



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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

Agenda Item 9

Date: February 22, 2012
Memo to: Members of the IPSASB
From: Jens Heiling
Subject: First-time Adoption of Accrual IPSASs: Issues Paper

Objectives of Session

1. To **discuss** selected **current issues** and issues arising from an **analysis of existing requirements of IPSASs and IFRS 1**
2. To **identify** a **suitable approach** for the development of an IPSAS on first-time adoption of accrual IPSASs.

Agenda Material

- 9.1 Project Brief "First-time Adoption of IPSASs"
- 9.2 Table of Transitional Provisions in IPSASs

Background

Currently, there is no single IPSAS that addresses issues arising from first-time adoption of IPSASs. As a **standard** in this area will help in the implementation of accrual IPSASs, it has become a high priority of the Board to commence a project on this topic. The project is consistent with the IPSASBs strategic priority of developing requirements and guidance on public sector specific issues. In June 2011, the IPSASB has approved a Project Brief, First-Time Adoption of IPSASs (see Agenda Material 9.1).

Members of Task-based Group

- Anne Owuor, Kenya
- Jeanine Poggiolini, South Africa
- Mariano D'Amore, Italy
- Rachid El Bejjat, Morocco

Associated Members:

- John Verrinder, Eurostat
- Thomas Müller-Marqués Berger, Germany

Current Issues

1. Scope

1. The project will consider issues related to public sector entities that are moving from an accrual basis to accrual IPSASs but it will also consider public sector entities that are moving from a cash basis, modified cash basis or partial (modified) accrual basis of accounting, to full accrual IPSASs. Full accrual IPSAS means that the entity applies all IPSASs which are effective at the date of transition. It could also be possible that an entity applies IPSASs but the entity is not fully in compliance with all IPSASs according to IPSAS 1.28. This situation should here be called “IPSAS-like”.
2. The following figure 1 depicts the possible transition scenarios:

