



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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Agenda Item 9

Date: October 5, 2010
Memo to: Members of the IPSASB
From: Annette Davis
Subject: Improvements to IPSASs and Convergence with IFRSs

Objective of this Session

- To **review** responses to the April 2010 Exposure Draft, ED 44, “Improvements to IPSASs”;
- To **approve** the improvements to various IPSASs as set out in, “Improvements to IPSASs”;
- To **discuss** the draft Table of Concordance for IPSAS 31, “Intangible Assets”; and
- To **note** the work to track convergence with the IASB.

Agenda Material

- 9.1 Response Booklet
 - 9.1.1 Memo “Improvements to IPSASs”
 - 9.1.2 Draft “Improvements to IPSASs”
 - 9.1.3 Table of Respondents’ Comments and Proposed Actions
 - 9.1.4 Overview of Responses – by Geographic Location, Function and Language
- 9.2 Memo “Convergence with IFRSs”
 - 9.2.1 Table of Concordance for IPSAS 31, “Intangible Assets”
 - 9.2.2 Tracking Table—Document of Substantial Convergence with Underlying IFRSs

Background

1. This Agenda Paper has been developed to review and approve the finalization of ED 44, “Improvements to IPSASs” and to address a number of issues that relate to the 2011 Improvements to IPSASs project.
2. Members are asked to consider the various Agenda Papers and provide feedback on the issues outlined.

IMPROVEMENTS TO IPSASs

Objective of this Agenda Paper

- To **review** responses to the April 2010 Exposure Draft, ED 44, “Improvements to IPSASs”; and
- To **approve** the improvements to various IPSASs as set out in, “Improvements to IPSASs.”

Agenda Material

- 9.1 Response Booklet
- 9.1.2 Draft “Improvements to IPSASs”
- 9.1.3 Table of Respondents’ Comments and Proposed Actions
- 9.1.4 Overview of Responses – by Geographic Location, Function and Language

Background

1. ED 44, “Improvements to IPSASs” was issued in April 2010 and comprises two parts:
 - (a) Part I proposes improvements to four IPSASs in order to maintain alignment with IFRSs that have been amended in the IASB’s “Improvements to IFRSs” document issued in April 2009.
 - (b) Part II proposes improvements to several IPSASs that relate to inconsistent references to standards, terminology and structure resulting from the IPSASB’s general review of existing IPSASs.
2. The comment period ended on June 30, 2010. Staff received eight responses to ED 44. These are contained in Agenda Paper 9.1.
3. An extract of the minutes from the April 2010 meeting is in Appendix A.

Overall Summary

4. Six of the respondents (R# 1, 2, 3, 4, 5, and 7) expressed positive support for the IPSASB’s proposals in ED 44, although Respondents #1 and 7 gave additional comments. Respondents #6 and 8 did not express an overall view.
5. Agenda Paper 9.1.3 is a table of Respondents’ comments and the proposed response. Staff did not identify any key issues from the responses.

Effective Date

6. Before the proposed improvements can be finalized, the effective date needs to be considered.
7. For its 2009 Improvements to IPSASs project, the IPSASB issued this document in January 2010 with an effective date of annual periods beginning on or after January 1, 2011. Staff proposes to issue the finalized improvements in December 2010, with an effective date of January 1, 2012.

Question:

Does the IPSASB agree with the proposed effective date?

Other Issues

Editorial Corrections

8. Respondent #1 suggested that corrigenda (errors in a printed work discovered after printing and shown with its correction on a separate sheet) would be adequate for amendments relating to the IASB's Improvements to IFRS standards and corrections of errors in IPSASs. Changes, even of a minor nature, are required to undergo a due process. In the case of ED 44, the IPSASB limited the exposure period to just over two months rather than the usual four months. This due process is necessary for amendments relating to the IASB's Improvements to IFRS standards. However, corrections of errors in IPSASs do not require a due process.
9. At present, editorial errors are corrected in the subsequent edition of the IPSASB Handbook but are not separately identified or publicly available. The IPSASB could consider whether editorial corrections (corrigenda) should be separately identified and made publicly available.

Question:

Does the IPSASB agree that there should be further consideration of a public process for the publication of editorial corrections?

Wording Differences between IPSASs and their underlying IFRS

10. Respondent #7 sets out examples of wording in IPSASs which is not the same as the wording used in the current underlying IFRSs, even though there is no public sector specific reason to depart from the IASB's wording. These examples have arisen where there have been subsequent IASB amendments to underlying IFRSs which the IPSASB has not yet considered.
11. This issue will become more common as the IASB continues to amend its standards. To address this issue, a review of the "Tracking Table—Document of Substantial Convergence with Underlying IFRSs" (Agenda Paper 9.2.2) to identify amendments that could be included in the 2011 Improvements Project.

Question:

Does the IPSASB agree that a review of the "Tracking Table—Document of Substantial Convergence with Underlying IFRSs" should be undertaken to identify amendments that could be included in the 2011 Improvements Project?

12. Appendix B sets out a list of potential amendments to IPSASs which have already been identified for consideration in the 2011 Improvements Project.

Appendix A: Extract from April 2010 Meeting Minutes

4. ANNUAL IMPROVEMENTS

Approve Exposure Draft (Agenda Item 4)

The IPSASB reviewed Exposure Draft (ED) 44, “Improvements to IPSASs.” The IPSASB discussed and accepted the proposed approach for the ED to be divided into two separate parts. Part I deals with amendments arising from consideration of the IASB’s “Improvements to IFRSs” issued in April 2009 and Part II deals with improvements of a more general nature identified by Members, TAs, and staff.

Members expressed reservations about the lack of a documented process for dealing with Part II improvements and asked staff to explain the criteria for the inclusion of such improvements. Staff responded that the aim was to include only the relatively minor changes rather than those with significant substantive implications, although it was acknowledged that such a distinction was a matter of judgment. Some Members felt that the approach to compilation of the proposed improvements for Part II had been inadequately communicated, which meant that some potential improvements had not been identified. Staff was directed to clarify the process and ensure that Members, TAs, Observers, and constituents are able to propose improvements.

The minor nature of some of the changes in Part II led some Members to question whether exposure was necessary. Staff acknowledged that in some cases the need for exposure was uncertain. However, because IPSASs are adopted into legal frameworks in some jurisdictions, a presumption was made in favor of exposure.

It was directed that staff should bring a document to a future meeting of the IPSASB setting out more precisely what “convergence” means in terms of the relationship between an IPSAS and its related IFRS.

Staff was also asked to develop a paper on aspects of the structure of IPSASs (e.g., the purpose of the Introduction, developing an Objective for those IPSASs that do not have one at present, and the necessity of retaining the Comparison with IFRS now that a Basis for Conclusions is included which explains differences from the underlying IFRS).

Members noted that there had been previous discussion whether improvements might be addressed on a biennial cycle. It was directed that a further ED of improvements would be developed in 2011, after which a biennial cycle would be adopted.

The IPSASB accepted the staff’s view that IASB Improvements to IFRSs and IFRICs on financial instruments should be dealt with in the project to update IPSASs 28–30 (see Item 5) rather than in this year’s Annual Improvements project. It was also agreed that the improvements to IAS 36, “Impairment of Assets” and IAS 38, “Intangible Assets” would be addressed in the IPSASB’s Entity Combinations project (see Item 3).

The IPSASB considered whether the consultation period should end in August 2010, which would be in accordance with the IPSASB’s normal four-month exposure period, or should be for a shorter period. It was decided that, as most of the amendments were minor, the exposure period should be shortened and end on June 30, 2010.

The IPSASB approved ED 44 for issuance.

The results of the vote for ED 44 were as follows: **In Favor: 18; Against: 0; Abstain: 0.** The voting details of the approval are at Appendix 2, item 8.2.

Appendix B: List of Potential Amendments to IPSASs for 2011 Improvements Project

	Standard	Comments
Changes Agreed Upon by the IPSASB in June 2010		
	All IPSASs	<ul style="list-style-type: none"> Delete Introduction.
	IPSASs 6–10	<ul style="list-style-type: none"> Develop Objective paragraphs.
Changes Arising from IPSAS 31		
	IPSAS 13	<ul style="list-style-type: none"> Paragraph 41: Should be updated to refer to IPSAS 26.
	IPSAS 16	<ul style="list-style-type: none"> Paragraph 37: Should be deleted as its equivalent in IPSAS 31 relating to “lacks commercial substance” has been deleted. Paragraph 36 and Comparison with IAS 40: Should be amended because of this deletion.
	IPSAS 17	<ul style="list-style-type: none"> Should be updated to refer to IPSAS 26. Paragraph 39: Should be deleted as its equivalent in IPSAS 31 relating to “lacks commercial substance” has been deleted. Paragraph 38 and Comparison with IAS 16: Should be amended because of this deletion. Paragraph 83: The last sentence needs to be deleted as its equivalent in IPSAS 31 has been deleted because the IPSASB use the term “revenue” in a broader-sense than the IASB, i.e., it includes income and gains.
	IPSAS 21	<ul style="list-style-type: none"> Paragraph 27(d) another indicator of impairment needs to be included because IPSAS 26.25(e) includes as an indicator of impairment an asset where its useful life has been reassessed as finite rather than indefinite. IPSAS 21.27(d) does not have this indicator because it was added to IAS 36 in the revision the IASB issued in March 2004. At that stage, the IPSASB were in the process of finalizing IPSAS 21.
	IPSAS 31	<ul style="list-style-type: none"> Paragraph 16 should be updated to include two definitions: carrying amount of an intangible asset and monetary items.
Changes Arising from Improvements to IFRSs (May 2010)		
	IPSAS 1	<ul style="list-style-type: none"> IAS 1
	IPSAS 6	<ul style="list-style-type: none"> IAS 27
Changes Arising from IPSASs—List of Subsequent IASB Amendments to Underlying IFRSs		
	IPSAS 9	<ul style="list-style-type: none"> IFRIC 15 (July 2008) amended IAS 18
	IPSAS 10	<ul style="list-style-type: none"> IAS 21 (December 2003) amended IAS 29
	IPSAS 14	<ul style="list-style-type: none"> IFRIC 17 (November 2008) amended IAS 10
	IPSAS 19	<ul style="list-style-type: none"> IAS 10 (December 2003) amended IAS 37

Improvements to IPSASs



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These Improvements to International Public Sector Accounting Standards were prepared by the International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IPSASB is to serve the public interest by developing high quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements. This will enhance the quality and transparency of public sector financial reporting and strengthen public confidence in public sector financial management. This publication may be downloaded free-of-charge from the IFAC website: <http://www.ifac.org>. The approved text is published in the English language. The mission of IFAC is to serve the public interest, strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession's expertise is most relevant.

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IMPROVEMENTS TO IPSASs

Acknowledgment

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Introduction

- IN1. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IPSASs. This document sets out amendments to IPSASs and the related Bases for Conclusions, Comparisons with IFRSs/IASs and guidance.
- IN2. Part I of this document contains amendments that are drawn from the IASB document, “Improvements to IFRS” issued in April 2009. The IASB’s rationale for its amendments is documented in the related Bases for Conclusions in that IASB document. The following table shows how amendments in “Improvements to IFRSs” have been addressed and the reason for their inclusion or exclusion in IPSASs. The effective date of each amendment is included in the IPSAS affected.
- IN3. Part II contains amendments that relate to inconsistent references to standards, terminology and structure resulting from IPSASB’s general review of existing IPSASs. The effective date for these amendments is stated at the beginning of Part II.

IPSASs addressed

- IN4. The following table shows the topics addressed by these amendments.

IPSAS	Subject of Amendment
Part I	
IPSAS 1, “Presentation of Financial Statements”	Current/non-current classification of convertible instruments
IPSAS 2, “Cash Flow Statements”	Classification of cash flows on unrecognized assets
IPSAS 9, “Revenue from Exchange Transactions”	Determining whether an entity is acting as a principal or as an agent
IPSAS 13, “Leases”	Classification of leases of land and buildings
Part II	
IPSAS 2, “Cash Flow Statements”	Reference to extraordinary items
IPSAS 9, “Revenue from Exchange Transactions”	Editorial changes
IPSAS 12, “Inventories”	Exceptions to the measurement of inventories at the lower of cost and net realizable value
IPSAS 18, “Segment Reporting”	Reference to extraordinary loss
IPSAS 20, “Related Party Disclosures”	Reference to extraordinary items
IPSAS 21, “Impairment of Non-Cash Generating Assets”	Reference to IPSAS 26
	Required disclosure of the criteria used in distinguishing cash-generating assets from non-cash-generating assets
Terminology Changes	Consistency of terminology

PART I

Amendments to International Public Sector Accounting Standard 1, “Presentation of Financial Statements”

Paragraph 80 and Comparison with IAS 1 are amended (new text is underlined and deleted text is struck through). Paragraphs 153D, BC12, and an associated heading are added.

Structure and Content

Statement of Financial Position

Current Liabilities

80. A liability shall be classified as current when it satisfies any of the following criteria:
- (a) It is expected to be settled in the entity’s normal operating cycle;
 - (b) It is held primarily for the purpose of being traded;
 - (c) It is due to be settled within twelve months after the reporting date; or
 - (d) The entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date (see paragraph 84). Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities shall be classified as non-current.

Effective Date

153D. Paragraph 80 was amended by “Improvements to IPSASs” issued in December 2010. An entity shall apply that amendment for annual financial statements covering periods beginning on or after January 1, 2012. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2012, it shall disclose that fact.

Basis for Conclusions

BC1–BC11

Revision of IPSAS 1 as a result of the IASB’s Improvements to IFRSs issued in 2009

BC12. The IPSASB reviewed the revisions to IAS 1 included in the “Improvements to IFRSs” issued by the IASB in April 2009 and generally concurred with the IASB’s reasons for revising the standard. The IPSASB concluded that there was no public sector specific reason for not adopting the amendment.

Comparison with IAS 1

IPSAS 1 is drawn primarily from IAS 1 (2003) and includes amendments made to IAS 1 as part of the “Improvements to IFRSs” issued in May 2008 and April 2009 respectively. ...

Amendments to International Public Sector Accounting Standard 2, “Cash Flow Statements”

Paragraph 25 and Comparison with IAS 7 are amended (new text is underlined and deleted text is struck through). Paragraph 63B and a Basis for Conclusions section are added.

Presentation of a Cash Flow Statement

Investing Activities

25. The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which cash outflows have been made for resources which are intended to contribute to the entity’s future service delivery. Only cash outflows that result in a recognized asset in the statement of financial position are eligible for classification as investing activities. Examples of cash flows arising from investing activities are:

- (a) ...

Effective Date

63B. Paragraph 25 was amended by “Improvements to IPSASs” issued in December 2010. An entity shall apply that amendment for annual financial statements covering periods beginning on or after January 1, 2012. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2012, it shall disclose that fact.

Basis for Conclusions

Revision of IPSAS 2 as a result of the IASB’s Improvements to IFRSs issued in 2009

BC1. The IPSASB reviewed the revisions to IAS 7 included in the “Improvements to IFRSs” issued by the IASB in April 2009 and generally concurred with the IASB’s reasons for revising the standard. The IPSASB concluded that there was no public sector specific reason for not adopting the amendment.

Comparison with IAS 7

IPSAS 2, “Cash Flow Statements,” is drawn primarily from IAS 7, “Cash Flow Statements,” and includes an amendment made to IAS 7 as part of the “Improvements to IFRSs” issued in April 2009. ...

Amendments to the Implementation Guidance to International Public Sector Accounting Standard 9, “Revenue from Exchange Transactions”

After the Interest, Royalties, and Dividends section of the Implementation Guidance to IPSAS 9, a heading and paragraphs IG32–IG34 are added.

Recognition and Measurement

Determining whether an entity is acting as a principal or as an agent (2010 amendment)

IG32. Paragraph 12 states that “in an agency relationship, the gross inflows of economic benefits or service potential include amounts collected on behalf of the principal and which do not result in increases in net assets/equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of any commission received or receivable for the collection or handling of the gross flows.” Determining whether an entity is acting as a principal or as an agent requires judgement and consideration of all relevant facts and circumstances.

IG33. An entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. Features that indicate that an entity is acting as a principal include:

- (a) The entity has the primary responsibility for providing the goods or services to the customer or for fulfilling the order, for example by being responsible for the acceptability of the products or services ordered or purchased by the customer;
- (b) The entity has inventory risk before or after the customer order, during shipping or on return;
- (c) The entity has latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services; and
- (d) The entity bears the customer’s credit risk for the amount receivable from the customer.

IG34. An entity is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. One feature indicating that an entity is acting as an agent is that the amount the entity earns is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed to the customer.

Amendments to International Public Sector Accounting Standard 13, “Leases”

Paragraphs 19 and 20 are deleted and the Comparison with IAS 17 is amended (new text is underlined and deleted text is struck through). Paragraphs 20A, 84A, 85A, BC7, and associated headings are added.

Classification of Leases

19. ~~[Deleted] Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. However, a characteristic of land is that it normally has an indefinite economic life and, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership, in which case the lease of land will be an operating lease. A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents pre-paid lease payments that are amortized over the lease term in accordance with the pattern of benefits provided.~~
20. ~~[Deleted] The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. If title to both elements is expected to pass to the lessee by the end of the lease term, both elements are classified as a finance lease, whether analyzed as one lease or as two leases, unless it is clear from other features that the lease does not transfer substantially all risks and rewards incidental to ownership of one or both elements. When the land has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term, in accordance with paragraph 19. The buildings element is classified as a finance or operating lease in accordance with paragraphs 12–18.~~
- 20A. When a lease includes both land and buildings elements, an entity assesses the classification of each element as a finance or an operating lease separately in accordance with paragraphs 12–18. In determining whether the land element is an operating or a finance lease, an important consideration is that land normally has an indefinite economic life.

Transitional Provisions

- 84A. An entity that has previously applied IPSAS 13 (2006) shall reassess the classification of land elements of unexpired leases at the date it adopts the amendments referred to in paragraph 85A on the basis of information existing at the inception of those leases. It shall recognize a lease newly classified as a finance lease retrospectively in accordance with IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors.” However, if an entity does not have the information necessary to apply the amendments retrospectively, it shall:
 - (a) Apply the amendments to those leases on the basis of the facts and circumstances existing on the date it adopts the amendments; and

- (b) Recognize the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognized in accumulated surplus or deficit.

Effective Date

85A. Paragraphs 19 and 20 were deleted, and paragraphs 20A and 84A were added by “Improvements to IPSASs” issued in December 2010. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2012. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2012, it shall disclose that fact.

Basis for Conclusions

Revision of IPSAS 13 as a result of the IASB’s General Improvements Project 2003

Background

BC1–BC6

Revision of IPSAS 13 as a result of the IASB’s Improvements to IFRSs issued in 2009

BC7. The IPSASB reviewed the revisions to IAS 17 included in the “Improvements to IFRSs” issued by the IASB in April 2009 and generally concurred with the IASB’s reasons for revising the standard. The IPSASB concluded that there was no public sector specific reason for not adopting the amendment.

