financial Liabilities with Equity”	The amendments have a potential impact on IPSAS 29.	IFRIC 19 was issued in November 2009.	For further details see Agenda Item 6.
IFRS 9, “Financial Instruments”	This Standard has a potential impact on IPSAS 29.	IFRS 9 was issued in November 2009.	For further details see Agenda Item 6.
Classification of Rights Issues (Amendment to IAS 32)	The amendments have a potential impact on IPSAS 28.	The amendment to IAS 32 was issued in October 2009.	For further details see Agenda Item 6.
Embedded Derivatives (Amendments to IFRIC 9 and IAS 39) The amendments apply to embedded derivatives within the scope of IFRIC 9 and IAS 39. The amendments clarify that on reclassification of a financial asset out of the “at fair value through profit or loss” category all embedded derivatives have to be assessed and, if necessary, separately accounted for in the financial statements.	The amendments have a potential impact on IPSAS 29 (IPSAS 29 includes IFRIC 9 as an Appendix).	The amendments were issued in March 2009.	For further details see Agenda Item 6.
Improving Disclosures about Financial Instruments (IFRS 7 Amendments)	These amendments have been reflected in IPSAS 30, “Financial Instruments: Disclosures.”	The amendments were issued in March 2009.	
IFRS for SMEs			
The objective of this project is to develop an IFRS expressly designed to meet the financial reporting needs of entities that (a) do not have public accountability and (b) publish general purpose financial statements for external users. Examples of such	None at present. The IPSASB has no equivalent of IFRS for SMEs.	The IFRS was issued in July 2009.	

Summary of Project Objective	Potential Impact on IPSASs	Current Progress and Likely Time Frame for Completion	Other Comments
external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies. The IFRS for SMEs will be derived from full IFRSs with appropriate modifications based on the needs of users of SME financial statements and cost-benefit considerations.			