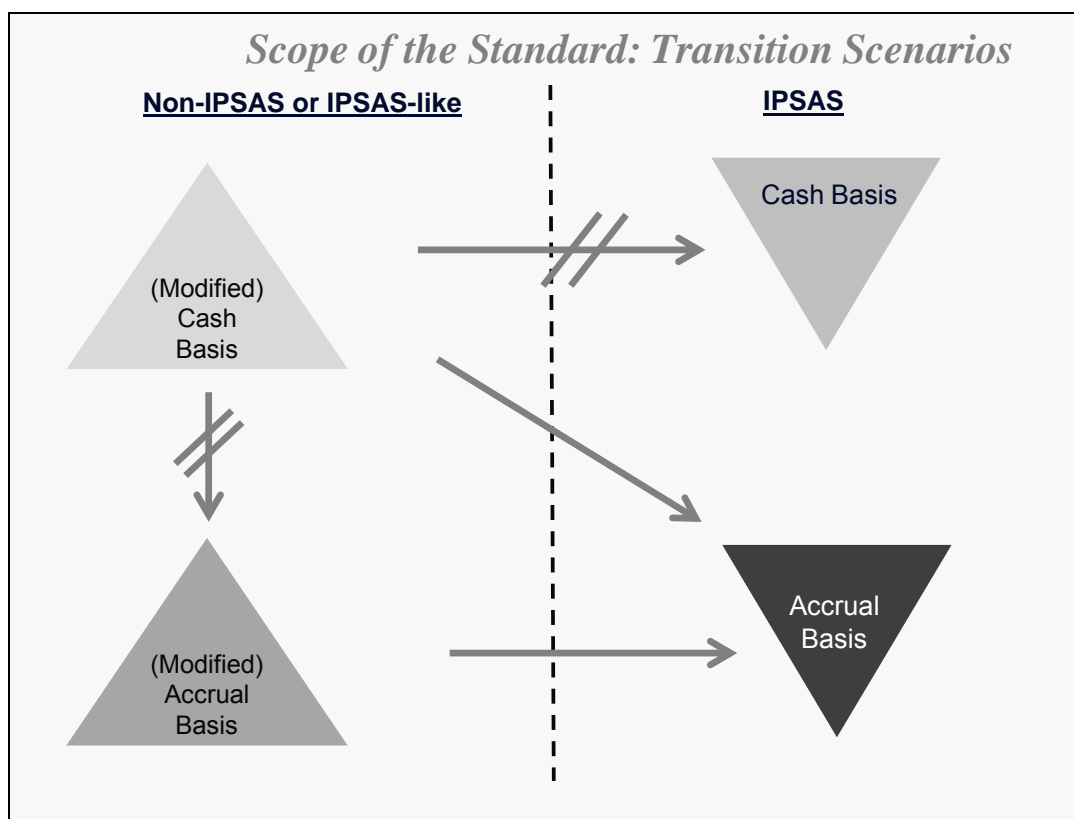


Figure 1: Transition Scenarios

3. It is not intended that the project will deal with a transition from a (modified) non-IPSAS or IPSAS-like cash basis towards the IPSAS cash basis (see the Project Brief).
4. Furthermore, a standard on First-time Adoption of IPSASs will not deal with a situation where a public sector entity moves from a (modified) cash non-IPSAS or (modified) non-IPSAS accrual basis to an IPSAS-like situation (see figure 1). IPSAS-like could be a situation where the IPSASs have been modified and adapted to the national context. National deviations from IPSASs could vary to a large extent. With regard to IPSAS 1.28 these entities are not fully in compliance with IPSASs. It will be up to the National Standard Setters (NSS) to deal with such a situation.

5. To sum up, the project intends to deal with two transition scenarios:
 - (a) transition from the (modified) cash basis (non-IPSAS, IPSAS) to the IPSAS accrual basis (scenario 1)
 - (b) transition from the non-IPSAS or IPSAS-like (modified) accrual basis to the IPSAS accrual basis (scenario 2)
6. Because of IPSAS 1.28, the standard will not deal with the transition from a non-IPSAS (modified) accrual/cash basis to an IPSAS-like accrual basis.

Questions for the IPSASB:

Staff requests the Board to **confirm its view regarding the scope of the project**. Staff is of the view that the project should be limited to the adoption of accrual IPSASs rather than the adoption of accrual accounting in general.

2. Analysis of Existing Requirements under IPSASs as well as IFRS 1

a. Introduction

7. This section will summarize an analysis of the current transitional provisions and other guidance as provided by the IPSASB as well as the existing requirements of IFRS 1. This section will also contrast the existing transitional provisions within IPSASs and IFRS 1 at a high level and will identify principle issues that the Board needs to address at the outset of the project.

b. Analysis of the Current Transitional Provisions and other Guidance as Provided by the IPSASB

Analysis of the transitional provisions under IPSASs

8. Agenda Paper 9.2 provides an overview of the current transitional provisions in IPSASs. The table shows whether the transitional provisions in an IPSAS are an IPSAS-specific paragraph or whether they are based on IAS/IFRS. The last column divides the transitional provisions in (A) provisions for entities which are in process of adopting accrual IPSASs (could be either scenario 1 or scenario 2) and (B) provisions for entities that have adopted accrual IPSASs and are now applying a revised or new accrual IPSAS, i.e. changes in accounting policies.
9. Unlike IPSASs, transitional provisions in IFRSs (other than those provided by IFRS 1) only apply to changes in accounting policies made by an entity that already uses IFRSs (cf. IFRS 1.9).
10. The analysis shows that not all IPSASs contain transitional provisions. E.g. IPSAS 18, Segment Reporting does not provide transitional provisions. Thus, an entity which adopts accrual accounting in accordance with IPSASs for the first time has to apply IPSAS 18 from the date of first-time adoption.
11. In some cases IPSASs provide transitional provisions specifically for entities that adopt accrual accounting in accordance with IPSASs for the first time, i.e. for entities which had previously applied the cash basis of accounting (e.g. IPSAS 13). The transitional provisions in IPSASs do not always differ specifically between a transition from the cash basis to the IPSAS accrual basis

(scenario 1) and a transition from the non-IPSAS or IPSAS-like (modified) accrual basis to the IPSAS accrual basis (scenario 2).