Comparison with IAS 17

IPSAS 13, “Leases” is drawn primarily from IAS 17, (revised 2003), “Leases:” and includes amendments made to IAS 17 as part of the “Improvements to IFRSs” issued in April 2009. ...

PART II

The amendments in Part II shall be applied for annual financial statements covering periods beginning on or after January 1, 2012. Earlier application is encouraged.

Amendment to International Public Sector Accounting Standard 2, “Cash Flow Statements”

Paragraph 30 is amended (new text is underlined and deleted text is struck through).

Reporting Cash Flows from Operating Activities

30. Under the indirect method, the net cash flow from operating activities is determined by adjusting net surplus or deficit from ordinary activities for the effects of:
- (a) Changes during the period in inventories and operating receivables and payables;
 - (b) Noncash items such as depreciation, provisions, deferred taxes, unrealized foreign currency gains and losses, undistributed surpluses of associates, and minority interests; and
 - (c) All other items for which the cash effects are investing or financing cash flows; ~~and,~~
 - (d) ~~The impact of any extraordinary items which are classified as operating cash flows.~~

Amendment to International Public Sector Accounting Standard 9, “Revenue from Exchange Transactions”

Paragraph 10 is amended (new text is underlined and deleted text is struck through).

Scope

10. This Standard does not deal with revenues arising from:
- ~~(a) Addressed in other IPSASs, including those arising from:~~
 - ~~(a)~~ Lease agreements (see IPSAS 13, “Leases”);
 - ~~(b)~~ Dividends or similar distributions arising from investments which are accounted for under the equity method (see IPSAS 7, “Investments in Associates”); ~~and~~
 - ~~(c)~~ Gains from the sale of property, plant and equipment (which are dealt with in IPSAS 17, “Property, Plant and Equipment”);
 - ~~(d)~~ Arising from insurance Insurance contracts of insurance entities within the scope of the relevant international or national accounting standard dealing with insurance contracts;
 - ~~(e)~~ Arising from changes Changes in the fair value of financial assets and financial liabilities or their disposal (guidance on the recognition and measurement of financial instruments can be found in IPSAS 29);
 - ~~(f)~~ Arising from changes Changes in the value of other current assets;
 - ~~(g)~~ Arising from Initial recognition and from changes in the fair value of biological assets related to agricultural activity (see IPSAS 27, “Agriculture”);
 - ~~(g)~~ Arising from Initial recognition of agricultural produce (see IPSAS 27); and
 - ~~(h)~~ Arising from the The extraction of mineral ores.

**Amendment to International Public Sector Accounting Standard 12,
“Inventories”**

Paragraph 15 is amended (new text is underlined).

Measurement of Inventories

15. Inventories shall be measured at the lower of cost and net realizable value, except where paragraph 16 or paragraph 17 applies.

Amendment to the Illustrative Example to International Public Sector Accounting Standard 18, “Segment Reporting”

The table in the Illustrative Example to IPSAS 18 is amended (new text is underlined and deleted text is struck through).

Schedule A—Information about Segments (in millions of currency units)

	Primary/ Secondary		Tertiary		Special Services		Other Services		Eliminations		Consolidated	
	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1
SEGMENT REVENUE												
...												
<i>Total Segment Revenue</i>	<u>63</u>	<u>50</u>	<u>28</u>	<u>30</u>	<u>21</u>	<u>20</u>	<u>9</u>	<u>9</u>	<u>20</u>	19	101	90
SEGMENT EXPENSE												
...												
<i>Total Segment Expenses</i>	<u>(60)</u>	<u>(49)</u>	<u>(28)</u>	<u>(29)</u>	<u>(23)</u>	<u>(21)</u>	<u>(5)</u>	<u>(5)</u>	<u>20</u>	<u>19</u>	(96)	(85)
Unallocated central expenses											<u>(7)</u>	<u>(9)</u>
<i>Deficit from Operating Activities</i>											(2)	(4)
Interest expense											(4)	(3)
Interest revenue											2	3
Share of net surpluses of associates							8	7			<u>8</u>	<u>7</u>
<i>Surplus from Ordinary Activities</i>											4	3
Extraordinary loss: uninsured earthquake damage to facilities											<u>0</u>	<u>(3)</u>
<i>Net Surplus for the period</i>											<u>4</u>	<u>03</u>
OTHER INFORMATION												
...												

Amendment to International Public Sector Accounting Standard 20, “Related Party Disclosures”

Paragraph 24 is amended (deleted text is struck through).

Disclosure

24. Some IPSASs also require disclosure of transactions with related parties. For example, IPSAS 1 requires disclosure of amounts payable to and receivable from controlling entities, fellow controlled entities, associates and other related parties. IPSAS 6, “Consolidated and Separate Financial Statements” and IPSAS 7 require disclosure of a list of significant controlled entities and associates. ~~IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors” requires disclosure of extraordinary items and items of revenue and expense within surplus or deficit from ordinary activities that are of such size, nature or incidence that their disclosure is relevant to explain the performance of the entity for the period.~~

Amendments to International Public Sector Accounting Standard 21, “Impairment of Non-Cash-Generating Assets”

Paragraphs 11 and 20 are amended (new text is underlined and deleted text is struck through). Paragraph 73A is added.

Scope

11. Consistent with the requirements of paragraph 4 above, items of property, plant and equipment that are classified as cash-generating assets including those that are carried at revalued amounts under the allowed alternative treatment in IPSAS 17, are dealt with under ~~IAS 36~~IPSAS 26.

Definitions

Cash-Generating Assets

20. In some cases it may not be clear whether the primary objective of holding an asset is to generate a commercial return. In such cases it is necessary to evaluate the significance of the cash flows. It may be difficult to determine whether the extent to which the asset generates cash flows is so significant that this Standard is applicable rather than IPSAS 26. Judgment is needed to determine which Standard to apply. An entity develops criteria so that it can exercise that judgment consistently in accordance with the definition of cash-generating assets and non-cash-generating assets and with the related guidance in paragraphs 16–20. Paragraph ~~72~~73A requires an entity to disclose the criteria used in making this judgment. However, given the overall objectives of most public sector entities, other than GBEs, the presumption is that assets are non-cash-generating and, therefore, IPSAS 21 will apply.

Disclosure

- 73A. An entity shall disclose the criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets.

Terminology Changes

IPSAS 1, “Presentation of Financial Statements”

Paragraph 82 is amended as follows:

82. Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within twelve months after the reporting date or held primarily for the purpose of being traded. Examples are some financial liabilities classified as held for trading in accordance with IPSAS 29, bank overdrafts, and the current portion of non-current financial liabilities, dividends or similar distributions payable, income taxes and other non-trade payables. Financial liabilities that provide financing on a long-term basis (i.e., are not part of the working capital used in the entity’s normal operating cycle) and are not due for settlement within twelve months after the reporting date are non-current liabilities, subject to paragraphs 85 and 86.

IPSAS 2, “Cash Flow Statements”

Paragraph 22 is amended as follows:

22. ...
- Some transactions, such as the sale of an item of plant, may give rise to a gain or loss which is included in the determination of ~~net~~-surplus or deficit. However, the cash flows relating to such transactions are cash flows from investing activities.

Paragraph 27 is amended as follows:

27. An entity shall report cash flows from operating activities using either:
- (a) The direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or
 - (b) The indirect method, whereby ~~net~~-surplus or deficit is adjusted for the effects of transactions of a noncash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows.

Paragraph 30 is amended as follows:

30. Under the indirect method, the net cash flow from operating activities is determined by adjusting ~~net~~-surplus or deficit from ordinary activities for the effects of:
- (a) ...

Paragraph 40 is amended as follows:

Interest and Dividends or Similar Distributions

40. Cash flows from interest and dividends or similar distributions received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as either operating, investing or financing activities.

Paragraph 42 is amended as follows:

42. Interest paid and interest and dividends or similar distributions received are usually classified as operating cash flows for a public financial institution. However, there is no consensus on the classification of these cash flows for other entities. Interest paid and interest and dividends or similar distributions received may be classified as operating cash flows because they enter into the determination of ~~net~~—surplus or deficit. Alternatively, interest paid and interest and dividends or similar distributions received may be classified as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments.

Paragraph 43 is amended as follows:

43. Dividends or similar distributions paid may be classified as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, dividends or similar distributions paid may be classified as a component of cash flows from operating activities in order to assist users to determine the ability of an entity to make these payments out of operating cash flows.

Paragraph 47 is amended as follows:

47. When accounting for an investment in an associate or a controlled entity accounted for by use of the equity or cost method, an investor restricts its reporting in the cash flow statement to the cash flows between itself and the investee, for example, to dividends or similar distributions and advances.

IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors”

The heading before Paragraph IN11 is amended as follows:

~~Net~~—Surplus or Deficit for the Period

IN11. The Standard does not include...

IPSAS 7, “Investments in Associates”

Paragraph 12 is amended as follows:

12. The existence of significant influence by an investor is usually evidenced in one or more of the following ways:
- (a) Representation on the board of directors or equivalent governing body of the investee;
 - (b) Participation in policy-making processes, including participation in decisions about dividends or similar ~~other~~ distributions;
 - (c) Material transactions between the investor and the investee;
 - (d) Interchange of managerial personnel; or
 - (e) Provision of essential technical information.

IPSAS 9, “Revenue from Exchange Transactions”

Paragraph 1 is amended as follows:

1. **An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for revenue arising from the following exchange transactions and events:**
 - (a) **The rendering of services;**
 - (b) **The sale of goods; and**
 - (c) **The use by others of entity assets yielding interest, royalties and dividends or similar distributions.**

Paragraph 9 is amended as follows:

9. The use by others of entity assets gives rise to revenue in the form of:
 - (a) Interest—charges for the use of cash or cash equivalents or amounts due to the entity;
 - (b) Royalties—charges for the use of long-term assets of the entity, for example, patents, trademarks, copyrights and computer software; and
 - (c) Dividends or similar distributions—~~equivalents~~—distributions of surpluses to holders of equity investments in proportion to their holdings of a particular class of capital.

Paragraph 12 is amended as follows:

12. Revenue includes only the gross inflows of economic benefits or service potential received and receivable by the entity on its own account. Amounts collected as an agent of the government or another government organization or on behalf of other third parties; for example, the collection of telephone and electricity payments by the post office on behalf of entities providing such services are not economic benefits or service potential that flow to the entity, and do not result in increases in assets or decreases in liabilities. Therefore, they are excluded from revenue. Similarly, ~~in a custodial or an~~ agency relationship, the gross inflows of economic benefits or service potential include amounts collected on behalf of the principal that do not result in increases in net assets/equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of any commission received, or receivable, for the collection or handling of the gross flows.

Paragraph 33 is amended as follows:

Interest, Royalties and Dividends or Similar Distributions

33. **Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions shall be recognized using the accounting treatments set out in paragraph 34 when:**
 - (a) **It is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and**

- (b) **The amount of the revenue can be measured reliably.**

Paragraph 34 is amended as follows:

34. **Revenue shall be recognized using the following accounting treatments:**
- (a) **Interest shall be recognized on a time proportion basis that takes into account the effective yield on the asset;**
 - (b) **Royalties shall be recognized as they are earned in accordance with the substance of the relevant agreement; and**
 - (c) **Dividends or similar distributions ~~their equivalents~~ shall be recognized when the shareholder's or the entity's right to receive payment is established.**

Paragraph 36 is amended as follows:

36. When unpaid interest has accrued before the acquisition of an interest-bearing investment, the subsequent receipt of interest is allocated between pre-acquisition and post-acquisition periods; only the post-acquisition portion is recognized as revenue. When dividends or similar distributions on equity securities are declared from pre-acquisition net surplus, those dividends or similar distributions are deducted from the cost of the securities. If it is difficult to make such an allocation except on an arbitrary basis, dividends or similar distributions are recognized as revenue unless they clearly represent a recovery of part of the cost of the equity securities.

Paragraph 39 is amended as follows:

39. **An entity shall disclose:**
- (a) **The accounting policies adopted for the recognition of revenue including the methods adopted to determine the stage of completion of transactions involving the rendering of services;**
 - (b) **The amount of each significant category of revenue recognized during the period including revenue arising from:**
 - (i) **The rendering of services;**
 - (ii) **The sale of goods;**
 - (iii) **Interest;**
 - (iv) **Royalties; and**
 - (v) **Dividends or similar distributions ~~their equivalents~~; and**
 - (c) **The amount of revenue arising from exchanges of goods or services included in each significant category of revenue.**

Paragraph IG1 of the Implementation Guidance is amended as follows:

Implementation Guidance

- IG1. Public sector entities derive revenues from exchange or non-exchange transactions. This Standard deals only with revenue arising from exchange transactions. Revenue from exchange transactions is derived from:
- (a) Sale of goods or provision of services to third parties;
 - (b) Sale of goods or provision of services to other government agencies; and
 - (c) The use by others of entity assets yielding interest, royalties and dividends or similar distributions.

The heading above paragraph IG29 of the Implementation Guidance is amended as follows:

Interest, Royalties and Dividends or Similar Distributions

License fees and royalties

...

IPSAS 10, “Financial Reporting in Hyperinflationary Economies”

Paragraph 28 is amended as follows:

Surplus or Deficit Gain or Loss on Net Monetary Position

28. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power and an entity with an excess of monetary liabilities over monetary assets gains purchasing power to the extent the assets and liabilities are not linked to a price level. This ~~surplus or deficit~~ gain or loss on the net monetary position may be derived as the difference resulting from the restatement of non-monetary assets, accumulated ~~surpluses or deficits~~ gains or losses and items in the statement of financial performance and the adjustment of index linked assets and liabilities. The ~~surplus or deficit~~ gain or loss may be estimated by applying the change in a general price index to the weighted average for the period of the difference between monetary assets and monetary liabilities.

Paragraph 29 is amended as follows:

29. The ~~surplus or deficit~~ gain or loss on the net monetary position is included in the statement of financial performance. The adjustment to those assets and liabilities linked by agreement to changes in prices made in accordance with paragraph 16 is offset against the ~~surplus or deficit~~ gain or loss on net monetary position. Other items in the statement of financial performance, such as interest revenue and expense, and foreign exchange differences related to invested or borrowed funds, are also associated with the net monetary position. Although such items are separately disclosed, it may be helpful if they are presented together with the ~~surplus or deficit~~ gain or loss on net monetary position in the statement of financial performance.

IPSAS 12, “Inventories”

Paragraph 33 is amended as follows:

33. Specific identification of costs means that specific costs are attributed to identified items of inventory. This is an appropriate treatment for items that are segregated for a specific project, regardless of whether they have been bought or produced. However, specific identification of costs is inappropriate when there are large numbers of items of inventory which are ordinarily interchangeable. In such circumstances, the method of selecting those items that remain in inventories could be used to obtain predetermined effects on the ~~net~~ surplus or deficit for the period.

IPSAS 13, “Leases”

Paragraph 40 is amended as follows:

40. Lessees shall disclose the following for finance leases:
- ...
- (f) A general description of the lessee’s material leasing arrangements including, but not limited to, the following:
- (i) The basis on which contingent rent payable is determined;
 - (ii) The existence and terms of renewal or purchase options and escalation clauses; and
 - (iii) Restrictions imposed by lease arrangements, such as those concerning return of ~~net~~ surplus, return of capital contributions, dividends or similar distributions, additional debt and further leasing.

Paragraph 44 is amended as follows:

44. Lessees shall disclose the ~~disclosures~~ following for operating leases:
- ...
- (d) A general description of the lessee’s significant leasing arrangements including, but not limited to, the following:
- (i) The basis on which contingent rent payments are determined;
 - (ii) The existence and terms of renewal or purchase options and escalation clauses; and
 - (iii) Restrictions imposed by lease arrangements, such as those concerning return of ~~net~~ surplus, return of capital contributions, dividends or similar distributions, additional debt, and further leasing.

IPSAS 25, “Employee Benefits”

Paragraph 10 is amended as follows:

10. ...

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realized and unrealized gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

IPSAS 26, “Impairment of Cash-Generating Assets”

Paragraph 27 is amended as follows:

27. Evidence from internal reporting that indicates that an asset may be impaired includes the existence of:
- (a) Cash flows for acquiring the asset, or subsequent cash needs for operating or maintaining it, that are significantly higher than those originally budgeted;
 - (b) Actual net cash flows or ~~net~~ surplus or deficit flowing from the asset that are significantly worse than those budgeted;
 - (c) A significant decline in budgeted net cash flows or surplus or a significant increase in budgeted loss, flowing from the asset; or
 - (d) Deficits or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future.



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ED 44 RESPONDENTS' COMMENTS

Purpose:

This paper presents Staff's analysis of the comments received on ED 44, "Improvements to IPSASs".