12. Furthermore, a lack of the consistent use of the terms 'transitional provisions' and 'first time adoption' has been identified (see for example IPSAS 1.151 ff. and IPSAS 25.166 ff.).
13. In the following, staff outline some of the major transitional provisions as provided by IPSASs:
14. **IPSAS 1.151** states that IPSAS 1 shall be applied from the date of first adoption of the Standard, except in relation to items that have not been recognized as a result of transitional provisions under another IPSAS, i.e. transitional provisions of other IPSASs regarding the recognition of items supersede the provisions in IPSAS 1. The same holds true with regard to the disclosure provisions of IPSAS 1.
15. IPSAS 1.151 provides that comparative information is not required in respect of the financial statements to which accrual accounting is first adopted in accordance with IPSASs. In contrast, IFRS 1 provides retrospective application of IFRSs with some exceptions. IFRS 1.21 requires that an entity's first IFRS financial statements shall include at least three statements of financial position, two statements of comprehensive income, two separate income statements (if presented), two statements of cash flows and two statements of changes in equity and related notes, including comparative information.
16. According to **IPSAS 6.65** entities are not required to comply with the requirement in par. 45 of IPSAS 6 concerning the elimination of balances and transactions between entities within the economic entity for reporting periods beginning on a date within three years following the date of first adoption of accrual accounting in accordance with IPSASs. This is an IPSAS-specific paragraph and there is no comparable provision under IFRSs. This provision gives relief to entities; but they are still required to present consolidated financial statement at first-time adoption of IPSASs.
17. **IPSAS 8.65** states that where the proportionate consolidation treatment set out in this Standard is adopted, venturers are not required to eliminate balances and transactions between themselves, their controlled entities, and entities that they jointly control for reporting periods beginning on a date within three years following the date of first adoption of accrual accounting in accordance with IPSASs.
18. In analogy to IPSAS 1, transitional provisions of other IPSASs supersede the provisions of IPSAS 13 with respect to recognized leased assets (cf. **IPSAS 13.79**). The provisions under IPSAS 13 differ between transitional provisions where an entity adopts accrual accounting in accordance with IPSASs for the first-time (cf. IPSAS 13.79), transitional provisions for entities that have already adopted the accrual basis of accounting (cf. IPSAS 13.81), transitional provisions for entities that has previously applied IPSAS 13 (2001) or (2006) respectively (cf. IPSAS 13.83 and 13.84A).
19. According to **IPSAS 17.95** entities are not required to recognize property, plant, and equipment for reporting periods beginning on a date within five years following the date of first adoption of accrual accounting in accordance with IPSASs. **IPSAS 17.96** provides that an entity that adopts accrual accounting for the first time in accordance with IPSASs shall initially recognize property, plant, and equipment at cost or fair value. For items of property, plant, and equipment that were acquired at no cost, or for a nominal cost, cost is the item's fair value as at the date of acquisition.

Where the cost of acquisition of an asset is not known, its cost may be estimated by reference to its fair value as at the date of acquisition. IPSAS 17.99 clarifies that when an entity initially recognizes an item of PP&E at cost then also accumulated depreciation and any accumulated depreciation and any accumulated impairment losses that relate to that item shall be recognized, as if it had always applied those accounting policies (retrospective application). In contrast to that IFRS 1.D5 offers the deemed cost exemption. Here, an entity may elect to measure an item of PP&E at the date of transition to IFRSs at its fair value and use that fair value as its deemed cost at that date. While IPSAS 17 allows the use of deemed cost, it is more restrictive than IFRS 1. IPSAS 17 allows the use of fair value if the acquisition cost is not known, but fair value should be determined at the acquisition date of the asset. This approach assumes that the date of acquisition is known or could be determined. IFRS 1 however allows the use of fair value at the date of adopting IFRSs.

20. According to **IPSAS 23.116** entities are not required to change their accounting policies in respect of the recognition and measurement of *taxation revenue* for reporting periods beginning on a date within *five years* following the date of first adoption of this Standard. IPSAS 23.117 provides that entities are not required to change their accounting policies in respect of the recognition and measurement of revenue from non-exchange transactions, *other than taxation revenue*, for reporting periods beginning on a date within *three years* following the date of first adoption of this Standard. Both paragraphs are IPSAS-specific as there is no comparable standard to IPSAS 23 in IFRSs.
21. **IPSAS 24** does not provide transitional provisions. Therefore, an entity is required to present budget information in its first IPSAS financial statements.
22. **IPSAS 25.167** states that if the initial liability determined in accordance with IPSAS 25.166 and on first-time adoption of IPSAS 25 is more or less than the liability that would have been recognized at the same date under the entity's previous accounting policy, the entity shall recognize that increase/decrease in opening accumulated surpluses or deficits. This is also an IPSAS-specific paragraph and has no comparable paragraph under IFRSs. IPSAS 25.171 provides that in the first year of adoption of IPSAS 25, an entity is not required to provide comparative information. This regulation conflicts with IFRS 1.21 ff. Also the question arises why only IPSAS 25 provides this exception.

Analysis of other guidance on the First-time Adoption of Accrual IPSASs

a) Preface to IPSASs in the Handbook

23. Paras. 21 to 25 of the Preface to IPSASs in the annual Handbook of International Public Sector Accounting Pronouncements provide some guidance on "Moving from the Cash Basis to the Accrual Basis". The explanations there put the transitional provisions in context and summarize the requirements and consequences of the first-time adoption of IPSASs. Par. 22 of the Preface to International Public Sector Accounting Standards states that an entity "could choose to apply any transitional provisions in an individual accrual based IPSAS". While some transitional provisions are optional, e.g. those that permit time to comply with certain requirements of a Standard are optional, and others mandatory, e.g. those that outline whether retrospective or prospective application is required, the intention of this choice may be unclear. With respect to guidance in the Preface to IPSASs in the Handbook the question arises whether the Preface is

the right medium within the IPSASB's pronouncements to include guidance on the first-time adoption of IPSASs.

b) Study 14

24. Currently, Study 14, Transition to the Accrual Basis of Accounting: Guidance for Public Sector Entities, 3rd Ed., Jan. 2011, is the main reference points for IPSASB's constituents to move from a cash-based accounting system to accrual IPSASs. According to its Foreword, Study 14 was prepared to meet the need for guidance on the transition from the cash to the accrual basis but may also be useful for entities currently reporting on an accrual basis and considering the adoption of accrual IPSASs. Study 14 states that it does not establish new or additional authoritative requirements and should not be considered as a substitute for the IPSASs themselves. The intention of Study 14 is neither to provide a summary/guidance of the transitional provisions under IPSASs nor to even set transitional provisions.

25. Therefore, there seems to be no specific guidance provided about an opening IPSAS statement of financial position, or how it may be determined, within the suite of IPSASB's pronouncements.

c. High-level Analysis of IFRS 1

26. Staff has performed a high-level analysis of the requirements of IFRS 1. The following table presents a first analysis of IFRS 1 and the respective treatment of the issue in IPSASs.

Requirements of IFRS 1	Issues/Treatment under IPSASs
<p>IFRS 1.3</p> <p>IFRS 1.3 clarifies when an entity presents its first IFRS financial statements. According to IFRS 1.3 an entity's first IFRS financial statements are the first annual financial statements in which the entity adopts IFRSs, by an explicit and unreserved statement in those financial statements of compliance with IFRSs. IFRS 1.3 also illustrates the situations when an entity presents its first financial statements in accordance with IFRSs.</p>	<p>Currently IPSASs do not provide clarification when an entity presents its first IPSAS financial statements.</p>
<p>IFRS 1.4 and IFRS 1.IN3</p> <p>IFRS 1 applies when an entity adopts IFRSs for the first time by an explicit and unreserved statement of compliance with IFRSs. Par. 4 also illustrates when IFRS 1 does not apply.</p>	<p>IPSASs currently don't have a standard for first-time adoption.</p> <p>According to IPSAS 1.28 an entity whose financial statements comply with IPSASs shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with IPSASs unless they comply with all the requirements of IPSASs.</p> <p>Based on the transitional provisions IPSASs allow a phased approach for the first-time adoption of accrual IPSASs. Under IFRSs there is no such approach as the regime foresees that either an entity complies with each IFRS effective at the end of its first IFRS reporting or the entity is not in compliance with IFRSs (see IFRS 1.IN4).</p> <p>Especially entities under scenario 1 might require a phased approach.</p>
<p>IFRS 1.5</p> <p>IFRS 1 does not apply to changes in accounting policies made by an entity that already applies IFRSs. Such changes are the subject of:</p> <p>(a) requirements on changes in accounting policies in IAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>; and</p> <p>(b) specific transitional requirements in other IFRSs.</p>	<p>According to IPSAS 3.19 and 3.20 a change from one basis of accounting to another basis of accounting and a change in the accounting treatment, recognition, or measurement of a transaction, event, or condition within a basis of accounting is regarded as a change in accounting policy. Therefore, the first-time adoption of accrual IPSASs is seen as a change in accounting policies. Other than under IFRSs, IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>, applies in the case of first-time adoption.</p>
<p>IFRS 1.6</p> <p>As the starting point for the accounting in</p>	<p>Currently, IPSASs require neither the</p>