List of Respondents:

Response #	Respondent Name	Function
1	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	Standard Setter/Standards Advisory Body
2	The Chartered Institute of Public Finance & Accountancy (CIPFA) (UK)	Member or Regional Body
3	The Association of Chartered Certified Accountants (ACCA)	Member or Regional Body
4	Federation of European Accountants (FEE)	Member or Regional Body
5	The Institute of Chartered Accountants of Pakistan	Member or Regional Body
6	Conseil de Normalisation des Comptes Publics (CNOCP) (France)	Standard Setter/Standards Advisory Body
7	Accounting Standards Board (South Africa)	Standard Setter/Standards Advisory Body
8	Dr. Joseph S. Maresca	Individual

Overall Comment—Supportive

#	RESPONDENT NAME	OVERALL COMMENT—SUPPORTIVE	PROPOSED RESPONSE
1	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	SRS-CSPCP discussed ED 44. It sees no sector-specific reasons to depart from the amendments and new formulations of the IFRS. SRS-CSPCP agrees with Exposure Draft 44 as proposed.	Positive support for ED 44. Comment only, no action required.
2	The Chartered Institute of Public Finance & Accountancy (CIPFA) (UK)	We strongly support IPSASB's development of high quality standards for public sector financial reporting. In line with this, we support the Board in maintaining IFRS converged IPSASs and other IPSAS standards. The exposure draft contains both consequential amendments resulting from recent IASB Improvements to IFRS, and some minor redrafting which mainly improves the consistency of IPSAS terminology and structure across the suite of standards. We agree with the ED 44, Part I analysis of which IASB improvements require amendments to IPSAS. We agree with the amendments proposed in Part I and Part II and have no observations to make.	
3	The Association of Chartered Certified Accountants (ACCA)	Generally we are pleased to see that the International [Public Sector] Accounting Standards Board has a programme of work to keep IPSAS standards up to date and appropriately aligned to those IFRSs that have been the subject of recent changes. We have noted that some amendments have been deferred until future projects commence on specific standards, such as IPSASB's entity combinations project, and believe that this is the most efficient approach for dealing with the amendments. In respect of the specific changes set out in ED 44, we agree with the amendments made in both Part I and Part II of the exposure draft.	
4	Federation of European Accountants (FEE)	(2) We strongly support IPSASB's development of high quality standards for public sector financial reporting, whether through the Board's recent project to develop IFRS converged IPSASs or through wholly public sector specific IPSASs. We also	

#	RESPONDENT NAME	OVERALL COMMENT—SUPPORTIVE	PROPOSED RESPONSE
		<p>support the Board in its maintenance of both converged and other IPSAS standards,</p> <p>(3) We have reviewed the exposure draft, which contains both consequential amendments resulting from recent IASB Improvements to IFRS, and some minor redrafting amendments which mainly serve to improve the consistency of IPSAS terminology and structure across the suite of standards. We note that the ED 44 Part I improvements do not correspond exactly with the IASB improvements, as some of them relate to standards for which there is no IFRS converged IPSAS, while for some recently issued IPSAS standards the improvement had already been incorporated into the IPSAS.</p> <p>(4) We agree with all the proposed amendments and have no observations to make. We would be pleased to discuss any aspect of this letter you may wish to raise with us.</p>	
5	Institute of Chartered Accountants of Pakistan	<p>IPSAS 1-Presentation of Financial Statements: We concur with the changes proposed in IPSAS 1 – Presentation of Financial Statements.</p> <p>IPSAS 2-Cash Flow Statements: We concur with the changes proposed in IPSAS 2 – Cash flow statements.</p> <p>IPSAS 9-Revenue from Exchange Transactions: We concur with the changes proposed in IPSAS 9 – Revenue from Exchange Transactions.</p> <p>IPSAS 12-Inventories We concur with the changes proposed in IPSAS 12 – Inventories.</p> <p>IPSAS 13- IPSAS 13-Leases We concur with the changes proposed in IPSAS 13 – Leases.</p> <p>IPSAS 18-Segment Reporting We concur with the changes proposed in IPSAS 18 – Segment Reporting.</p> <p>IPSAS 20-Related Party Disclosures</p>	

#	RESPONDENT NAME	OVERALL COMMENT—SUPPORTIVE	PROPOSED RESPONSE
		<p>We concur with the changes proposed in IPSAS 20 – Related Party Disclosures.</p> <p>IPSAS 21-Impairment of Non-Cash-Generating Assets</p> <p>We concur with the changes proposed in IPSAS 21 – Impairment of Non-Cash-Generating Assets.</p> <p>Terminology Changes</p> <p>We concur with the terminology changes proposed in the IPSASs.</p>	
7	Accounting Standards Board (South Africa)	Overall, we support the periodic revision of the IPSASs to align them IFRSs and agree with the amendments made.	

Other Comments

#	RESPONDENT NAME	OTHER COMMENTS	PROPOSED RESPONSE
1	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	<p>The SRS-CSPCP is, however, of the opinion, that in future for amendments of IFRSs and corrections of errors in IPSASs comments on an Exposure Draft should be waived.</p> <p>Corrigenda would be adequate, but with the possibility nevertheless of being able to make a response within a certain period, if one were not in agreement.</p>	<p>The IPSASB adopts a due process for the development and amendment of IPSASs that provides the opportunity for comment by interested parties. For proposed amendments that change the substance of a standard, a comment period of at least four months is usual. As the proposed amendments in ED 44 are minor in nature, the IPSASB agreed to a shorter comment period of just over two months.</p> <p>Regarding corrections, at present, the IPSASB does not have a process for the publication of editorial corrections. This issue could be discussed at a future meeting.</p>
6	Conseil de Normalisation des Comptes Publics (CNOCP) (France)	<p>As already mentioned in our previous comment letters, we find regrettable that an important part of IPSAS Board's energy has been devoted to convergence with International Financial Reporting Standards, whereas at the same time, special features of the public sector have not been dealt with.</p> <p>Nevertheless, we note the IPSAS Board objective to propose</p>	<p>This comment is noted. In December 2009, the IPSASB achieved its goal of substantial convergence with IFRSs and its draft agenda schedule for 2010–2012 focuses on public sector specific projects. Of these projects, the public sector conceptual framework project is</p>

#	RESPONDENT NAME	OTHER COMMENTS	PROPOSED RESPONSE
		improvements to four IPSASs in order to converge with amendments to IFRS in the IASB's "Improvements to IFRSs" issued in April 2009.	the highest priority over the next three years with significant agenda time devoted to it at each meeting.
6	Conseil de Normalisation des Comptes Publics (CNOCP) (France)	<p>We believe that the IPSAS Board Exposure Draft must be a stand-alone document and has to contain at least its own basis for conclusions systematically and in a more detailed way. As a consequence, we disagree with the obligation to read the basis for conclusions in an IFRS document.</p> <p>Furthermore, in some cases, the IFRS basis for conclusions is inadequate for IPSASs and does not provide the necessary explanations.</p> <p>As an illustration, the basis of conclusions of IFRS to the proposed amendment to IPSAS 2 "Cash flow statements" should have been amended, in order to precise that expenditures incurred with the objective of generating future cash flows a service potential when those expenditures are not recognized as assets are to be classified as cash flow from operating activities. We also believe that the basis for conclusions should have been further developed, as the proposed disposition on cash flow from investing activities could have been discussed considering the IPSASs specificities: major issues which underlie the amendment are still to be addressed by the IPSAS Board. Those issues concern the scope and recognition of public assets (definition of the "service potential", recognition of heritage assets,...). The proposed amendment is justified considering accounting principles. Nevertheless, on the basis of this amendment, some outflows which could be within the scope of cash flow from investing activities might be excluded from it because they do not result, as of today, in a recognized asset (e.g. expenses incurred to restore an heritage asset).</p>	<p>These comments are noted. Where a proposed amendment is based upon an underlying IFRS, the "Process for Reviewing and Modifying IASB Documents" specifies that there needs to be a public sector specific reason for departure from the IFRS. Therefore, a Basis for Conclusions paragraph is not necessary where there is no significant discussion by the IPSASB of the proposed amendment.</p> <p>When ED 44 was being developed, the Board discussed the proposed amendments. There was no significant discussion relating to the proposed amendment to IPSAS 2 and therefore a Basis for Conclusions paragraph is not necessary.</p> <p>Note that the notion of "service potential" is being discussed in the IPSASB's Conceptual Framework project. The proposal to initiate a project on Heritage Assets was discussed at the April 2010 meeting. A majority of Members advocated that this project be removed from the agenda schedule for the 2010–2012 period.</p>
6	Conseil de Normalisation des Comptes Publics (CNOCP) (France)	<p>IPSAS 1, "Presentation of financial statements"</p> <p>The 'Conseil de normalisation des comptes publics' (CNOCP) agrees with this amendment. The potential settlement of a liability by the issue of equity is not relevant to its classification as current, because such a settlement is not an outflow of resources.</p>	<p>Comment only, no action required.</p> <p>At the IPSASB's April 2010 meeting, it was agreed that improvements to IPSASs will be addressed on a biennial cycle rather than an annual cycle, commencing from 2011.</p>

#	RESPONDENT NAME	OTHER COMMENTS	PROPOSED RESPONSE
		We note nevertheless that, considering the issues to be addressed to improve the IPSASs, this convergence issue should not be a priority for the IPSAS Board.	
6	Conseil de Normalisation des Comptes Publics (CNOCP) (France)	<p>IPSAS 2, “Cash flow statements”</p> <p>The CNOCP regrets that this Exposure Draft does not include specific basis for conclusions on the proposed adjustment, as the text from IASB is not adequate.</p> <p>The “asset” definition in IPSAS 17 and IAS 16 are different, in consequence we believe that it should have been indicated that expenditures incurred with the objective of generating future cash flows or service potential when those expenditures are not recognized as assets should not be classified as cash flow from investing activities.</p> <p>In addition, we believe that the basis for conclusions should have been further developed, as the proposed disposition on cash flow from investing activities could have been discussed considering the IPSASs specificities: major issues which underlie the amendment are still to be addressed by the IPSAS Board, Those issues concern the scope and recognition of public assets (definition of the “service potential”, recognition of heritage assets,...), The proposed amendment is justified considering accounting principles.</p> <p>Nevertheless, on the basis of this amendment, some outflows which could be within the scope of cash flow from investing activities might be excluded from it because they do not result, as of today, in a recognized asset (e.g. expenses incurred to restore an heritage asset).</p> <p>Subject to those comments, the CNOCP agrees with the proposed amendment.</p>	See comments on pages 5–6 above regarding the amendment process and IPSAS 2.
6	Conseil de Normalisation des Comptes Publics (CNOCP) (France)	<p>IPSAS 9, “Revenue from exchange transactions”</p> <p>The CNOCP agrees with the proposed amendment.</p> <p>The CNOCP note nevertheless that, considering the issues to be addressed to improve the IPSASs, this convergence issue should not be a priority for the IPSAS Board.</p>	See comments on page 5 above relating to the draft agenda schedule of the IPSASB.

#	RESPONDENT NAME	OTHER COMMENTS	PROPOSED RESPONSE
6	Conseil de Normalisation des Comptes Publics (CNOCP) (France)	<p>IPSAS 13, “Leases”</p> <p>The CNOCP do not think that § 19 and 20 of the standard should be deleted as:</p> <ul style="list-style-type: none"> • The specific guidance provided in those paragraphs, particularly on classification guidance for land lease is very useful; • We do not identify any specific risk that readers might perceive any inconsistency concerning the accounting treatment of land and building leases and other leases (which was the basis for conclusions on the proposed amendment to IAS 17). <p>The CNOCP has no specific comment on paragraph 20A.</p>	<p>When ED 44 was being developed, the Board discussed the proposed amendments. There was no significant discussion relating to the proposed amendment to IPSAS 13.</p> <p>No change is proposed.</p>
6	Conseil de Normalisation des Comptes Publics (CNOCP) (France)	<p>Part II</p> <p>The CNOCP agrees with the amendments proposed in the part II of the Exposure Draft.</p>	<p>Comment only, no action required.</p>
7	Accounting Standards Board (South Africa)	<p>IPSAS 1 on Presentation of Financial Statements</p> <p>1. We propose that the lead to paragraph .80 should be aligned to that in IAS 1.69:</p> <p>“An entity shall classify a liability as current when:”</p> <p>This amendment is needed to also incorporate the IASB improvement to paragraph .80(d):</p> <p>(d) The entity <u>It</u> does not have.....</p>	<p>The current wording of IPSAS 1 (which was issued in December 2006) is based upon the 2003 version of IAS 1. The IASB issued a revised IAS 1 in September 2007, which is when the amended wording was introduced.</p> <p>It does not seem appropriate to update the wording of one paragraph when this amendment relates to a comprehensive revision of the standard.</p> <p>The IASB have a current project to further revise IAS 1 which is expected to result in a new standard in H2, 2011.</p> <p>The update of IPSAS 1 is on the IPSASB’s list of potential projects.</p> <p>No change is proposed.</p>

#	RESPONDENT NAME	OTHER COMMENTS	PROPOSED RESPONSE
7	Accounting Standards Board (South Africa)	<p>IPSAS 2 on Cash Flow Statements</p> <p>2. “Expenditures” as opposed to “cash outflows” is used by the IASB in amending paragraph .25. We propose that the IASB wording should be used.</p>	<p>The current wording of IPSAS 2 originates from its publication in May 2000. Staff has been unable to find documentation relating to this change in wording. Are Members aware of why this wording change was made?</p> <p>No change is proposed.</p>
7	Accounting Standards Board (South Africa)	<p>IPSAS 7 on Investments in Associates</p> <p>3. The proposed amendment to IPSAS 7.34 states that “If an associate has outstanding cumulate preferred shares that are held by parties other than the investor and classified as net assets/equity, the investor computes its share of surpluses or deficits after adjusting for the dividends <u>or similar distributions</u> on such shares, whether or not the dividends <u>or similar distributions</u> have been declared.”</p> <p>As paragraph .34 deals specifically with preference shares, the reference to “or similar distributions” is inappropriate. We propose that the original wording be retained.</p>	<p>Agree to make this change.</p>
7	Accounting Standards Board (South Africa)	<p>IPSAS 9 on Revenue from Exchange Transactions</p> <p>4. The following amendment should also be incorporate in paragraph .10(a)(ii):</p> <p>(a)(ii) Dividends <u>or similar distributions</u> from investments....</p>	<p>This amendment is incorporated in ED 44, in Part II, page 16. The paragraph reference has been amended to 10(b).</p>
7	Accounting Standards Board (South Africa)	<p>5. The proposed amendments to IPSAS 9.10(d) and (g) should be amended as follows.</p> <p>(d) A reference to IFRS 4 or its equivalent should be added:</p> <p>Insurance contracts of insurance entities <u>within the scope of the relevant international or national accounting standard dealing with insurance contracts</u>;</p> <p>(g) The reference to Initial recognition should be retained consistent with IAS 18 on <i>Revenue</i>:</p> <p>Arising from Initial recognition and from changes in the</p>	<p>(d) The current wording of IPSAS 9 (which was issued in July 2001) is based upon the January 31, 2001 version of IAS 18. The scope exclusion for “insurance contracts of insurance entities” was amended in IAS 18 on the issue of IFRS 4, “Insurance Contracts” in March 2004. The same wording issue arises in IPSAS 19.1(d). This amendment has not yet been considered by the IPSASB.</p> <p>Agree to make this change, modified to</p>

#	RESPONDENT NAME	OTHER COMMENTS	PROPOSED RESPONSE
		fair value of biological assets related to agricultural activity...	also delete the phrase “of insurance entities.” (g) Agree to make this change.
7	Accounting Standards Board (South Africa)	IPSAS 13 on Leases 6. The proposed transitional provisions for the amendment to IPSAS 13 requires retrospective application except if the necessary information is not available. Where information is not available, certain concessions are made. These transitional provisions are appropriate for entities that previously applied IPSAS 13. For entities that are adopting IPSAS 13 for the first-time, specific transitional provisions are provided in paragraphs .81-.82. We suggest that the transitional provisions clearly indicate that they should only be applied by those entities that previously applied IPSAS 13 (2006) [see existing paragraphs 83 and 84].	Agree to make this change. The first sentence of paragraph 84A will be amended as follows: “An entity <u>that has previously applied IPSAS 13 (2006)</u> shall reassess the ...”
7	Accounting Standards Board (South Africa)	7. The following additional amendment should be incorporate in paragraph .40(f)(iii): (f)(iii) Restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions	Agree to make this change.
7	Accounting Standards Board (South Africa)	8. The following amendment should be incorporated in paragraph .44(d)(iii): (d)(iii) Restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, dividends <u>or similar distributions</u> , additional.....	Agree to make this change.
8	Dr. Joseph S. Maresca	(1) Par. 34 [of IPSAS 9] on pg. 25, 26 should discuss liquidating dividends, as well as Master Limited Partnerships. IG29 on Interest, Royalties and Dividends should refer to Master Limited Partnerships due to the considerable special requirements of the MLPs and unique nature of the investment.	The proposed amendment to paragraph 34 is to address inconsistent use of terminology rather than to provide detailed guidance on different types of dividends. No change is proposed.

#	RESPONDENT NAME	OTHER COMMENTS	PROPOSED RESPONSE
8	Dr. Joseph S. Maresca	<p>(2) IPSAS 10 Financial Reporting in Hyperinflationary Economics should discuss Hyperdeflationary Economics.</p> <p>Hyperdeflation involves a contraction in the velocity of circulation. People postpone purchases now since they don't have money or expect prices to fall further. This is hyperdeflation. The phenomena can manifest itself in the rising value of currency in some cases. Gold, food and energy are exceptions. People need food. They require housing and energy in any event. Paradoxically, this may reinforce deflation. When food and energy rise in price, people will have that much less to spend on other goods, accelerating price declines in other sectors.</p> <p>Deflation is very difficult to combat once it sets in. As businesses and people feel that they have much less wealth, they spend less, reducing demand further. Prices drop in response, giving businesses less profit and cash flow. Once people expect the price declines, they delay purchases indefinitely since the longer they wait the lower the price will be. This further decreases demand, causing businesses to slash prices even more.</p> <p>The effects of deflation are the opposite of the effects of inflation on holders of monetary assets and liabilities.</p> <p>The gains and losses have been variously described as "purchasing power gains and losses", "general price level gains and losses" or "general purchasing power gains and losses".</p> <p>During the Great Depression, perishable goods held their own substantially from 1928-1933. Semi-durables declined by 30% and durable goods and services declined by nearly 50% from 1928-1933. Durable goods are furniture, kitchen appliances, dishes and automobiles.</p>	<p>The proposed amendment to IPSAS 10 is to address inconsistent use of terminology rather than to change the content of the standard.</p> <p>No change is proposed.</p>

OVERVIEW OF RESPONSES – BY GEOGRAPHIC LOCATION, FUNCTION AND LANGUAGE

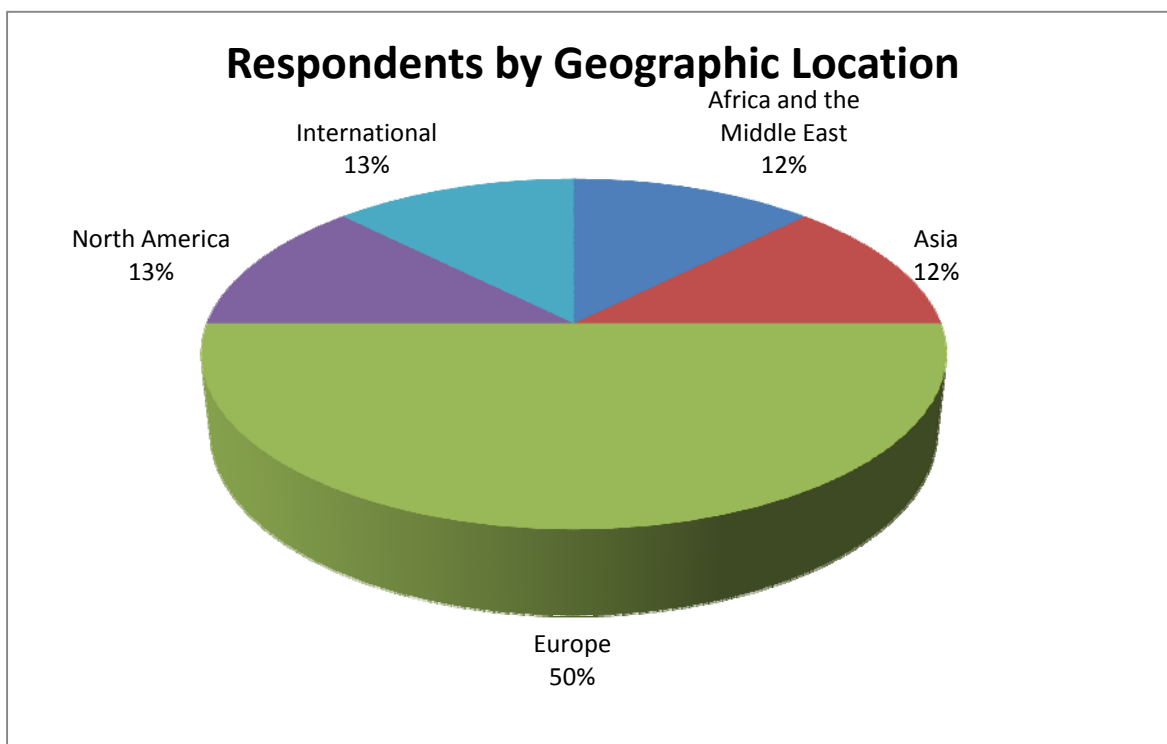
1	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	Standard Setter/Standards Advisory Body
2	The Chartered Institute of Public Finance & Accountancy (UK)	Member or Regional Body
3	ACCA (The Association of Chartered Certified Accountants)	Member or Regional Body
4	Federation of European Accountants (FEE)	Member or Regional Body
5	Institute of Chartered Accountants of Pakistan	Member or Regional Body
6	Conseil de Normalisation des Comptes Public) (CNOCP) (France)	Standard Setter/Standards Advisory Body
7	Accounting Standards Board (South Africa)	Standard Setter/Standards Advisory Body
8	Joseph S. Maresca	Individual

Purpose of this Paper:

To provide a profile of respondents in the standard format adopted by IPSASB staff.

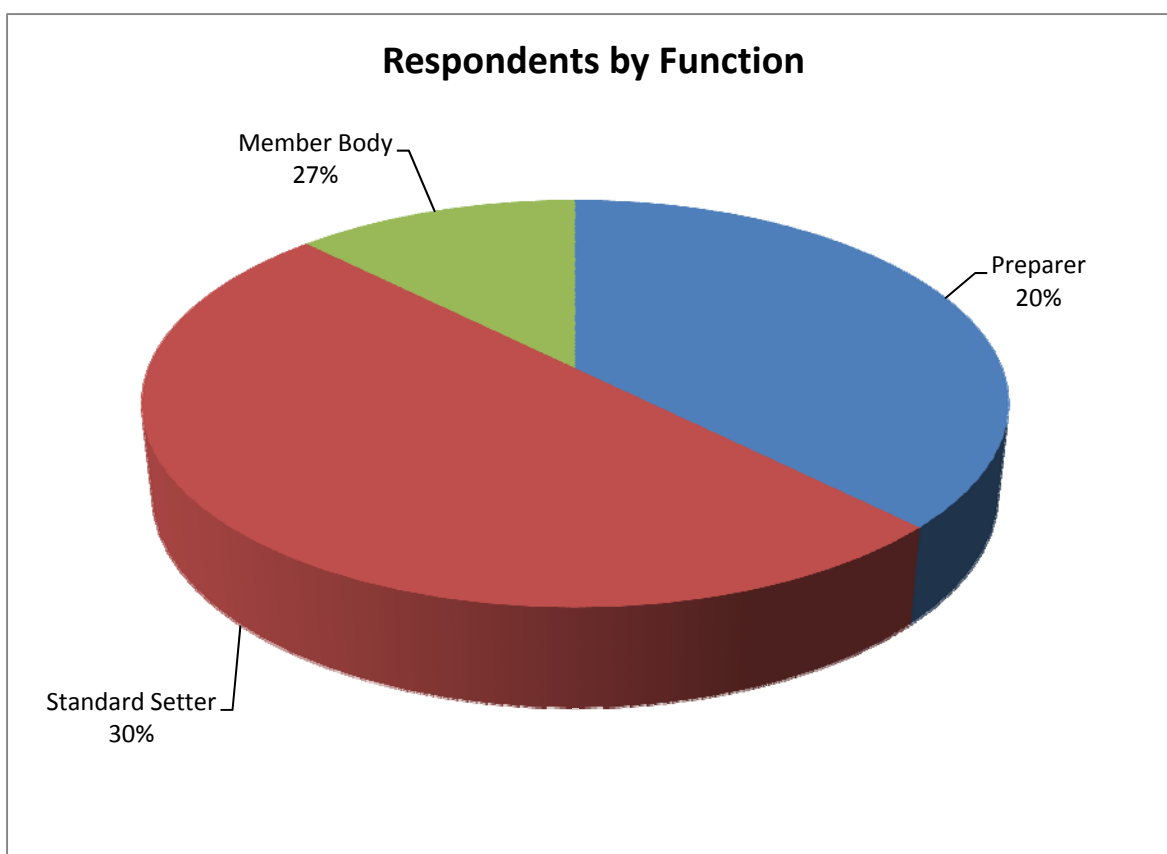
Geographic Breakdown:

Location	Response number	Total
Africa and the Middle East	7	1
Asia	5	1
Australasia and Oceania		
Europe	1, 2, 4, 6	4
Latin America and the Caribbean		
North America	8	1
International	3	1
Total		8



Functional Breakdown:

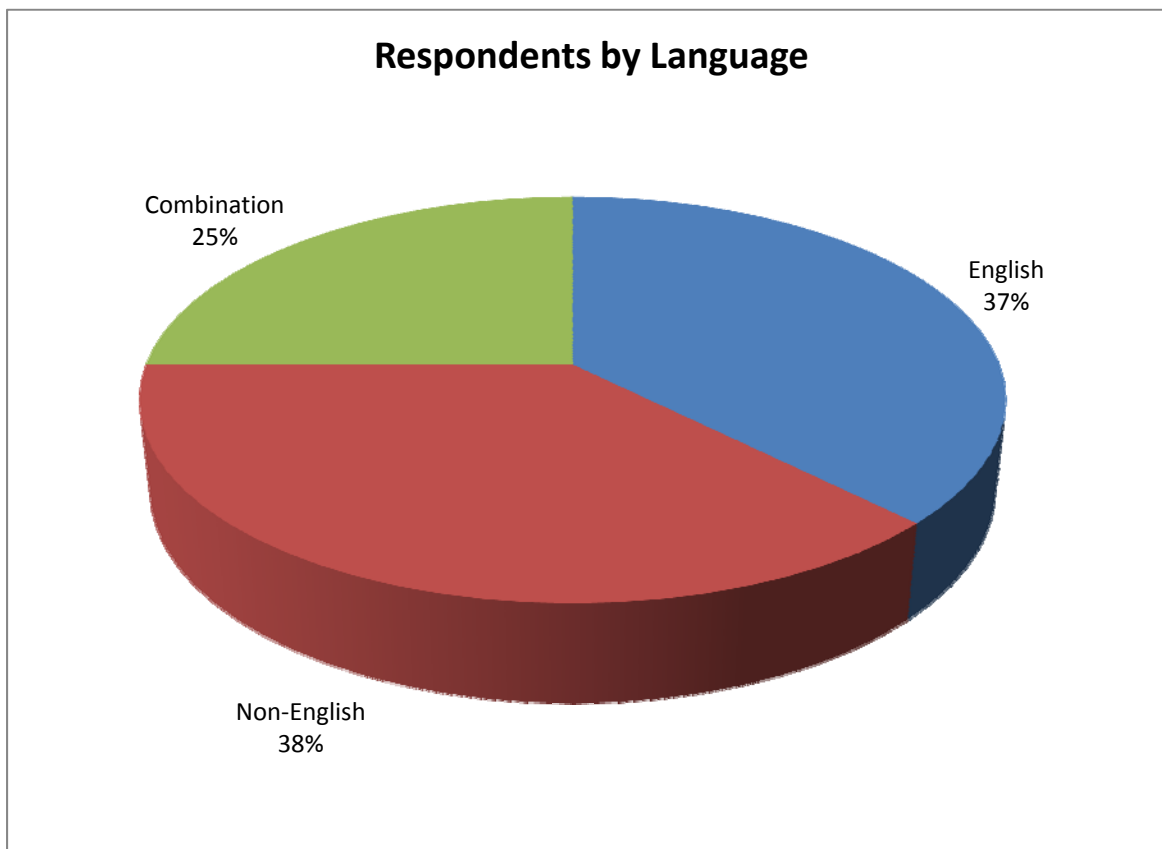
Function	Response Number	Total
Preparer (Ministry of Finance or similar)		
Audit Office		
Standard Setter/Standards Advisory Body	1, 6, 7	3
Member Body (National or Regional)	2, 3, 4, 5	4
Central Bank		
Accountancy Firm		
Academic/individual(s)	8	1
Total		8



Linguistic Breakdown:

Language	Response #s	Total
Native language is English	2, 7, 8	3
Native language is not English	1, 5, 6	3
Combination	3*, 4	2
Total		8

* International organization



CONVERGENCE WITH IFRSs

Objective of this Agenda Paper

- To **discuss** the draft Table of Concordance for IPSAS 31, “Intangible Assets.”
- To **note** the work to track convergence with the IASB.

Agenda Material

9.2.1 Table of Concordance for IPSAS 31, “Intangible Assets”

9.2.2 Tracking Table—Document of Substantial Convergence with Underlying IFRSs

Tables of Concordance

1. At the June 2010 meeting, the Board directed Staff to provide an example of a table of concordance so that an assessment could be made as to its usefulness. Agenda Paper 9.2.1 is a draft Table of Concordance for IPSAS 31, “Intangible Assets.”
2. The first two columns of the Table of Concordance sets out the underlying IFRS paragraph numbers and text. The text is marked-up for the changes that the IPSASB agreed upon. The right-hand column gives the explanation for the amendment to the text.
3. It is not the intention to prepare these tables for previous IPSASs as that would be a resource-intensive exercise. However, Staff intends that, on a go-forward basis, these tables would be prepared for IPSASs which are revised that are based on an underlying IFRS.

Question:

Should, on a go-forward basis, a Table of Concordance be prepared for each IPSAS that is based upon an underlying IFRS?

Tracking Table—Document of Substantial Convergence with Underlying IFRSs

4. At the June 2010 meeting, the Board agreed that the document related to substantial convergence with IFRS is relevant and could be used for agenda planning purposes. The Board proposed the following changes to the document to improve its usefulness, as follows:
 - (a) Where the IASB has made amendments that have not yet been assessed by the IPSASB, note where they will be assessed (e.g., in the next improvements project, in a separate project, etc.);
 - (b) Where the IASB has issued a subsequent IFRS, it should be considered as a potential project when discussing the IPSASB’s work plan; and

- (c) The list of IFRSs with no comparable IFRS should include the IPSASB's rationale for not having a standard, so that this decision is publicly available.
- 5. Agenda Paper 9.2.2 is the revised Tracking Table. The revision has resulted in a new "Table B" that summarizes the amendments which have not yet been assessed by the IPSASB, into categories, by the project in which each amendment will be considered. Additionally, Table F, "IFRSs with no Comparable IPSASs" now includes a comments column which outlines the reason why there is an IFRS which has no comparable IPSAS.

TABLE OF CONCORDANCE FOR IFRS CONVERGENCE IPSASS

IPSAS 31, “INTANGIBLE ASSETS”

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
Objective [H2]³		
1	1. The objective of this Standard is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another Standard. This Standard requires an entity to recognize an intangible asset if, and only if, specified criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets and requires specified disclosures about intangible assets.	No amendment.
Scope [H2]		No amendment.
S ⁴	<u>2. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for intangible assets.</u>	New: Added standard wording in IPSASs regarding the application of IPSAS by public sector entities that apply accrual accounting.
2	3. This Standard shall be applied in accounting for intangible assets, except: (a) Intangible assets that are within the scope of another Standard; (b) Financial assets, as defined in <u>IPSAS 28, “Financial Instruments: Presentation</u>IAS 32, “Financial Instruments: Presentation”; (c) The recognition and measurement of exploration and evaluation assets (see <u>IFRS 6, “the relevant international or national accounting standard dealing with exploration for and Evaluation of Mineral Resources”</u>); and <u>evaluation of, mineral resources</u>); (d) Expenditure on the development and extraction of minerals, oil, natural gas and similar non-regenerative resources; <u>(e) Intangible assets acquired in a business combination (see the</u>	Amended referencing to IPSAS instead of IFRS and to reflect IPSAS terminology. Item (e) added pending development of an IPSAS

¹ The paragraph number reflects whether or not the paragraph in IAS 38 is in bold or normal font.

² The text is shown in mark-up from the text in IAS 38.

³ The heading level is shown in square brackets [H2] for information purposes.

⁴ “S” means that this paragraph is a standard IPSASB paragraph.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	<p><u>relevant international or national accounting standard dealing with business combinations);</u></p> <p>(f) <u>Goodwill acquired in a business combination (see the relevant international or national accounting standard dealing with business combinations);</u></p> <p>(g) <u>Powers and rights conferred by legislation, a constitution, or by equivalent means;</u></p> <p>(h) <u>Deferred tax assets (see the relevant international or national accounting standard dealing with income taxes);</u></p> <p>(i) <u>Deferred acquisition costs, and intangible assets, arising from an insurer's contractual rights under insurance contracts within the scope of the relevant international or national accounting standard dealing with insurance contracts. In cases where the relevant international or national accounting standard does not set out specific disclosure requirements for those intangible assets, the disclosure requirements in this Standard apply to those intangible assets;</u></p> <p>(j) <u>Non-current intangible assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with the relevant international or national accounting standard dealing with non-current assets held for sale and discontinued operations; and</u></p> <p>(k) <u>In respect of intangible heritage assets. However, the disclosure requirements of paragraphs 115–127 apply to those heritage assets that are recognized.</u></p>	<p>dealing with entity combinations.</p> <p>Item (f) moved up from paragraph 6(f) of IPSAS 31 as goodwill is not dealt with in an IPSAS.</p> <p>Item (g) added pending development of the Conceptual Framework, which will address such powers and rights.</p> <p>Item (h) moved up from paragraph 6(b) of IPSAS 31 as deferred tax assets are not dealt with in an IPSAS.</p> <p>Item (i) moved up from paragraph 6(g) of IPSAS 31 as deferred acquisition costs and intangible assets related to insurance contracts are not dealt with in an IPSAS.</p> <p>Item (j) moved up from paragraph 6(h) of IPSAS 31 as non-current intangible assets classified as held for sale are not dealt with in an IPSAS.</p> <p>Item (k) added to be consistent with IPSAS 17.2(b).</p>
S	4. <u>This Standard applies to all public sector entities other than Government Business Enterprises.</u>	Added standard wording from IPSASs regarding the application of the standards to GBEs.
S	5. <u>The “Preface to International Public Sector Accounting Standards” issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, “Presentation of Financial Statements.”</u>	Added standard wording from IPSASs regarding the application of the standards to GBEs.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
3	<p>6. If another <u>IPSAS standard</u> prescribes the accounting for a specific type of intangible asset, an entity applies that standard <u>IPSAS</u> instead of this Standard. For example, this Standard does not apply to:</p> <ul style="list-style-type: none"> (a) Intangible assets held by an entity for sale in the ordinary course of <u>business operations</u> (see <u>IPSAS 11, “Construction Contracts,” and IPSAS 12, “Inventories”</u> IAS 2, “Inventories” and IAS 11, “Construction Contracts”); (b) Deferred tax assets (see IAS 12, “Income Taxes”). (e<u>b</u>) Leases that are within the scope of IAS 17 <u>IPSAS 13, “Leases”</u>; (d<u>c</u>) Assets arising from employee benefits (see <u>IPSAS 25, “Employee Benefits”</u> IAS 19, “Employee Benefits”); and (e<u>d</u>) Financial assets as defined in IAS 32 <u>IPSAS 28</u>. The recognition and measurement of some financial assets are covered by <u>IPSAS 6, “Consolidated and Separate Financial Statements,” IPSAS 7, “Investments in Associates”</u> IAS 27, “Consolidated and Separate Financial Statements,” IAS 28, “Investments in Associates” and <u>IPSAS 8, “Interests in Joint Ventures”</u> IAS 31, “Interests in Joint Ventures.” (f) Goodwill acquired in a business combination (see IFRS 3, “Business Combinations”). (g) Deferred acquisition costs, and intangible assets, arising from an insurer’s contractual rights under insurance contracts within the scope of IFRS 4, “Insurance Contracts.” IFRS 4 sets out specific disclosure requirements for those deferred acquisition costs but not for those intangible assets. Therefore, the disclosure requirements in this Standard apply to those intangible assets. (h) Non-current intangible assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5, “Non-current Assets Held for Sale and Discontinued Operations.” 	<p>Amended referencing to IPSAS instead of IFRS and to reflect IPSAS terminology.</p> <p>Deleted items moved to paragraph 2 of IPSAS 31 as noted above.</p>
4	<p>7. Some intangible assets may be contained in or on a physical substance such as a compact disc (in the case of computer software), legal documentation (in the case of a licence or patent) or film. In determining whether an asset that incorporates both intangible and tangible elements should be treated under IAS 16 <u>IPSAS 17, “Property, Plant, and Equipment”</u> or as an intangible asset under</p>	<p>Amended referencing to IPSAS instead of IFRS.</p> <p>Amended example so that it is relevant to the public sector.</p>