accordance with IFRSs of an entity IFRS 1.6 requires the preparation and presentation of an opening IFRS statement of financial position at the date of transition to IFRSs	preparation nor the presentation of an opening IPSAS statement of financial position.
<p>IFRS 1.7 ff.</p> <p>An entity shall use the same accounting policies in its opening IFRS statement of financial position and throughout all periods presented in its first IFRS financial statements. Those accounting policies shall comply with each IFRS effective at the end of its first IFRS reporting period, except as specified in paragraphs 13–19 and Appendices B–E. IFRS 1.8 gives an example for the consistent application of the latest version of IFRSs.</p>	IPSASs do not require to prepare (and present) an opening statement of financial position.
<p>IFRS 1.9</p> <p>The transitional provisions in other IFRSs apply to changes in accounting policies made by an entity that already uses IFRSs; they do not apply to a first-time adopter's transition to IFRSs, except as specified in Appendices B–E.</p>	<p>The transitional provisions under IPSASs currently apply to the following three situations:</p> <ol style="list-style-type: none"> 1. An entity applies the cash basis of accounting and is in the process of adopting accrual IPSASs. 2. An entity applies the non-IPSAS/IPSAS-like accrual basis and is in the process of adopting accrual IPSASs. 3. An entity has adopted accrual IPSASs and is applying a revised or new accrual IPSAS. <p>In some IPSASs it is not clear to what situation the transitional provisions refer.</p>
<p>IFRS 1.10</p> <p>IFRS 1.10 clarifies the recognition, measurement as well as classification of assets and liabilities in the opening IFRS statement of financial position.</p>	There is no such requirement in a single IPSAS.
<p>IFRS 1.11</p> <p>IFRS 1.11 covers the accounting treatment of resulting adjustments due to differences in accounting policies that an entity uses in its opening IFRS statement of financial position and those that it used for the same date using its previous GAAP.</p>	As IPSASs currently do not require an opening IPSAS statement of financial position.
<p>IFRS 1.12</p> <p>(a) Paras. 14-17 and Appendix B of IFRS 1 prohibit retrospective application of some aspects of other IFRSs (particularly where retrospective application would require judgements by management about past conditions after</p>	According to IPSAS 3.28 ff. and in analogy to IAS 8.23 ff., impracticability represents a limitation on retrospective application. Due to IPSAS 3.18 and 3.19 the impracticability criterion also applies to the first-time adoption of accrual IPSASs. An explicit prohibition to

<p>the outcome of a particular transaction is already known).</p> <p>(b) Appendices C-E of IFRS 1 grant exemptions from some requirements of other IFRSs.</p>	<p>retrospective application where retrospective application would require judgments by management about past conditions after the outcome of a particular transaction is already known does not exist under IPSASs.</p> <p>Currently, transitional provisions grant exemptions from some requirements of the respective IPSAS.</p>
<p>IFRS 1.21</p> <p>IFRS 1.21 clarifies that an entity's first IFRS financial statements shall include at least three statements of financial position, two statements of comprehensive income, two separate income statements (if presented), two statements of cash flows and two statements of changes in equity and related notes, including comparative information.</p>	<p>According to IPSAS 1.151 comparative information is not required in respect of the financial statements to which accrual accounting is first adopted in accordance with IPSASs. This means that if an entity has already applied accrual accounting and moves to accrual IPSASs (scenario 2) the entity has to provide comparative information. Entities moving from the cash to the IPSAS accrual basis (scenario 1) do not have to provide comparative information.</p>
<p>IFRS 1.23 ff.</p> <p>IFRS 1.23 ff. require disclosures and reconciliations that explain how the transition from previous GAAP to IFRSs affected the entity's reported financial position, financial performance and cash flows</p>	<p>IPSASs do not require disclosures that explain how the transition from its previous situation to IPSASs affected the entity's reported financial position.</p>
<p>Appendix A: Defined terms</p> <p>Appendix A defines crucial terms for the first-time adoption of IFRSs (e.g. date of transition to IFRSs, deemed cost, first IFRS financial statements, first IFRS reporting period, or opening IFRS statement of financial position).</p>	<p>The current IPSASs do not define such terms.</p>
<p>IFRS 1.D5 ff.</p> <p>Deemed Cost Exemption: An entity may elect to measure an item of PP&E, investment property (if the entity elects to use the cost model in IAS 40), intangible assets (according to IFRS 1.D (b)) at the date of transition to IFRSs at its fair value as its deemed cost at that date. Hereby, an entity may use a previous GAAP revaluation as the deemed cost of an item of PP&E if the revaluation under previous GAAP was broadly comparable to fair value or cost/depreciated cost under IFRSs adjusted e.g. for changes in price index.</p> <p>When the deemed cost exemption is applied, deemed cost is the basis for subsequent depreciation and impairment tests.</p> <p>Appendix A of IFRS 1 defines deemed cost as</p>	<p>Regarding PP&E, IPSAS 17 offers a different approach to measure an item of PP&E on first-time adoption than IFRS 1 does. IPSAS 17.96 provides that an entity that adopts accrual accounting for the first time in accordance with IPSASs shall initially recognize PP&E at cost or fair value. Hence, IPSASB's approach to measure PP&E on first-time adoption at fair value is similar to the deemed cost approach of the IASB. The only difference between the two approaches is that IPSAS 17.98 allows where the cost of acquisition of an asset is not known, that cost may be estimated by reference to its fair value as at the date of acquisition. IFRS 1.D5 references to the fair value at the date of transition to IFRSs.</p>