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	this Standard, an entity uses judgement to assess which element is more significant. For example, the navigation computer software for a fighter aircraft computer controlled machine tool that cannot operate without that specific software is an integral <u>to the aircraft and part of the related hardware and it is</u> treated as property, plant and equipment. The same applies to the operating system of a computer. When the software is not an integral part of the related hardware, computer software is treated as an intangible asset.	
5	8. This Standard applies to, among other things, expenditure on advertising, training, start-up, research and development activities. Research and development activities are directed to the development of knowledge. Therefore, although these activities may result in an asset with physical substance (e.g., a prototype), the physical element of the asset is secondary to its intangible component, i.e., the knowledge embodied in it.	No amendment.
6	9. In the case of a finance lease, the underlying asset may be either tangible or intangible. After initial recognition, a lessee accounts for an intangible asset held under a finance lease in accordance with this Standard. Rights under licensing agreements for items such as motion picture films, video recordings, plays, manuscripts, patents and copyrights are excluded from the scope of IAS 47 <u>IPSAS 13</u> and are within the scope of this Standard.	Amended referencing to IPSAS instead of IFRS.
7	10. Exclusions from the scope of a Standard may occur if activities or transactions are so specialized that they give rise to accounting issues that may need to be dealt with in a different way. Such issues arise in the accounting for expenditure on the exploration for, or development and extraction of, oil, gas and mineral deposits in extractive industries and in the case of insurance contracts. Therefore, this Standard does not apply to expenditure on such activities and contracts. However, this Standard applies to other intangible assets used (such as computer software), and other expenditure incurred (such as start-up costs), in extractive industries or, by insurers.	No amendment.
<u>Intangible Heritage Assets [H2]</u>		Inserted a new section to include guidance on intangible heritage assets consistent with IPSAS 17.
–	<u>11. This Standard does not require an entity to recognize intangible heritage assets that would otherwise meet the definition of, and recognition criteria for, intangible assets. If an entity does recognize intangible heritage assets, it must apply the disclosure requirements of this Standard and may, but is not required</u>	Wording added consistent with IPSAS 17.9.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	<u>to, apply the measurement requirements of this Standard.</u>	
–	<p><u>12. Some intangible assets are described as intangible heritage assets because of their cultural, environmental, or historical significance. Examples of intangible heritage assets include recordings of significant historical events and rights to use the likeness of a significant public person on, for example, postage stamps or collectible coins. Certain characteristics, including the following, are often displayed by intangible heritage assets (although these characteristics are not exclusive to such assets):</u></p> <p><u>(a) Their value in cultural, environmental, and historical terms is unlikely to be fully reflected in a financial value based purely on a market price;</u></p> <p><u>(b) Legal and/or statutory obligations may impose prohibitions or severe restrictions on disposal by sale;</u></p> <p><u>(c) Their value may increase over time; and</u></p> <p><u>(d) It may be difficult to estimate their useful lives, which in some cases could be several hundred years.</u></p>	<p>Wording added consistent with IPSAS 17.10.</p> <p>Amended examples relating to items of heritage property, plant, and equipment to intangible heritage assets.</p> <p>Item (c) has been amended from the wording in IPSAS 17.10(c) by deleting the reference to “irreplaceable” because the IPSASB considered that the word “irreplaceable” relates only to assets which have physical substance.</p>
–	<u>13. Public sector entities may have large holdings of intangible heritage assets that have been acquired over many years and by various means, including purchase, donation, bequest, and sequestration. These assets are rarely held for their ability to generate cash inflows, and there may be legal or social obstacles to using them for such purposes.</u>	Wording added consistent with IPSAS 17.10, last paragraph.
–	<u>14. Some intangible heritage assets have future economic benefits or service potential other than their heritage value, for example, royalties paid to the entity for use of an historical recording. In these cases, an intangible heritage asset may be recognized and measured on the same basis as other items of cash-generating intangible assets. For other intangible heritage assets, their future economic benefit or service potential is limited to their heritage characteristics. The existence of both future economic benefits and service potential can affect the choice of measurement base.</u>	<p>Wording added consistent with IPSAS 17.11.</p> <p>Amended examples relating to items of heritage property, plant, and equipment to intangible heritage assets.</p>
–	<p><u>15. The disclosure requirements in paragraphs 117–124 require entities to make disclosures about recognized intangible assets. Therefore, entities that recognize intangible heritage assets are required to disclose in respect of those assets such matters as, for example:</u></p> <p><u>(a) The measurement basis used;</u></p>	Wording added consistent with IPSAS 17.12.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	<p>(b) <u>The amortization method used, if any;</u></p> <p>(c) <u>The gross carrying amount;</u></p> <p>(d) <u>The accumulated amortization at the end of the period, if any; and</u></p> <p>(e) <u>A reconciliation of the carrying amount at the beginning and end of the period showing certain components thereof.</u></p>	
Definitions [H2]		No amendment.
8	<p>16. The following terms are used in this Standard with the meanings specified:</p> <p>An active market is a market in which all the following conditions exist:</p> <p>(a) The items traded in the market are homogeneous;</p> <p>(b) Willing buyers and sellers can normally be found at any time; and</p> <p>(c) Prices are available to the public.</p> <p><u>Amortization</u> is the systematic allocation of the depreciable amount of an intangible asset over its useful life.</p> <p>An asset is a resource:</p> <p>(a) Controlled by an entity as a result of past events; and</p> <p>(b) From which future economic benefits are expected to flow to the entity.</p> <p>Carrying amount is the amount at which an asset is recognized in the statement of financial position after deducting any accumulated amortization and accumulated impairment losses thereon.</p> <p>Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction, or, when applicable, the amount attributed to that asset when initially recognized in accordance with the specific requirements of other IFRSs, e.g., IFRS 2, “Share-based Payment.”</p> <p>Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.</p> <p><u>Development</u> is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.</p>	<p>No amendment to new definitions.</p> <p>Definitions which have been defined in other IPSASs have been deleted:</p> <ul style="list-style-type: none"> • Active market (21.14). • Asset (1.7). • Carrying amount (10.7). [to be added into IPSAS 31 and Glossary in the 2011 Improvements project because “carrying amount of an intangible asset” should be defined.] • Cost (16.7). • Depreciable amount (17.13). • Entity-specific value (17.13).

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	<p>Entity-specific value is the present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability.</p> <p>Fair value of an asset is the amount for which that asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.</p> <p>An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.</p> <p>An intangible asset is an identifiable non-monetary asset without physical substance.</p> <p>Monetary assets are money held and assets to be received in fixed or determinable amounts of money.</p> <p>Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.</p> <p><u>Terms defined in other IPSASs are used in this Standard with the same meaning as in those Standards, and are reproduced in the Glossary of Defined Terms published separately.</u></p> <p>The residual value of an intangible asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.</p> <p>Useful life is:</p> <p>(a) — The period over which an asset is expected to be available for use by an entity; or</p> <p>(b) — The number of production or similar units expected to be obtained from the asset by an entity.</p>	<ul style="list-style-type: none"> Fair value (9.11). Impairment loss of a cash-generating asset (17.13). Impairment loss of a non-cash-generating asset (17.13). Monetary assets [to be added into IPSAS 31 and Glossary in the 2011 Improvements project because there is only “monetary items” which are currently defined in the Glossary.] Residual value (17.13). <p>Added standard wording from IPSAS regarding defined terms.</p>
Intangible Assets [H3]		No amendment.
9	17. Entities frequently expend resources, or incur liabilities, on the acquisition, development, maintenance or enhancement of intangible resources such as scientific or technical knowledge, design and implementation of new processes or systems, licences, intellectual property, market knowledge and trademarks (including brand names and publishing titles). Common examples of items encompassed by these broad headings are computer software, patents,	Amended examples so that they are relevant to the public sector.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	copyrights, motion picture films, customer lists, mortgage servicing rights, of users of a service, acquired fishing licences, <u>acquired</u> import quotas, franchises, customer or supplier and relationships, customer loyalty, market share and marketing rights, with users of a service.	
10	18. Not all the items described in paragraph 179 meet the definition of an intangible asset, i.e., identifiability, control over a resource and existence of future economic benefits, <u>or service potential</u> . If an item within the scope of this Standard does not meet the definition of an intangible asset, expenditure to acquire it or generate it internally is recognized as an expense when it is incurred. However, if the item is acquired in a business combination, it forms part of the goodwill recognized at the acquisition date (see paragraph 68).	Amended to reflect IPSAS terminology. Deleted: Last sentence as it relates to business combinations, pending development of an IPSAS on entity combinations.
Identifiability		Deleted because paragraph immediately below has been deleted and this leaves only one paragraph dealing with identifiability.
11	11. The definition of an intangible asset requires an intangible asset to be identifiable to distinguish it from goodwill. Goodwill recognized in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The future economic benefits may result from synergy between the identifiable assets acquired or from assets that, individually, do not qualify for recognition in the financial statements.	Deleted: Paragraph pending development of an IPSAS on entity combinations.
12	19. An asset is identifiable if it either: (a) Is separable, i.e., is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or (b) Arises from contractual <u>binding arrangements (including rights from contracts</u> or other legal rights), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.	Amended to reflect IPSAS terminology.
–	<u>20. For the purposes of this Standard, a binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.</u>	New: Description of a binding arrangement is added as this term has been inserted into paragraph 19 above of IPSAS 31. It is consistent with other IPSASs, e.g., IPSAS 8.7.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	<i>Control of an Asset [H4]</i>	Amended to be clear that control in this Standard relates to an asset.
13	21. An entity controls an asset if the entity has the power to obtain the future economic benefits <u>or service potential</u> flowing from the underlying resource and to restrict the access of others to those benefits <u>or that service potential</u> . The capacity of an entity to control the future economic benefits <u>or service potential</u> from an intangible asset would normally stem from legal rights that are enforceable in a court of law. In the absence of legal rights, it is more difficult to demonstrate control. However, legal enforceability of a right is not a necessary condition for control because an entity may be able to control the future economic benefits <u>or service potential</u> in some other way.	Amended to reflect IPSAS terminology.
14	22. Market Scientific and technical knowledge may give rise to future economic benefits <u>or service potential</u> . An entity controls those benefits <u>or that service potential</u> if, for example, the knowledge is protected by legal rights such as copyrights, a restraint of trade agreement (where permitted), or by a legal duty on employees to maintain confidentiality.	Amended to reflect IPSAS terminology. Amended example so that it is relevant to the public sector.
15	23. An entity may have a team of skilled staff and may be able to identify incremental staff skills leading to future economic benefits <u>or service potential</u> from training. The entity may also expect that the staff will continue to make their skills available to the entity. However, an entity usually has insufficient control over the expected future economic benefits <u>or service potential</u> arising from a team of skilled staff and from training for these items to meet the definition of an intangible asset. For a similar reason, specific management or technical talent is unlikely to meet the definition of an intangible asset, unless it is protected by legal rights to use it and to obtain the future economic benefits <u>or service potential</u> expected from it, and it also meets the other parts of the definition.	Amended to reflect IPSAS terminology.
16	24. An entity may have a portfolio of customers or a market share <u>users of its services or [it has achieved a its-]success rate in reaching intended users of its services</u> and expect that, because of its efforts in building customer relationships and loyalty with customers or users of its services , the customers <u>or users of its services</u> will continue to trade with the entity or use its services . However, in the absence of legal rights to protect, or other ways to control, the relationships with customers or <u>users of a service or</u> the loyalty of the customers <u>or users of a service</u> to the entity, the entity usually has insufficient	Amended to reflect IPSAS terminology. Added public sector examples. Editorial correction required for first sentence. Text is in square brackets.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	control over the expected economic benefits <u>or service potential</u> from customer relationships <u>with customers or users of a service</u> and loyalty for such items (e.g., portfolio of customers <u>or users of a service</u> , market shares, customer share <u>or success rates of a service</u> , relationships <u>with customers or users of a service</u> and customer loyalty <u>of customers or users of a service</u>) to meet the definition of intangible assets. In the absence of legal rights to protect customer relationships, exchange transactions for the same or similar non-contractual customer relationships (other than as part of a business combination) provide evidence that the entity is nonetheless able to control the expected future economic benefits <u>or service potential</u> flowing from the customer relationships. Because such exchange transactions also provide evidence that the customer relationships are separable, those customer relationships meet the definition of an intangible asset.	
<i>Future Economic Benefits <u>or Service Potential</u> [H4]</i>		Amended to reflect IPSAS terminology.
17	25. The future economic benefits <u>or service potential</u> flowing from an intangible asset may include revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity. For example, the use of intellectual property in a production <u>or service</u> process may reduce future production <u>or service</u> costs rather than increase future revenues- (e.g., an on-line system that allows citizens to renew driving licences more quickly on-line, resulting in a reduction in office staff required to perform this function while increasing the speed of processing).	Amended to reflect IPSAS terminology. Added a public sector example.
Recognition and Measurement [H2]		No amendment.
18	26. The recognition of an item as an intangible asset requires an entity to demonstrate that the item meets: (a) The definition of an intangible asset (see paragraphs 17-258-17); and (b) The recognition criteria (see paragraphs 21-28-2330). This requirement applies to costs incurred initially to acquire <u>the cost measured at recognition (the cost in an exchange transaction or to internally generate an intangible asset, or the fair value of an intangible asset acquired through a non-exchange transaction)</u> and those incurred subsequently to add to, replace part of, or service it.	Amended to reflect IPSAS terminology. Added text to distinguish between the measurement of an intangible asset acquired in an exchange transaction or through a non-exchange transaction.
19	19. Paragraphs 25-32 deal with the application of the recognition criteria to separately acquired intangible assets, and paragraphs 33-43 deal with their	Deleted: Paragraph as it only describes which paragraphs relate to different methods of

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	application to intangible assets acquired in a business combination. Paragraph 44 deals with the initial measurement of intangible assets acquired by way of a government grant, paragraphs 45–47 with exchanges of intangible assets, and paragraphs 48–50 with the treatment of internally generated goodwill. Paragraphs 51–67 deal with the initial recognition and measurement of internally generated intangible assets.	obtaining an intangible asset.
20	27. The nature of intangible assets is such that, in many cases, there are no additions to such an asset or replacements of part of it. Accordingly, most subsequent expenditures are likely to maintain the expected future economic benefits <u>or service potential</u> embodied in an existing intangible asset rather than meet the definition of an intangible asset and the recognition criteria in this Standard. In addition, it is often difficult to attribute subsequent expenditure directly to a particular intangible asset rather than to the <u>business entity's operations</u> as a whole. Therefore, only rarely will subsequent expenditure—expenditure incurred after the initial recognition of an acquired intangible asset or after completion of an internally generated intangible asset—be recognized in the carrying amount of an asset.— Consistently <u>Consistent</u> with paragraph 63 61, subsequent expenditure on brands, mastheads, publishing titles, customer lists <u>lists of customers or users of an entity's services</u> and items similar in substance (whether externally acquired or internally generated) is always recognized in <u>profit surplus</u> or loss <u>deficit</u> as incurred. This is because such expenditure cannot be distinguished from expenditure to develop the <u>business entity's operations</u> as a whole.	Amended to reflect IPSAS terminology.
21	28. An intangible asset shall be recognized if, and only if: (a) It is probable that the expected future economic benefits <u>or service potential</u> that are attributable to the asset will flow to the entity; and (b) The cost <u>or fair value</u> of the asset can be measured reliably.	Amended to reflect IPSAS terminology. Item (b) added the phrase “or fair value” to reflect the acquisition of an intangible asset by way of a non-exchange transaction. This is consistent with IPSAS 17.14.
22	29. An entity shall assess the probability of expected future economic benefits <u>or service potential</u> using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.	Amended to reflect IPSAS terminology.
23	30. An entity uses judgement to assess the degree of certainty attached to the flow of future economic benefits <u>or service potential</u> that are attributable to the use of the asset on the basis of the evidence available at the time of initial	Amended to reflect IPSAS terminology.

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	recognition, giving greater weight to external evidence.	
24	31. <u>An intangible asset shall be measured initially at cost in accordance with paragraphs 32–43. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition^[3] shall be measured at its fair value as at that date.</u>	Added a sentence to include guidance on how “cost” determined when the intangible asset is acquired in a non-exchange transaction. This is consistent with IPSAS 17.27. Editorial correction required for last sentence. Deletion is in square brackets.
Separate Acquisition [H3]		No amendment.
25	32. Normally, the price an entity pays to acquire separately an intangible asset will reflect expectations about the probability that the expected future economic benefits <u>or service potential</u> embodied in the asset will flow to the entity. In other words, the entity expects there to be an inflow of economic benefits <u>or service potential</u> , even if there is uncertainty about the timing or the amount of the inflow. Therefore, the probability recognition criterion in <u>paragraph 28(a)</u> paragraph 21(a) is always considered to be satisfied for separately acquired intangible assets.	Amended to reflect IPSAS terminology.
26	33. In addition, the cost of a separately acquired intangible asset can usually be measured reliably. This is particularly so when the purchase consideration is in the form of cash or other monetary assets.	No amendment.
27	34. The cost of a separately acquired intangible asset comprises: (a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and (b) Any directly attributable cost of preparing the asset for its intended use.	No amendment.
28	35. Examples of directly attributable costs are: (a) Costs of employee benefits (as defined in IAS 19 <u>IPSAS 25</u>) arising directly from bringing the asset to its working condition; (b) Professional fees arising directly from bringing the asset to its working condition; and (c) Costs of testing whether the asset is functioning properly.	Amended referencing to IPSAS instead of IFRS.
29	36. Examples of expenditures that are not part of the cost of an intangible asset are: (a) Costs of introducing a new product or service (including costs of	Amended to reflect IPSAS terminology.

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	<p>advertising and promotional activities);</p> <p>(b) Costs of conducting <u>business operations</u> in a new location or with a new class of <u>customer-a service</u> (including costs of staff training); and</p> <p>(c) Administration and other general overhead costs.</p>	
30	<p>37. Recognition of costs in the carrying amount of an intangible asset ceases when the asset is in the condition necessary for it to be capable of operating in the manner intended by management. Therefore, costs incurred in using or redeploying an intangible asset are not included in the carrying amount of that asset. For example, the following costs are not included in the carrying amount of an intangible asset:</p> <p>(a) Costs incurred while an asset capable of operating in the manner intended by management has yet to be brought into use; and</p> <p>(b) Initial operating <u>deficits/losses</u>, such as those incurred while demand for the asset's output builds up.</p>	Amended to reflect IPSAS terminology.
31	<p>38. Some operations occur in connection with the development of an intangible asset, but are not necessary to bring the asset to the condition necessary for it to be capable of operating in the manner intended by management. These incidental operations may occur before or during the development activities. Because incidental operations are not necessary to bring an asset to the condition necessary for it to be capable of operating in the manner intended by management, the <u>income/revenue</u> and related expenses of incidental operations are recognized immediately in <u>profits/surplus</u> or <u>loss/deficit</u>, and included in their respective classifications of <u>income/revenue</u> and expense.</p>	Amended to reflect IPSAS terminology.
32	<p>39. If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit unless it is capitalized in accordance with <u>the capitalization treatment permitted in IPSAS 5, "Borrowing Costs"</u> <u>IAS 23, "Borrowing Costs."</u></p>	Amended referencing to IPSAS instead of IFRS and to reflect IPSAS terminology.
Acquisition as part of a business combination [H3]		This section and the related paragraphs 33–41 of IAS 38 are deleted pending development of an IPSAS on entity combinations.
33	33. In accordance with IFRS 3 Business Combinations, if an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date. The fair value of an intangible asset will reflect	

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	<p>expectations about the probability that the expected future economic benefits embodied in the asset will flow to the entity. In other words, the entity expects there to be an inflow of economic benefits, even if there is uncertainty about the timing or the amount of the inflow. Therefore, the probability recognition criterion in paragraph 21(a) is always considered to be satisfied for intangible assets acquired in business combinations. If an asset acquired in a business combination is separable or arises from contractual or other legal rights, sufficient information exists to measure reliably the fair value of the asset. Thus, the reliable measurement criterion in paragraph 21(b) is always considered to be satisfied for intangible assets acquired in business combinations.</p>	
34	<p>34. In accordance with this Standard and IFRS 3 (as revised in 2008), an acquirer recognizes at the acquisition date, separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognized by the acquiree before the business combination. This means that the acquirer recognizes as an asset separately from goodwill an in process research and development project of the acquiree if the project meets the definition of an intangible asset. An acquiree's in process research and development project meets the definition of an intangible asset when it:</p> <p>(a) Meets the definition of an asset; and</p> <p>(b) Is identifiable, i.e., is separable or arises from contractual or other legal rights.</p>	
<i>Measuring the Fair Value of an Intangible Asset Acquired in a business Combination [H4]</i>		
35	<p>35. If an intangible asset acquired in a business combination is separable or arises from contractual or other legal rights, sufficient information exists to measure reliably the fair value of the asset. When, for the estimates used to measure an intangible asset's fair value, there is a range of possible outcomes with different probabilities, that uncertainty enters into the measurement of the asset's fair value.</p>	
36	<p>36. An intangible asset acquired in a business combination might be separable, but only together with a related tangible or intangible asset. For example, a magazine's publishing title might not be able to be sold separately from a related subscriber database, or a trademark for natural spring water might relate to a particular spring and could not be sold separately from the spring. In</p>	