<p>“An amount used as a surrogate for cost or depreciated cost at a given date. Subsequent depreciation or amortisation assumes that the entity had initially recognised the asset or liability at the given date and that its cost was equal to the deemed cost.”</p> <p>According to IFRS 1.D14 and D15 the deemed cost approach is also possible for investments in subsidiaries, jointly controlled entities and associates.</p>	<p>IPSAS 17 does not explicitly provide that fair value will be its deemed cost.</p> <p>Furthermore, under IPSASs the entity has a five-year period following the date of first adoption of accrual accounting in accordance with IPSASs to recognize an item of PP&E.</p>
--	--

27. The analysis of IFRS 1 shows that currently IPSASs lack appropriate guidance on first-time adoption of accrual IPSASs (e.g. the requirement to prepare and present an opening IPSAS statement of financial position). The analysis also reveals that the issuance of a standard on the first-time adoption of accrual IPSASs based on IFRS 1 implies that the current IPSASB's approach to first-time adoption would likely have to be adapted. For example, currently the transitional provisions under IPSASs offer a wider approach than IFRS 1 does (e.g. the provision of comparative information in respect of the financial statements to which accrual accounting is first adopted in accordance with IPSASs). The transitional provisions under IPSASs would also have to be reconsidered to which scenario they apply.
28. Based on the initial analysis of existing transitional provisions in IPSASs and material available from the IASB, there are a number of key issues which need to be explored and require further direction from the Board. The following issues were identified:
- (a) IPSAS Compliance
 - (b) Opening IPSAS Statement of Financial Position
 - (c) Use of Comparative Information

These issues will be discussed in detail in the last part of the paper.

3. Implications of the analysis for possible approaches for a standard on first-time adoption of IPSASs

29. Based on the analysis in the previous section, there is a substantial amount of material that is available and can be used to inform the development of transitional arrangements for the first time adoption of accrual IPSASs. The purpose of this section is to obtain the Board's views on whether/how this information should be used to progress the project. The purpose of this section is also to receive input from the Board about the type of document that should be developed by the Staff going forward, i.e. a Consultation Paper, Exposure Draft or a combination of these.

3.1 Approaches to the development of transitional provisions for the first-time adoption of IPSASs

30. Irrespective of the transition scenario the analysis has shown that the project on first-time adoption of accrual IPSASs has to consider the existing transitional provisions in IPSASs as well as the provisions in IFRSs as a starting point. Even in scenario 1 (transition from cash to IPSAS accrual), IFRS 1 provisions seems to contain useful guidance for public sector entities (e.g. the use of a “deemed cost” approach to the initial measurement of assets and preparation and presentation of an opening IPSAS statement of financial position).

31. Even though IFRS 1 does not express this explicitly, it can be assumed that IFRS 1 only deals with a situation where an entity performs a transition from non-IFRS accrual to IFRS accrual. This leads to the question whether IFRS 1 can be applied only to scenario 2 (transition from non-IPSAS/IPSAS-like) as scenario 1 (transition from cash to IPSAS accrual) is specific to the public sector and obviously not covered (explicitly) by IFRS 1. As a consequence, it has to be explored whether IFRS 1 is also suitable (wholly or partially) for scenario 1.
32. Based on the fact that the current transitional provisions in IPSASs contain specific public sector features and therefore differ from the transitional provisions as provided by IFRS 1, staff is of the view that IFRS 1 is only partially be suitable as a starting point for scenario 1.
33. With regard to scenario 2, IFRS 1 might be a suitable starting point as IFRS 1 was developed on that basis. Should the Board decide to use IFRS 1 as a starting point, then the development of guidance for the first-time adoption of accrual IPSASs under scenario 2 could be characterized as a convergence project. As this type of project requires considering IASB documents for convergence, staff needs to perform a Rules of the Road Analysis.
34. Based on the analysis of existing requirements outlined in section 1 and 2 of the Issues Paper, staff has identified three possible approaches to move forward. It has to be considered that in the end all three approaches have to satisfy user needs for accountability and decision-making as well as fulfill the qualitative characteristics of financial reporting. Therefore, the three approaches identified differ mainly in their starting points for the development of a standard on the first-time adoption of accrual IPSASs. The three approaches intend to balance on the one side the user needs and on the other side the different requirements public sector entities face under both scenarios. In the following the three approaches will be described in detail:
- 35. Approach 1: Develop separate transitional arrangements for scenario 1 and scenario 2**

Approach 1 uses the two scenarios identified in the Scope-section of the Issues Paper as a starting point and will be based on either the transitional provisions in IPSASs and/or the provisions of IFRS 1. Based on the explanations above, staff assumes that the transitional provisions in IPSASs will form the starting point for scenario 1 and the provisions of IFRS 1 the starting point for scenario 2. Under this approach, staff will use the existing transitional provisions in IPSASs as a basis for the transitional provisions under scenario 1, and will assess whether (a) these are appropriate, (b) to what other areas (e.g. specific type of assets other than property, plant and equipment) they can be applied and (c) whether any additional transitional provisions are required. Under scenario 2, staff will perform a Rules of the Road Analysis. It is envisaged that this approach will likely result in different transitional provisions for scenario 1 and scenario 2.