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	such cases, the acquirer recognizes the group of assets as a single asset separately from goodwill if the individual fair values of the assets in the group are not reliably measurable.	
37	37. Similarly, the terms ‘brand’ and ‘brand name’ are often used as synonyms for trademarks and other marks. However, the former are general marketing terms that are typically used to refer to a group of complementary assets such as a trademark (or service mark) and its related trade name, formulas, recipes and technological expertise. The acquirer recognizes as a single asset a group of complementary intangible assets comprising a brand if the individual fair values of the complementary assets are not reliably measurable. If the individual fair values of the complementary assets are reliably measurable, an acquirer may recognize them as a single asset provided the individual assets have similar useful lives.	
38	38. [Deleted]	
39	39. Quoted market prices in an active market provide the most reliable estimate of the fair value of an intangible asset (see also paragraph 78). The appropriate market price is usually the current bid price. If current bid prices are unavailable, the price of the most recent similar transaction may provide a basis from which to estimate fair value, provided that there has not been a significant change in economic circumstances between the transaction date and the date at which the asset’s fair value is estimated.	
40	40. If no active market exists for an intangible asset, its fair value is the amount that the entity would have paid for the asset, at the acquisition date, in an arm’s length transaction between knowledgeable and willing parties, on the basis of the best information available. In determining this amount, an entity considers the outcome of recent transactions for similar assets.	
41	41. Entities that are regularly involved in the purchase and sale of unique intangible assets may have developed techniques for estimating their fair values indirectly. These techniques may be used for initial measurement of an intangible asset acquired in a business combination if their objective is to estimate fair value and if they reflect current transactions and practices in the industry to which the asset belongs. These techniques include, when appropriate: (a) Applying multiples reflecting current market transactions to indicators	

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	<p>that drive the profitability of the asset (such as revenue, market shares and operating profit) or to the royalty stream that could be obtained from licensing the intangible asset to another party in an arm's length transaction (as in the 'relief from royalty' approach); or</p> <p>(b) — Discounting estimated future net cash flows from the asset.</p>	
	<i>Subsequent Expenditure on an Acquired in-process Research and Development Project [H4]</i>	No amendment.
42	<p>40. Research or development expenditure that:</p> <p>(a) Relates to an in-process research or development project acquired separately or in a business combination and recognized as an intangible asset; and</p> <p>(b) Is incurred after the acquisition of that project shall be accounted for in accordance with paragraphs 52–60 paragraphs 54–62.</p>	Reference to business combinations deleted pending development of an IPSAS on entity combinations.
43	<p>41. Applying the requirements in paragraphs 52–60 paragraphs 54–62 means that subsequent expenditure on an in-process research or development project acquired separately or in a business combination and recognized as an intangible asset is:</p> <p>(a) Recognized as an expense when incurred if it is research expenditure;</p> <p>(b) Recognized as an expense when incurred if it is development expenditure that does not satisfy the criteria for recognition as an intangible asset in paragraph 5755; and</p> <p>(c) Added to the carrying amount of the acquired in-process research or development project if it is development expenditure that satisfies the recognition criteria in paragraph 5755.</p>	Reference to business combinations deleted pending development of an IPSAS on entity combinations.
	Acquisition by way of a government grant <u>Intangible Assets Acquired through Non-Exchange Transactions</u> [H3]	Amended for IPSAS terminology, i.e., a government grant is a transfer and a non-exchange transaction.
44	<p>42. In some cases, an intangible asset may be acquired free of charge, or for nominal consideration, by way of a government grant through a non-exchange transaction. This may happen when a government another public sector entity transfers or allocates to an entity <u>in a non-exchange transaction</u>, intangible assets such as airport landing rights, licences to operate radio or television</p>	<p>Amended for IPSAS terminology.</p> <p>Amended to reflect that public sector entities apply this Standard.</p> <p>Added a public sector example.</p>

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	stations, import licences or quotas or rights to access other restricted resources. In accordance with IAS 20, “Accounting for Government Grants and Disclosure of Government Assistance,” an entity may choose to recognize both the intangible asset and the grant initially at fair value. If an entity chooses not to recognize the asset initially at fair value, the entity recognizes the asset initially at a nominal amount (the other treatment permitted by IAS 20) plus any expenditure that is directly attributable to preparing the asset for its intended use. A private citizen, for example a Nobel prize winner, may bequeath his or her personal papers, including the copyright to his or her publications to the national archives (a public sector entity) in a non-exchange transaction.	
–	43. <u>Under these circumstances the cost of the item is its fair value at the date it is acquired. For the purposes of this Standard, the measurement at recognition of an intangible asset acquired through a non-exchange transaction, at its fair value consistent with the requirements of paragraph 74, does not constitute a revaluation. Accordingly, the revaluation requirements in paragraph 74, and the supporting commentary in paragraphs 75–86 only apply when an entity elects to revalue an intangible item in subsequent reporting periods.</u>	New: Added to clarify the requirements of intangible assets acquired through non-exchange transactions. Consistent with IPSAS 17.29.
Exchanges of Assets [H3]		
45	44. One or more intangible assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers simply to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an intangible asset is measured at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. The acquired asset is measured in this way even if an entity cannot immediately derecognize the asset given up. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up.	Reference to “exchange transaction lacks commercial substance” deleted because such a transaction is a non-exchange transaction and is addressed in IPSAS 23.
46	46. An entity determines whether an exchange transaction has commercial substance by considering the extent to which its future cash flows are expected to change as a result of the transaction. An exchange transaction has commercial substance if: (a) The configuration (i.e., risk, timing and amount) of the cash flows of the	Deleted this paragraph because the cross-reference to it in the paragraph above has been deleted. Note that the equivalent paragraph in IPSAS 17.39 will be proposed for deletion in the 2011 Improvements project.

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	<p>asset received differs from the configuration of the cash flows of the asset transferred; or</p> <p>(b) The entity-specific value of the portion of the entity's operations affected by the transaction changes as a result of the exchange; and</p> <p>(c) The difference in (a) or (b) is significant relative to the fair value of the assets exchanged.</p> <p>For the purpose of determining whether an exchange transaction has commercial substance, the entity-specific value of the portion of the entity's operations affected by the transaction shall reflect post-tax cash flows. The result of these analyses may be clear without an entity having to perform detailed calculations.</p>	
47	<p>45. Paragraph 24<u>28</u>(b) specifies that a condition for the recognition of an intangible asset is that the cost of the asset can be measured reliably. The fair value of an intangible asset for which comparable market transactions do not exist is reliably measurable if:</p> <p>(a) The variability in the range of reasonable fair value estimates is not significant for that asset; or</p> <p>(b) The probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.</p> <p>If an entity is able to determine reliably the fair value of either the asset received or the asset given up, then the fair value of the asset given up is used to measure cost unless the fair value of the asset received is more clearly evident.</p>	No amendment.
Internally Generated Goodwill [H3]		No amendment.
48	46. Internally generated goodwill shall not be recognized as an asset.	No amendment.
49	<p>47. In some cases, expenditure is incurred to generate future economic benefits <u>or service potential</u>, but it does not result in the creation of an intangible asset that meets the recognition criteria in this Standard. Such expenditure is often described as contributing to internally generated goodwill. Internally generated goodwill is not recognized as an asset because it is not an identifiable resource (i.e., it is not separable nor does it arise from contractual<u>binding arrangements (including rights from contracts</u> or other legal rights) controlled by the entity that can be measured reliably at cost.</p>	Amended to reflect IPSAS terminology.

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50	48. Differences between the market value of an entity and the carrying amount of its identifiable net assets at any time may capture a range of factors that affect the value of the entity. However, such differences do not represent the cost of intangible assets controlled by the entity.	No amendment.
Internally Generated Intangible Assets [H3]		No amendment.
51	49. It is sometimes difficult to assess whether an internally generated intangible asset qualifies for recognition because of problems in: <ul style="list-style-type: none"> (a) Identifying whether and when there is an identifiable asset that will generate expected future economic benefits <u>or service potential</u>; and (b) Determining the cost of the asset reliably. In some cases, the cost of generating an intangible asset internally cannot be distinguished from the cost of maintaining or enhancing the entity's internally generated goodwill or of running day-to-day operations. <p>Therefore, in addition to complying with the general requirements for the recognition and initial measurement of an intangible asset, an entity applies the requirements and guidance in paragraphs 52–67 <u>50–65</u> to all internally generated intangible assets.</p>	Amended to reflect IPSAS terminology.
52	50. To assess whether an internally generated intangible asset meets the criteria for recognition, an entity classifies the generation of the asset into: <ul style="list-style-type: none"> (a) A research phase; and (b) A development phase. <p>Although the terms “research” and “development” are defined, the terms “research phase” and “development phase” have a broader meaning for the purpose of this Standard.</p>	No amendment.
53	51. If an entity cannot distinguish the research phase from the development phase of an internal project to create an intangible asset, the entity treats the expenditure on that project as if it were incurred in the research phase only.	No amendment.
Research Phase [H4]		No amendment.
54	52. No intangible asset arising from research (or from the research phase of an internal project) shall be recognized. Expenditure on research (or on the research phase of an internal project) shall be recognized as an expense when it is incurred.	No amendment.

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55	53. In the research phase of an internal project, an entity cannot demonstrate that an intangible asset exists that will generate probable future economic benefits or service potential . Therefore, this expenditure is recognized as an expense when it is incurred.	Amended to reflect IPSAS terminology.
56	54. Examples of research activities are: (a) Activities aimed at obtaining new knowledge; (b) The search for, evaluation and final selection of, applications of research findings or other knowledge; (c) The search for alternatives for materials, devices, products, processes, systems or services; and (d) The formulation, design, evaluation and final selection of possible alternatives for new or improved materials, devices, products, processes, systems or services.	No amendment.
<i>Development Phase [H4]</i>		No amendment.
57	55. An intangible asset arising from development (or from the development phase of an internal project) shall be recognized if, and only if, an entity can demonstrate all of the following: (a) The technical feasibility of completing the intangible asset so that it will be available for use or sale; (b) Its intention to complete the intangible asset and use or sell it; (c) Its ability to use or sell the intangible asset; (d) How the intangible asset will generate probable future economic benefits or service potential. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.	Amended to reflect IPSAS terminology.
58	56. In the development phase of an internal project, an entity can, in some	Amended to reflect IPSAS terminology.

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	instances, identify an intangible asset and demonstrate that the asset will generate probable future economic benefits- <u>or service potential</u> . This is because the development phase of a project is further advanced than the research phase.	
59	57. Examples of development activities are: (a) The design, construction and testing of pre-production or pre-use prototypes and models; (b) The design of tools, jigs, moulds and dies involving new technology; (c) The design, construction and operation of a pilot plant <u>or operation</u> that is not of a scale economically feasible for commercial production <u>or use in providing services</u> ; and (d) The design, construction and testing of a chosen alternative for new or improved materials, devices, products, processes, systems or services-; <u>and</u> (e) <u>Website costs and software development costs.</u>	Amended to reflect IPSAS terminology. Added public sector examples.
60	58. To demonstrate how an intangible asset will generate probable future economic benefits <u>or service potential</u> , an entity assesses the future economic benefits <u>or service potential</u> to be received from the asset using the principles in IAS 36 <u>either IPSAS 21, "Impairment of Non-Cash-Generating Assets," or IPSAS 26, "Impairment of Cash-Generating Assets," as appropriate.</u> If the asset will generate economic benefits <u>or service potential</u> only in combination with other assets, the entity applies the concept of cash-generating units in IAS 36 <u>IPSAS 26.</u>	Amended referencing to IPSAS instead of IFRS and to reflect IPSAS terminology.
61	59. Availability of resources to complete, use and obtain the benefits from an intangible asset can be demonstrated by, for example, a business <u>an operating</u> plan showing the technical, financial and other resources needed and the entity's ability to secure those resources. In some cases, an entity demonstrates the availability of external finance by obtaining a lender's <u>or funder's</u> indication of its willingness to fund the plan.	Amended to reflect IPSAS terminology.
62	60. An entity's costing systems can often measure reliably the cost of generating an intangible asset internally, such as salary and other expenditure incurred in securing <u>logos</u> , copyrights or licences, or developing computer software.	Added a public sector example.
63	61. Internally generated brands, mastheads, publishing titles, customer	Amended to reflect IPSAS terminology.

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	lists <u>lists of customers or users of a service</u> , and items similar in substance shall not be recognized as intangible assets.	
64	62. Expenditure on internally generated brands, mastheads, publishing titles, customer lists <u>lists of customers or users of a service</u> , and items similar in substance cannot be distinguished from the cost of developing the business <u>entity's operations</u> as a whole. Therefore, such items are not recognized as intangible assets.	Amended to reflect IPSAS terminology.
<i>Cost of an Internally Generated Intangible Asset [H4]</i>		No amendment.
65	63. The cost of an internally generated intangible asset for the purpose of paragraph 24 <u>31</u> is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria in paragraphs 24 <u>28</u> , 29 <u>22</u> and 57 <u>55</u> . Paragraph 74 <u>70</u> prohibits reinstatement of expenditure previously recognized as an expense.	No amendment.
66	64. The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Examples of directly attributable costs are: (a) Costs of materials and services used or consumed in generating the intangible asset; (b) Costs of employee benefits (as defined in IAS 19 <u>IPSAS 25</u>) arising from the generation of the intangible asset; (c) Fees to register a legal right; and (d) Amortization of patents and licences that are used to generate the intangible asset. IAS 23 <u>IPSAS 5, "Borrowing Costs"</u> specifies criteria for the recognition of interest as an element of the cost of an internally generated intangible asset that is a qualifying asset.	Amended referencing to IPSAS instead of IFRS and to reflect IPSAS terminology.
67	65. The following are not components of the cost of an internally generated intangible asset: (a) Selling, administrative and other general overhead expenditure unless this expenditure can be directly attributed to preparing the asset for use; (b) Identified inefficiencies and initial operating deficits <u>losses</u> incurred before the asset achieves planned performance; and	Example moved to Illustrative Examples section of IPSAS 31.

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	<p>(c) Expenditure on training staff to operate the asset.</p> <div data-bbox="499 316 1339 370" style="border: 1px solid black; padding: 2px;"> <p>Example illustrating paragraph 65</p> </div> <p>An entity is developing a new production process. During 20X5, expenditure incurred was CU1,000 a, of which CU900 was incurred before 1 December 20X5 and CU100 was incurred between 1 December 20X5 and 31 December 20X5. The entity is able to demonstrate that, at 1 December 20X5, the production process met the criteria for recognition as an intangible asset. The recoverable amount of the know-how embodied in the process (including future cash outflows to complete the process before it is available for use) is estimated to be CU500.</p> <p>At the end of 20X5, the production process is recognized as an intangible asset at a cost of CU100 (expenditure incurred since the date when the recognition criteria were met, i.e., 1 December 20X5). The CU900 expenditure incurred before 1 December 20X5 is recognized as an expense because the recognition criteria were not met until 1 December 20X5. This expenditure does not form part of the cost of the production process recognized in the statement of financial position.</p> <p>During 20X6, expenditure incurred is CU2,000. At the end of 20X6, the recoverable amount of the know-how embodied in the process (including future cash outflows to complete the process before it is available for use) is estimated to be CU1,900.</p> <p>At the end of 20X6, the cost of the production process is CU2,100 (CU100 expenditure recognized at the end of 20X5 plus CU2,000 expenditure recognized in 20X6). The entity recognizes an impairment loss of CU200 to adjust the carrying amount of the process before impairment loss (CU2,100) to its recoverable amount (CU1,900). This impairment loss will be reversed in a subsequent period if the requirements for the reversal of an impairment loss in IAS 36 are met.</p> <p>a—In this Standard, monetary amounts are denominated in ‘currency units’ (CU).</p>	

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
Recognition of an Expense [H2]		No amendment.
68	66. Expenditure on an intangible item shall be recognized as an expense when it is incurred unless: (a) It <u>it</u> forms part of the cost of an intangible asset that meets the recognition criteria (see paragraphs 26–65 <u>paragraphs 18–67</u>); or (b) The item is acquired in a business combination and cannot be recognized as an intangible asset. If this is the case, it forms part of the amount recognized as goodwill at the acquisition date (see IFRS 3).	Deleted: Part (b) pending development of an IPSAS on entity combinations.
69	67. In some cases, expenditure is incurred to provide future economic benefits <u>or service potential</u> to an entity, but no intangible asset or other asset is acquired or created that can be recognized. [In the case of the supply of goods, the entity recognizes such expenditure as an expense when it has a right to access those goods. In the case of the supply of services, the entity recognizes the expenditure as an expense when it receives the services.] For example, expenditure on research is recognized as an expense when it is incurred (see paragraph 54 52), except when it [is acquired as] part of a business combination . Other examples of expenditure that is recognized as an expense when it is incurred include: (a) Expenditure on start-up activities (i.e., start-up costs), unless this expenditure is included in the cost of an item of property, plant and equipment in accordance with IAS 16 <u>IPSAS 17</u> . Start-up costs may consist of establishment costs such as legal and secretarial costs incurred in establishing a legal entity, expenditure to open a new facility or <u>business operation</u> (i.e., pre-opening costs) or expenditures for starting new operations or launching new products or processes (i.e., pre-operating costs); (b) Expenditure on training activities; (c) Expenditure on advertising and promotional activities [(including mail order catalogues) <u>and information pamphlets</u>]; and (d) Expenditure on relocating or reorganizing part or all of an entity.	Amended referencing to IPSAS instead of IFRS and to reflect IPSAS terminology. [] wording from May 2008 Improvements to IFRSs. Deleted: Part of sentence relating to business combinations pending development of an IPSAS on entity combinations. Added a public sector example.
69A	68. [An entity has a right to access goods when it owns them. Similarly, it has a right to access goods when they have been constructed by a supplier in accordance with the terms of a supply contract and the entity could demand	[] paragraph inserted from May 2008 Improvements to IFRSs.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	delivery of them in return for payment. Services are received when they are performed by a supplier in accordance with a contract to deliver them to the entity and not when the entity uses them to deliver another service, for example, to deliver information about a service to users of that service.]	No amendment.
70	69. Paragraph 6866 does not preclude [an entity from recognizing a prepayment as an asset when payment for goods has been made in advance of the entity obtaining a right to access those goods. Similarly, paragraph 6866 does not preclude an entity from recognizing a prepayment as an asset when payment for services has been made in advance of the entity receiving those services.]	No amendment. [] wording from May 2008 Improvements to IFRSs.
Past Expenses not to be Recognized as an Asset [H3]		No amendment.
71	70. Expenditure on an intangible item that was initially recognized as an expense <u>under this Standard</u> shall not be recognized as part of the cost of an intangible asset at a later date.	Amended to clarify which expenditure this paragraph is referring to.
Measurement after Recognition [H2]		No amendment.
72	71. An entity shall choose either the cost model in paragraph 74-73 or the revaluation model in paragraph 74-75 as its accounting policy. If an intangible asset is accounted for using the revaluation model, all the other assets in its class shall also be accounted for using the same model, unless there is no active market for those assets.	No amendment.
73	72. A class of intangible assets is a grouping of assets of a similar nature and use in an entity's operations. The items within a class of intangible assets are revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements representing a mixture of costs and values as at different dates.	No amendment.
Cost Model [H3]		No amendment.
74	73. After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortization and any accumulated impairment losses.	No amendment.
Revaluation Model [H3]		No amendment.
75	74. After initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortization and any subsequent accumulated impairment losses. For the purpose of revaluations under this Standard,	Amended to reflect IPSAS terminology.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	fair value shall be determined by reference to an active market. Revaluations shall be made with such regularity that at the end-of-the reporting period <u>date</u> the carrying amount of the asset does not differ materially from its fair value.	
76	75. The revaluation model does not allow: (a) The revaluation of intangible assets that have not previously been recognized as assets; or (b) The initial recognition of intangible assets at amounts other than cost.	No amendment.
77	76. The revaluation model is applied after an asset has been initially recognized at cost. However, if only part of the cost of an intangible asset is recognized as an asset because the asset did not meet the criteria for recognition until part of the way through the process (see paragraph 63 <u>65</u>), the revaluation model may be applied to the whole of that asset. Also, the revaluation model may be applied to an intangible asset that was received by way of <u>through</u> a government grant and recognized at a nominal amount <u>non-exchange transaction</u> (see paragraph 44 <u>paragraphs 42-43</u>).	Amended to reflect IPSAS terminology.
78	77. It is uncommon for an active market with the characteristics described in paragraph 8 to exist for an intangible asset, although this may happen. For example, in some jurisdictions, an active market may exist for freely transferable taxi licences, fishing <u>homogeneous classes of</u> licences or production quotas: the entity has acquired from another entity . However, an active market cannot exist for brands, newspaper mastheads, music and film publishing rights, patents or trademarks, because each such asset is unique. Also, although intangible assets are bought and sold, contracts are negotiated between individual buyers and sellers, and transactions are relatively infrequent. For these reasons, the price paid for one asset may not provide sufficient evidence of the fair value of another. Moreover, prices are often not available to the public.	First sentence: The words “with the characteristics described in paragraph 8” have been deleted because the definition of active market has already been defined in another IPSAS and therefore the definitions paragraph in IPSAS 31 does not include it. Amended to reflect IPSAS terminology. Amended examples so that they are relevant to the public sector and clarified that these licenses or quotas are acquired rather than created.
79	78. The frequency of revaluations depends on the volatility of the fair values of the intangible assets being revalued. If the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary. Some intangible assets may experience significant and volatile movements in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for intangible assets with only insignificant movements in fair	No amendment.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	value.	
80	79. If an intangible asset is revalued, any accumulated amortization at the date of the revaluation is either: (a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or (b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.	No amendment.
81	80. If an intangible asset in a class of revalued intangible assets cannot be revalued because there is no active market for this asset, the asset shall be carried at its cost less any accumulated amortization and impairment losses.	No amendment.
82	81. If the fair value of a revalued intangible asset can no longer be determined by reference to an active market, the carrying amount of the asset shall be its revalued amount at the date of the last revaluation by reference to the active market less any subsequent accumulated amortization and any subsequent accumulated impairment losses.	No amendment.
83	82. The fact that an active market no longer exists for a revalued intangible asset may indicate that the asset may be impaired and that it needs to be tested in accordance with IPSAS 21 or IPSAS 26, as appropriate . IAS 36.	Amended referencing to IPSAS instead of IFRS.
84	83. If the fair value of the asset can be determined by reference to an active market at a subsequent measurement date, the revaluation model is applied from that date.	No amendment.
85	84. If an intangible asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of credited directly to revaluation surplus. However, the increase shall be recognized in profit surplus or loss deficit to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit surplus or loss deficit.	Amended to reflect IPSAS terminology.
86	85. If an intangible asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit surplus or loss deficit. However, the decrease shall be recognized in other	Amended to reflect IPSAS terminology.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	comprehensive income directly in net assets/equity to the extent of any credit balance in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income directly in net assets/equity reduces the amount accumulated in equity net assets/equity under the heading of revaluation surplus.	
87	86. The cumulative revaluation surplus included in <u>net assets/equity</u> may be transferred directly to retained earnings <u>accumulated surpluses or deficits</u> when the surplus is realized. The whole surplus may be realized on the retirement or disposal of the asset. However, some of the surplus may be realized as the asset is used by the entity; in such a case, the amount of the surplus realized is the difference between amortization based on the revalued carrying amount of the asset and amortization that would have been recognized based on the asset's historical cost. The transfer from revaluation surplus to retained earnings <u>accumulated surpluses or deficits</u> is not made through profit surplus or loss deficit .	Amended to reflect IPSAS terminology.
Useful Life [H2]		No amendment.
88	87. An entity shall assess whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset shall be regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for, <u>or provide service potential to</u>, the entity.	Amended to reflect IPSAS terminology.
89	88. The accounting for an intangible asset is based on its useful life. An intangible asset with a finite useful life is amortized (see paragraphs 97–106 <u>96–105</u>), and an intangible asset with an indefinite useful life is not (see paragraphs 107–110 <u>106–109</u>). The [Implementation Guidance Illustrative Examples] accompanying this Standard illustrate[s] the determination of useful life for different intangible assets, and the subsequent accounting for those assets based on the useful life determinations.	No amendment. Editorial correction required for last sentence. Amendments are in square brackets.
90	89. Many factors are considered in determining the useful life of an intangible asset, including: (a) The expected usage of the asset by the entity and whether the asset could be managed efficiently by another management team;	Amended to reflect IPSAS terminology.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	<ul style="list-style-type: none"> (b) Typical product life cycles for the asset and public information on estimates of useful lives of similar assets that are used in a similar way; (c) Technical, technological, commercial or other types of obsolescence; (d) The stability of the industry in which the asset operates and changes in the market demand for the products or services output from the asset; (e) Expected actions by competitors or potential competitors; (f) The level of maintenance expenditure required to obtain the expected future economic benefits <u>or service potential</u> from the asset and the entity's ability and intention to reach such a level; (g) The period of control over the asset and legal or similar limits on the use of the asset, such as the expiry dates of related leases; and (h) Whether the useful life of the asset is dependent on the useful life of other assets of the entity. 	
91	90. The term "indefinite" does not mean "infinite." The useful life of an intangible asset reflects only that level of future maintenance expenditure required to maintain the asset at its standard of performance assessed at the time of estimating the asset's useful life, and the entity's ability and intention to reach such a level. A conclusion that the useful life of an intangible asset is indefinite should not depend on planned future expenditure in excess of that required to maintain the asset at that standard of performance.	No amendment.
92	91. Given the history of rapid changes in technology, computer software and many other intangible assets are susceptible to technological obsolescence. Therefore, it is likely that their useful life is short.	No amendment.
93	92. The useful life of an intangible asset may be very long or even indefinite. Uncertainty justifies estimating the useful life of an intangible asset on a prudent basis, but it does not justify choosing a life that is unrealistically short.	No amendment.
94	93. The useful life of an intangible asset that arises from contractual<u>binding arrangements (including rights from contracts</u> or other legal rights) shall not exceed the period of the <u>binding arrangement (including rights from contracts or other legal rights)</u>contractual or other legal rights, but may be shorter depending on the period over which the entity expects to use the asset. If the contractual<u>binding arrangements (including rights from contracts</u> or other legal rights) are conveyed for a limited term that can be renewed, the useful life of the intangible asset shall include the renewal	Amended to reflect IPSAS terminology. Reference to business combination deleted pending development of an IPSAS on entity combinations.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	period(s) only if there is evidence to support renewal by the entity without significant cost. The useful life of a reacquired right recognized as an intangible asset in a business combination is the remaining contractual period of the contract in which the right was granted and shall not include renewal periods.	
95	94. There may be both economic, <u>political, social</u> and legal factors influencing the useful life of an intangible asset. Economic, <u>political or social</u> factors determine the period over which future economic benefits <u>or service potential</u> will be received by the entity. Legal factors may restrict the period over which the entity controls access to these <u>such economic</u> benefits, <u>or service potential</u> . The useful life is the shorter of the periods determined by these factors.	Amended to reflect IPSAS terminology.
96	95. Existence of the following factors, among others, indicates that an entity would be able to renew the contractual <u>binding arrangements (including rights from contracts</u> or other legal rights) without significant cost: (a) There is evidence, possibly based on experience, that the contractual <u>binding arrangements (including rights from contracts</u> or other legal rights) will be renewed. If renewal is contingent upon the consent of a third party, this includes evidence that the third party will give its consent; (b) There is evidence that any conditions necessary to obtain renewal will be satisfied; and (c) The cost to the entity of renewal is not significant when compared with the future economic benefits <u>or service potential</u> expected to flow to the entity from renewal. If the cost of renewal is significant when compared with the future economic benefits <u>or service potential</u> expected to flow to the entity from renewal, the “renewal” cost represents, in substance, the cost to acquire a new intangible asset at the renewal date.	Amended to reflect IPSAS terminology.
Intangible Assets with Finite Useful Lives [H2]		No amendment.
Amortization Period and Amortization Method [H3]		No amendment.
97	96. The depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. Amortization shall begin when the asset is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner	Amended to reflect IPSAS terminology.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	intended by management. Amortization shall cease at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with <u>IFRS 5 the relevant international or national standard dealing with non-current assets held for sale and discontinued operations</u> and the date that the asset is derecognized. The amortization method used shall reflect the pattern in which the asset's future economic benefits <u>or service potential</u> are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight-line method shall be used. The amortization charge for each period shall be recognized in <u>profitsurplus</u> or <u>lossdeficit</u> unless this or another Standard permits or requires it to be included in the carrying amount of another asset.	
98	97. A variety of amortization methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method and the unit of production method. The method used is selected on the basis of the expected pattern of consumption of the expected future economic benefits <u>or service potential</u> embodied in the asset and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits <u>or service potential</u> . [There is rarely, if ever, persuasive evidence to support an amortization method for intangible assets with finite useful lives that results in a lower amount of accumulated amortisation than under the straight line method.]	Amended to reflect IPSAS terminology. [] wording deleted from May 2008 Improvements to IFRSs.
99	98. Amortization is usually recognized in <u>profitsurplus</u> or <u>lossdeficit</u> . However, sometimes the future economic benefits <u>or service potential</u> embodied in an asset are absorbed in producing other assets. In this case, the amortization charge constitutes part of the cost of the other asset and is included in its carrying amount. For example, the amortization of intangible assets used in a production process is included in the carrying amount of inventories (see <u>IAS 2, "Inventories"</u>). <u>IPSAS 12</u> .	Amended referencing to IPSAS instead of IFRS and to reflect IPSAS terminology.
Residual Value [H3]		No amendment.
100	99. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless: (a) There is a commitment by a third party to <u>acquirepurchase</u> the asset at the end of its useful life; or	Amended "purchase" to "acquire" because "purchase" infers an exchange transaction and IPSAS 31 applies to both exchange and non-exchange transactions.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	<p>(b) There is an active market for the asset and:</p> <p>(i) Residual value can be determined by reference to that market; and</p> <p>(ii) It is probable that such a market will exist at the end of the asset's useful life.</p>	
101	100. The depreciable amount of an asset with a finite useful life is determined after deducting its residual value. A residual value other than zero implies that an entity expects to dispose of the intangible asset before the end of its economic life.	No amendment.
102	101. An estimate of an asset's residual value is based on the amount recoverable from disposal using prices prevailing at the date of the estimate for the sale of a similar asset that has reached the end of its useful life and has operated under conditions similar to those in which the asset will be used. The residual value is reviewed at least at each <u>financial year-end-reporting date</u> . A change in the asset's residual value is accounted for as a change in an accounting estimate in accordance with <u>IPSAS 3, IAS 8</u> , "Accounting Policies, Changes in Accounting Estimates and Errors."	Amended referencing to IPSAS instead of IFRS and to reflect IPSAS terminology.
103	102. The residual value of an intangible asset may increase to an amount equal to or greater than the asset's carrying amount. If it does, the asset's amortization charge is zero unless and until its residual value subsequently decreases to an amount below the asset's carrying amount.	No amendment.
Review of Amortization Period and Amortization Method [H3]		No amendment.
104	103. The amortization period and the amortization method for an intangible asset with a finite useful life shall be reviewed at least at each <u>financial year-end-reporting date</u>. If the expected useful life of the asset is different from previous estimates, the amortization period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits <u>or service potential</u> embodied in the asset, the amortization method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with <u>IAS 8-IPSAS 3</u>.	Amended referencing to IPSAS instead of IFRS and to reflect IPSAS terminology.
105	104. During the life of an intangible asset, it may become apparent that the estimate of its useful life is inappropriate. For example, the recognition of an	No amendment.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	impairment loss may indicate that the amortization period needs to be changed.	
106	105. Over time, the pattern of future economic benefits <u>or service potential</u> expected to flow to an entity from an intangible asset may change. For example, it may become apparent that a diminishing balance method of amortization is appropriate rather than a straight-line method. Another example is if use of the rights represented by a licence is deferred pending action on other components of the <u>business entity's strategic plan</u> . In this case, economic benefits <u>or service potential</u> that flow from the asset may not be received until later periods.	Amended to reflect IPSAS terminology.
Intangible Assets with Indefinite Useful Lives [H2]		No amendment.
107	106. An intangible asset with an indefinite useful life shall not be amortized.	No amendment.
108	107. In accordance with <u>IAS 36</u> <u>IPSAS 21 and IPSAS 26</u> , an entity is required to test an intangible asset with an indefinite useful life <u>or an intangible asset not yet available for use</u> for impairment by comparing its recoverable <u>service amount or its recoverable amount, as appropriate</u> , with its carrying amount (a) Annually, and (b) Whenever there is an indication that the intangible asset may be impaired.	Amended referencing to IPSAS instead of IFRS and to reflect IPSAS terminology. Requirement for an annual impairment test for an intangible asset with an indefinite useful life or an intangible asset not yet available for use in IPSAS 21.26A and IPSAS 26.23.
Review of Useful Life Assessment [H3]		No amendment.
109	108. The useful life of an intangible asset that is not being amortized shall be reviewed each <u>reporting</u> period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite shall be accounted for as a change in an accounting estimate in accordance with <u>IAS 8-IPSAS 3</u>.	Amended referencing to IPSAS instead of IFRS and to reflect IPSAS terminology.
110	109. <u>For intangible assets measured under the cost model, In accordance with IAS 36,</u> reassessing the useful life of an intangible asset as finite rather than indefinite <u>in accordance with either IPSAS 21 or IPSAS 26, as appropriate</u> , is an indicator that the asset may be impaired. As a result, the entity tests the asset for impairment by comparing its recoverable <u>service amount or its recoverable amount</u> , determined in accordance with <u>IAS 36 either IPSAS 21 or IPSAS 26 as appropriate</u> , with its carrying amount, and recognizing any excess of the carrying amount over the recoverable <u>amount service amount or recoverable amount as appropriate</u> , as an impairment loss.	Amended referencing to IPSAS instead of IFRS and to reflect IPSAS terminology. The addition of the words “for intangible assets measured under the cost model” relate to the decision made by the IPSASB that intangible assets held at revalued amounts are excluded from the scope of the impairment standards: IPSAS 21.2(f) and IPSAS 26.2(h).

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
		<p>IPSAS 26.25(e) includes as an indicator of impairment an asset where its useful life has been reassessed as finite rather than indefinite.</p> <p>IPSAS 21.27(d) does not have this indicator because it was added to IAS 36 in the revision the IASB issued in March 2004. At that stage, the IPSASB were in the process of finalizing IPSAS 21. It needs to be assessed as to whether or not it should be included as a proposed amendment in the 2011 Improvements Project.</p>
Recoverability of the Carrying Amount—Impairment Losses [H2]		No amendment.
111	110. To determine whether an intangible asset <u>measured under the cost model</u> is impaired, an entity applies <u>either IAS 36. That Standard explains IPSAS 21 or IPSAS 26, as appropriate. Those Standards explain</u> when and how an entity reviews the carrying amount of its assets, how it determines the recoverable <u>service amount or recoverable</u> amount of an asset, <u>as appropriate</u> , and when it recognizes or reverses an impairment loss.	<p>Amended referencing to IPSAS instead of IFRS.</p> <p>Amended to include the same limitation of testing for impairment on only intangible assets measured under the cost model – see explanation in paragraph 109 for further details.</p>
Retirements and Disposals [H2]		No amendment.
112	111. An intangible asset shall be derecognized: (a) <u>On disposal; (including disposal through a non-exchange transaction); or</u> (b) <u>When no future economic benefits or service potential</u> are expected from its use or disposal.	Amended to reflect IPSAS terminology.
113	112. The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognized in <u>profitsurplus or lossdeficit</u> when the asset is derecognized (unless <u>IPSAS 13IAS 17</u> requires otherwise on a sale and leaseback). <u>Gains shall not be classified as revenue.</u>	<p>Amended referencing to IPSAS instead of IFRS and to reflect IPSAS terminology.</p> <p>The last sentence has been deleted because the IPSASB use the term “revenue” in a broader-sense than the IASB, i.e., it includes income and gains.</p> <p>IPSAS 17.83 includes this sentence. It needs to be assessed as to whether or not it should be included as a proposed deletion in the 2011 Improvements Project.</p>