- 36. Approach 2: Develop transitional arrangements for the first time adoption of IPSASs, no distinction between scenario 1 and scenario 2**

In this more holistic approach, staff intends analyzing the existing transitional provisions in IPSASs and IFRSs as a starting point and identifying what the most appropriate transitional provisions are for the first time adoption of IPSASs, irrespective of the previous basis of accounting applied. Staff will assess whether (a) any of these transitional provisions are appropriate and (b) in which other areas transitional provisions are needed. As noted earlier, the assessment of the appropriateness of any transitional provisions will be made based on whether

they meet the objectives of financial reporting, user needs, as well as the qualitative characteristics. Under this approach a Rules of the Road Analysis will likely not be performed.

37. Approach 3: Convergence approach

Finally, approach 3 assumes that the project will solely be a convergence project and therefore the starting point for the development of a standard on first-time adoption will be IFRS 1. The distinction between scenario 1 and scenario 2 will only have a subordinated role and might only be required on a case-by-case basis. Please also note that this does not imply that guidance as provided by IPSASs (transitional provisions) would not be considered. A Rules of the Road Analysis will form the main part of approach 3. Based on the analysis, IFRS 1 would then be adapted and amended as necessary.

3.2 Type of Document to be Developed - Exposure Draft or a Consultation Paper

38. In the light of more and more countries moving towards IPSASs and adopting these standards guidance on the first-time adoption of IPSASs seems to be urgently required.
39. The TBG discussed whether the project should be progressed by developing an Exposure Draft without issuing a Consultation Paper in advance or whether the IPSASB shall develop as a first step a Consultation Paper and, based on comments received by the constituents, prepare an Exposure Draft.
40. For a situation where public sector entities move from an accrual basis to IPSAS accrual (scenario 2) IFRS 1 might be a suitable reference point for a standard on first-time adoption of accrual IPSASs. Based on this scenario the project possesses features of an IFRS convergence project. Therefore, in the context of scenario 2 a move straight to an ED seems to be a possible approach. Nevertheless, the project includes a scenario which is not covered by IFRS 1. The transition from cash to IPSAS accrual is specific to the public sector and might require prior consultation with the IPSASB's constituents.
41. The IPSASB's Terms of Reference (ToR) only require an Exposure Draft to be issued; they do not require a Consultation Paper to be issued first. Typically, convergence projects of the IPSAB have not made use of a Consultation Paper.
42. One of the crucial questions here is whether the move from cash accounting to accrual IPSASs (scenario 1) requires special consideration. Also the time dimension needs to be considered as there are countries which are urgently looking for first-time adoption guidance within IPSASB's suite of standards. Another consideration is the significance of such a conversion project for a public sector entity/jurisdiction, i.e. moving from a sovereign governmental/public sector accounting system to a system which is based on international standards set by the IPSASB. Based on this far-reaching decision, the Board might want to offer broad participation possibilities by constituents.
43. Based on the assumptions that
 - (a) only an Exposure Draft will be issued;
 - (b) the IPSASB approves the ED in its September 2012 meeting; and
 - (c) the exposure period will be 6 months.

Staff expects that a final standard could be issued by end of 2013. Whereas the standard comment period for an Exposure Draft is 4 months, staff believes that the comment period for an ED in this case should be 6 months to allow for a longer consultation period.

44. In the case that the IPSASB decides to have a Consultation Paper prior to issuing an ED, then staff expects that a final standard could be issued by end of 2014 (based on the assumption that the exposure period for the CP and the ED will be 4 months).
45. A further option could be to (i) split the project in two sub-projects based on the two scenarios, with scenario 2 preparing likely an ED and scenario 1 likely a CP, or (ii) not to split the project in sub-projects and either (a) develop a CP, or (b) develop straight an ED. Staff notes that under option (i) still the possibility exist to either prepare a CP or an ED for the sub-projects.
46. As the type of document developed is strongly linked to the approaches outlined in the earlier section, staff has prepared a table outlining the three approaches and possible options for the type of document issued.