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
114	113. The disposal of an intangible asset may occur in a variety of ways (e.g., by sale, by entering into a finance lease, or by donation <u>through a non-exchange transaction</u>). In determining the date of disposal of such an asset, an entity applies the criteria in <u>IPSAS 9, "Revenue from Exchange Transactions"</u> IAS 18 Revenue for recognizing revenue from the sale of goods. IAS 17 <u>IPSAS 13</u> applies to disposal by a sale and leaseback.	Amended referencing to IPSAS instead of IFRS and to reflect IPSAS terminology.
115	114. If, in accordance with the recognition principle in paragraph 24 <u>28</u> , an entity recognizes in the carrying amount of an asset the cost of a replacement for part of an intangible asset, then it derecognizes the carrying amount of the replaced part. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or internally generated.	No amendment.
115A	115A. In the case of a reacquired right in a business combination, if the right is subsequently reissued (sold) to a third party, the related carrying amount, if any, shall be used in determining the gain or loss on reissue.	This paragraph is deleted pending development of an IPSAS on entity combinations.
116	115. The consideration receivable on disposal of an intangible asset is recognized initially at its fair value. If payment for the intangible asset is deferred, the consideration received is recognized initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognized as interest revenue in accordance with <u>IPSAS 9</u> IAS 18 reflecting the effective yield on the receivable.	Amended referencing to IPSAS instead of IFRS.
117	116. Amortization of an intangible asset with a finite useful life does not cease when the intangible asset is no longer used, unless the asset has been fully depreciated or is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 <u>the relevant international or national standard dealing with non-current assets held for sale and discontinued operations</u> .	Amended referencing to IPSAS instead of IFRS.
Disclosure [H2]		No amendment.
General [H3]		No amendment.
118	117. An entity shall disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets:	Amended referencing to IPSAS instead of IFRS and to reflect IPSAS terminology.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	<p>(a) Whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortization rates used;</p> <p>(b) The amortization methods used for intangible assets with finite useful lives;</p> <p>(c) The gross carrying amount and any accumulated amortization (aggregated with accumulated impairment losses) at the beginning and end of the period;</p> <p>(d) The line item(s) of the statement of comprehensive income<u>financial performance</u> in which any amortization of intangible assets is included;</p> <p>(e) A reconciliation of the carrying amount at the beginning and end of the period showing:</p> <p>(i) Additions, indicating separately those from internal development <u>and</u>; those acquired separately, and those acquired through business combinations;</p> <p>(ii) Assets classified as held for sale or included in a disposal group classified as held for sale in accordance with <u>the IFRS 5 relevant international or national standard dealing with non-current assets held for sale and discontinued operations</u> and other disposals;</p> <p>(iii) Increases or decreases during the period resulting from revaluations under paragraphs 75, 85, 74, 84 and 86<u>85 and from impairment losses recognized or reversed in other comprehensive income in accordance with IAS 36</u> (if any);</p> <p>(iv) Impairment losses recognized in profitsurplus or lossdeficit during the period in accordance with IAS 36<u>IPSAS 21 or IPSAS 26</u> (if any);</p> <p>(v) Impairment losses reversed in profitsurplus or lossdeficit during the period in accordance with IAS 36<u>IPSAS 21 or IPSAS 26</u> (if any);</p> <p>(vi) Any amortization recognized during the period;</p> <p>(vii) Net exchange differences arising on the translation of the financial statements into the presentation currency, and on the translation of a foreign operation into the presentation</p>	<p>Item (e)(i) Reference to business combinations is deleted pending development of an IPSAS on entity combinations.</p> <p>Item (e)(iii) Reference to impairment losses recognized or reversed in other comprehensive income has been deleted because IPSAS 21 and IPSAS 26 require the recognition of an impairment loss (21.54 and 26.73) and any subsequent reversal or an impairment loss (21.69 and 26.108) to go immediately to surplus or deficit.</p>

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	currency of the entity; and (viii) Other changes in the carrying amount during the period.	
119	<p>118. A class of intangible assets is a grouping of assets of a similar nature and use in an entity's operations. Examples of separate classes may include:</p> <ul style="list-style-type: none"> (a) Brand names; (b) Mastheads and publishing titles; (c) Computer software; (d) Licences and franchises; (e) Copyrights, patents, and other industrial property rights, service, and operating rights; (f) Recipes, formulae, models, designs and prototypes; and (g) Intangible assets under development. <p>The classes mentioned above are disaggregated (aggregated) into smaller (larger) classes if this results in more relevant information for the users of the financial statements.</p>	No amendment.
120	<p>119. An entity discloses information on impaired intangible assets in accordance with IAS 36<u>IPSAS 21 or IPSAS 26</u> in addition to the information required by paragraph 418 <u>117</u>(e)(iii)–(v).</p>	Amended referencing to IPSAS instead of IFRS.
121	<p>120. IAS 8<u>IPSAS 3</u> requires an entity to disclose the nature and amount of a change in an accounting estimate that has a material effect in the current period or is expected to have a material effect in subsequent periods. Such disclosure may arise from changes in:</p> <ul style="list-style-type: none"> (a) The assessment of an intangible asset's useful life; (b) The amortization method; or (c) Residual values. 	Amended referencing to IPSAS instead of IFRS.
122	<p>121. An entity shall also disclose:</p> <ul style="list-style-type: none"> (a) For an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the entity shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life. (b) A description, the carrying amount and remaining amortization 	Amended to reflect IPSAS terminology.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	<p>period of any individual intangible asset that is material to the entity's financial statements.</p> <p>(c) For intangible assets acquired by way ofthrough a government grantnon-exchange transaction and initially recognized at fair value (see paragraphs 442-43):</p> <p>(i) The fair value initially recognized for these assets;</p> <p>(ii) Their carrying amount; and</p> <p>(iii) Whether they are measured after recognition under the cost model or the revaluation model.</p> <p>(d) The existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities.</p> <p>(e) The amount of contractual commitments for the acquisition of intangible assets.</p>	
123	122. When an entity describes the factor(s) that played a significant role in determining that the useful life of an intangible asset is indefinite, the entity considers the list of factors in paragraph 8990 .	No amendment.
Intangible Assets Measured after Recognition using the Revaluation Model [H3]		No amendment.
124	<p>123. If intangible assets are accounted for at revalued amounts, an entity shall disclose the following:</p> <p>(a) By class of intangible assets:</p> <p>(i) The effective date of the revaluation;</p> <p>(ii) The carrying amount of revalued intangible assets; and</p> <p>(iii) The carrying amount that would have been recognized had the revalued class of intangible assets been measured after recognition using the cost model in paragraph 7473;</p> <p>(b) The amount of the revaluation surplus that relates to intangible assets at the beginning and end of the reporting period, indicating the changes during the reporting period and any restrictions on the distribution of the balance to shareholdersowners; and</p> <p>(c) The methods and significant assumptions applied in estimating the assets' fair values.</p>	Amended to reflect IPSAS terminology.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
125	124. It may be necessary to aggregate the classes of revalued assets into larger classes for disclosure purposes. However, classes are not aggregated if this would result in the combination of a class of intangible assets that includes amounts measured under both the cost and revaluation models.	No amendment.
Research and Development Expenditure [H3]		No amendment.
126	125. An entity shall disclose the aggregate amount of research and development expenditure recognized as an expense during the period.	No amendment.
127	126. Research and development expenditure comprises all expenditure that is directly attributable to research or development activities (see paragraphs 66 64 and 67 65 for guidance on the type of expenditure to be included for the purpose of the disclosure requirement in paragraph 126 125).	No amendment.
Other Information [H3]		No amendment.
128	127. An entity is encouraged, but not required, to disclose the following information: (a) A description of any fully amortized intangible asset that is still in use; and (b) A brief description of significant intangible assets controlled by the entity but not recognized as assets because they did not meet the recognition criteria in this Standard or because they were acquired or generated before the version of IAS 38 Intangible Assets issued in 1998 was effective.	Deleted wording relating to the previous version of IAS 38 as it is not relevant, i.e., this is the first issuance of IPSAS 31.
Transitional Provisions and Effective Date [H2]		Amended to standard IPSAS heading for transitional provisions.
129	129. [Deleted]	
–	<u>128. An entity that has previously recognized intangible assets shall apply this Standard retrospectively in accordance with IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors.”</u>	New: To ensure that previously recognized intangible assets are accounted for as a change in accounting policy, i.e., the entity shall adjust the opening balance of each affected component of net assets/equity for the earliest period presented (IPSAS 3.27).
–	<u>129. An entity that has not previously recognized intangible assets and uses the accrual basis of accounting shall apply this Standard prospectively.</u>	New: To make it explicit hat an entity which has not previously recognized intangible assets applies

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	<u>However, retrospective application is permitted.</u>	this IPSAS prospectively unless the entity wishes to apply it retrospectively.
–	<p><u>130. For intangible items that meet:</u></p> <p><u>(a) The recognition criteria in this Standard (including reliable measurement of original cost); and</u></p> <p><u>(b) The criteria in this Standard for revaluation (including existence of an active market);</u></p> <p><u>an entity may elect to measure an intangible asset on the date of transition, at its fair value and use that fair value as its deemed cost at that date.</u></p>	New: Based on IFRS 1.D7(b).
–	<p><u>131. An entity may elect to use a previous revaluation of an intangible asset at, or before, the date of transition as deemed cost at the date of the revaluation, if the revaluation was, at the date of the revaluation, broadly comparable to:</u></p> <p><u>(a) Fair value; or</u></p> <p><u>(b) Cost or depreciated cost in accordance with IPSASs, adjusted to reflect, for example, changes in a general or specific price index.</u></p>	New: Based on IFRS 1.D6.
130	<p>130. An entity shall apply this Standard:</p> <p>(a) To the accounting for intangible assets acquired in business combinations for which the agreement date is on or after 31 March 2004; and</p> <p>(b) To the accounting for all other intangible assets prospectively from the beginning of the first annual period beginning on or after 31 March 2004. Thus, the entity shall not adjust the carrying amount of intangible assets recognized at that date. However, the entity shall, at that date, apply this Standard to reassess the useful lives of such intangible assets. If, as a result of that reassessment, the entity changes its assessment of the useful life of an asset, that change shall be accounted for as a change in an accounting estimate in accordance with IAS 8.</p>	Deleted: Replaced by new effective date paragraph 132.
130A	130A. An entity shall apply the amendments in paragraph 2 for annual periods beginning on or after 1 January 2006. If an entity applies IFRS 6 for an earlier period, those amendments shall be applied for that earlier period.	Deleted: Not necessary as IPSAS 31 is based on a later version of IAS 38.
130B	130B. IAS 1, “Presentation of Financial Statements” (as revised in 2007) amended the terminology used throughout IFRSs. In addition it amended paragraphs 85, 86 and 118(e)(iii). An entity shall apply those amendments for annual periods	Deleted: Not necessary as IPSAS 31 is based on a later version of IAS 38.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
	beginning on or after 1 January 2009. If an entity applies IAS 1 (revised 2007) for an earlier period, the amendments shall be applied for that earlier period.	
130C	130C. IFRS 3 (as revised in 2008) amended paragraphs 12, 33, 35, 68, 69, 94 and 130, deleted paragraphs 38 and 129 and added paragraph 115A. An entity shall apply prospectively those amendments for annual periods beginning on or after 1 July 2009. Therefore, amounts recognized for intangible assets and goodwill in prior business combinations shall not be adjusted. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendments shall also be applied for that earlier period.	Deleted: Not necessary as IPSAS 31 is based on a later version of IAS 38.
130D	130D. Paragraphs 69, 70 and 98 were amended and paragraph 69A was added by Improvements to IFRSs issued in May 2008. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.	Deleted: Not necessary as May 2008 Improvements to IFRSs incorporated into IPSAS 31.
<i>Exchanges of Similar Assets</i>		
131	131. The requirement in paragraphs 129 and 130(b) to apply this Standard prospectively means that if an exchange of assets was measured before the effective date of this Standard on the basis of the carrying amount of the asset given up, the entity does not restate the carrying amount of the asset acquired to reflect its fair value at the acquisition date.	Deleted: Not necessary as IAS 38, paragraphs 129 and 130(b) are not replicated in IPSAS 31.
<i>Early Application</i>		
132	132. Entities to which paragraph 130 applies are encouraged to apply the requirements of this Standard before the effective dates specified in paragraph 130. However, if an entity applies this Standard before those effective dates, it also shall apply IFRS 3 and IAS 36 (as revised in 2004) at the same time.	
<u>Effective Date [H2]</u>		Inserted: Standard IPSAS heading for effective date.
S	<u>132. An entity shall apply this Standard for annual financial statements covering periods beginning on or after April 1, 2011. Earlier application is encouraged. If an entity applies this Standard for a period beginning before April 1, 2011, it shall disclose that fact and apply IPSAS 21 and IPSAS 26 at the same time.</u>	New: Standard IPSAS effective date paragraph.

IFRS Paragraph #1	IPSAS Paragraph ²	Explanation
S	133. When an entity adopts the accrual basis of accounting, as defined by IPSASs, for financial reporting purposes, subsequent to this effective date, this Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption.	New: Standard IPSAS paragraph which follows the effective date paragraph.
Withdrawal of IAS 38 (issued 1998)		Deleted heading and paragraph because the IPSASB does not have a previous standard on intangible assets.
133	133. This Standard supersedes IAS 38, "Intangible Assets" (issued in 1998).	

Appendix A

Application Guidance

This appendix is an integral part of IPSAS 31.

Website Costs

IFRS Appendix #	IPSAS Application Guidance	Explanation
Website Costs		This section is extracted from SIC-32, "Intangible Assets—Web Site Costs."
SIC32.1	AG1. An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to <u>disseminate information, create awareness of services, request comment on draft legislation</u> , promote and advertise an entity's own <u>services and products</u> and services , provide electronic services, and sell <u>services and products</u> and services . A website designed for internal access may be used to store company <u>entity</u> policies and customer <u>details of customers or users of a service</u> , and search relevant information.	Amended to reflect IPSAS terminology. Added a public sector example.
SIC32.2	AG2. The stages of a website's development can be described as follows: (a) Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences; (b) Application and Infrastructure Development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing; (c) Graphical Design Development – includes designing the appearance of web pages; and (d) Content Development – includes creating, purchasing, preparing and uploading information, either textual or graphical in nature, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.	No amendment.
SIC32.3	AG3. Once development of a website has been completed, the Operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design and content of the website.	No amendment.
SIC32.4	AG4. When accounting for internal expenditure on the development and operation of an entity's	Amended referencing to IPSAS

	<p>own website for internal or external access, the issues are:</p> <p>(a) Whether the website is an internally generated intangible asset that is subject to the requirements of IAS 38 <u>this Standard</u>; and</p> <p>(b) The appropriate accounting treatment of such expenditure.</p>	instead of IFRS.
SIC32.5	<p>AG5. This Interpretation–Application Guidance does not apply to expenditure on purchasing, developing, and operating hardware (e.g., web servers, staging servers, production servers and Internet connections) of a website. Such expenditure is accounted for under IAS 16 <u>IPSAS 17</u>. Additionally, when an entity incurs expenditure on an Internet service provider hosting the entity’s website, the expenditure is recognized as an expense under IAS 1.88 and the Framework when the services are received.</p>	Amended referencing to IPSAS instead of IFRS.
SIC32.6	<p>AG6. IAS 38–IPSAS 31 does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see IAS 2–IPSAS 11 and IAS 11–IPSAS 12) or leases that fall within the scope of IAS 17–IPSAS 13. Accordingly, this Interpretation–Application Guidance does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Interpretation–Application Guidance. When a website is leased under a finance lease, the lessee applies this Interpretation–Application Guidance after initial recognition of the leased asset.</p>	Amended referencing to IPSAS instead of IFRS.
SIC32.7	<p>AG7. An entity’s own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of IAS 38 <u>this Standard</u>.</p>	Amended referencing to IPSAS instead of IFRS.
SIC32.8	<p>AG8. A website arising from development shall be is recognized as an intangible asset if, and only if, in addition to complying with the general requirements described in IAS 38.21 paragraph 28 of this Standard for recognition and initial measurement, an entity can satisfy the requirements in IAS 28.57–paragraph 55 of this Standard. In particular, an entity may be able to satisfy the requirement to demonstrate how its website will generate probable future economic benefits <u>or service potential</u> in accordance with IAS 38.57(d)–paragraph 55(d) of this Standard when, for example, the website is capable of generating revenues, including direct revenues from enabling orders to be placed, <u>or providing services using the website, rather than at a physical location using civil servants</u>. An entity is not able to demonstrate how a website developed solely or primarily for promoting and advertising its own <u>services and products</u> and services will generate probable future economic benefits <u>or service potential</u>, and consequently all expenditure on developing such a website shall be is recognized as an expense when incurred.</p>	<p>Amended referencing to IPSAS instead of IFRS and to reflect IPSAS terminology.</p> <p>Added public sector example.</p>
SIC32.9	<p>AG9. Any internal expenditure on the development and operation of an entity’s own website shall be is accounted for in accordance with IAS 38 <u>this Standard</u>. The nature of each activity for which expenditure is incurred (e.g., training employees and maintaining the</p>	Amended referencing to IPSAS instead of IFRS and to reflect IPSAS

	<p>website) and the website's stage of development or post-development shall be <u>are</u> evaluated to determine the appropriate accounting treatment (additional guidance is provided in the table Appendix to <u>[included at paragraph IE22 of the Illustrative Examples]</u> this Interpretation). For example:</p> <p>(a) The Planning stage is similar in nature to the research phase in IAS 38.54-56 paragraphs 52-54 of this Standard. Expenditure incurred in this stage shall be <u>is</u> recognized as an expense when it is incurred;</p> <p>(b) The Application and Infrastructure Development stage, the Graphical Design stage and the Content Development stage, to the extent that content is developed for purposes other than to advertise and promote an entity's own <u>services and</u> products and services, are similar in nature to the development phase in IAS 38.57-64 paragraphs 55-62 of this Standard. Expenditure incurred in these stages shall be <u>is</u> included in the cost of a website recognized as an intangible asset in accordance with paragraph 8-AG8 of this Interpretation <u>Application Guidance</u> when the expenditure can be directly attributed and is necessary to creating, producing or preparing the website for it to be capable of operating in the manner intended by management. For example, expenditure on purchasing or creating content (other than content that advertises and promotes an entity's own <u>services and</u> products and services) specifically for a website, or expenditure to enable use of the content (e.g., a fee for acquiring a licence to reproduce) on the website, shall be <u>is</u> included in the cost of development when this condition is met. However, in accordance with IAS 38.71 <u>paragraph 83 of this Standard</u>, expenditure on an intangible item that was initially recognized as an expense in previous financial statements shall be <u>is not</u> recognized as part of the cost of an intangible asset at a later date (e.g., if the costs of a copyright have been fully amortized, and the content is subsequently provided on a website);</p> <p>(c) Expenditure incurred in the Content Development stage, to the extent that content is developed to advertise and promote an entity's own <u>services and</u> products and services (e.g., digital photographs of products), shall be <u>is</u> recognized as an expense when incurred in accordance with IAS 38.69(e) <u>paragraph 67(c) of this Standard</u>. For example, when accounting for expenditure on professional services for taking digital photographs of an entity's own products and for enhancing their display, expenditure shall be <u>is</u> recognized as an expense as the professional services are received during the process, not when the digital photographs are displayed on the website; and</p> <p>(d) The Operating stage begins once development of a website is complete. Expenditure incurred in this stage shall be <u>is</u> recognized as an expense when it is incurred unless it meets the recognition criteria in IAS 38.18 <u>paragraph 28 of this Standard</u>.</p>	<p>terminology.</p> <p>Editorial correction required for AG9. Amendments are in square brackets.</p>
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SIC32.10	AG10.A website that is recognized as an intangible asset under paragraph 8 <u>AG8</u> of this Interpretation <u>Application Guidance</u> shall be <u>is</u> measured after initial recognition by applying the requirements of IAS 38.72-87 <u>paragraphs 71-86 of this Standard</u> . The best estimate of a website's useful life should be short, <u>as described in paragraph 91</u> .	Amended referencing to IPSAS instead of IFRS.
–	<u>AG11.The guidance in paragraphs AG1–AG10 does not specifically apply to software development costs. However, an entity may apply the principles in these paragraphs.</u>	New: Inserted so that it is explicit that the guidance in this appendix may also be applied software development costs.