Approach	Sub-options	Starting Point	Rules of the Road Analysis	Likely consequences for development of CP/ED
No. 1: Develop separate transitional arrangements	split in two sub-projects	IPSAS Transitional Provisions/IFRS 1	Possible yes (scenario 2)	Prepare CP for scenario 1 and an ED for scenario 2. OR Either prepare a CP or an ED
	not split in sub-projects	IPSAS Transitional Provisions/IFRS 1	Yes (scenario 2)	Either prepare a CP or an ED
No. 2: Develop appropriate transitional arrangements for the first time adoption of IPSASs, no distinction between scenario 1 and 2		Use IPSAS and IFRS 1 transitional provisions, identify elements that can be used to develop appropriate transitional provisions for the first time adoption of IPSASs (irrespective of the basis of accounting previously applied).	Likely not	Prepare a CP (or ED)
No. 3: Convergence approach		Solely IFRS 1	Yes	Prepare an ED

47. In addition, staff has prepared **an overview of the advantages and disadvantages associated with the development of either an ED or a Consultation Paper.**

Moving straight to an Exposure Draft (with an exposure period of 6 months)	
Advantages	Disadvantages
<ul style="list-style-type: none"> Standard on First-time Adoption of Accrual IPSASs will presumably be published end of 2013 Countries moving towards IPSASs in the next few years can expect to have appropriate guidance based on a standard by end of 2013 An exposure period of 6 months might compensate for not having a CP in advance The quality of financial statements on first-time adoption of accrual IPSASs might increase earlier. 	<ul style="list-style-type: none"> Time pressure for the TBG and the Board Constituents might not have adequate time to reflect public sector issues involved with the transition to accrual IPSASs as well as to consider the magnitude of such a transition Public-sector specific issues and requirements might not be explored sufficiently in detail In case that the transitional provisions for entities which already apply the accrual basis and now move to accrual IPSASs will be tightened, there could be an incentive to adopt accrual IPSASs before a standard on first-time adoption will be effective. For

	example, in this situation entities might not tend to present comparative information.
--	--

Issuing a Consultation Paper prior to an Exposure Draft	
<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> Board and constituents will have sufficient time to think of the public sector specific issues involved with first-time adoption The magnitude of a transition to accrual IPSASs for a public sector entity could better be considered by the Board as well as by the constituents than just by one exposure period Having two times the opportunity to provide views might lead to the fact that more constituents will respond and country-specific views might get better considered. 	<ul style="list-style-type: none"> Standard on First-time Adoption of Accrual IPSASs will presumably not be published before end of 2014 Entities moving towards accrual IPSASs in the next few years might miss appropriate guidance Entities might delay their decision to adopt accrual IPSASs as long as not standard on first-time adoption of accrual IPSASs is available The quality of first-time adoption to accrual IPSASs will increase at a later point in time

Questions for the IPSASB:

Approach to be used in the development of transitional provisions for the first time adoption of IPSASs:

Staff notes that the Board's decision regarding one of the three approaches will be of major importance for the whole project and will therefore be a **core decision** to take.

Staff asks the Board to consider which of the outlined approaches should be used, or whether additional options should be explored:

- Approach 1 - Separate transitional provisions developed for scenario 1 and scenario 2
- Approach 2 - Separate transitional provisions developed for scenario 1 and scenario 2
- Approach 3 – Convergence approach

Type of document to be developed – Consultation Paper or Exposure Draft

Staff requests the Board's view on what type of document should be developed as the next step in the project.

48. Based on the analysis of IPSASB's requirements to first-time adoption as well as IFRS 1-requirements staff has developed the following table which might be used as a basis for further analysis.

Accounting Issue related to the First-time Adoption of Accrual IPSASs	Public sector specific issues to consider with respect to scenario 1	Public sector specific issues to consider with respect to scenario 2	Treatment in IPSASs (if available)	Treatment in IFRSs (if applicable)	Conclusions for a Standard on the First-time Adoption of accrual IPSASs
...

Questions for the IPSASB:

Staff would like to ask the Board whether it finds the outlined table useful and whether staff should continue to deepen the analysis on this basis. If the Board considers this approach as not useful, staff would like to ask the Board for direction how to develop the project going forward.

4. Linkages of First-time Adoption of Accrual IPSASs and Alignment of IPSASs and Public Sector Statistical Reporting Guidance

49. Because of the IPSASB's objective to further enhance and promote the harmonization of public sector accounting standards and statistical reporting standards for the public sector the project on first-time adoption of accrual IPSASs has to take into account the statistical requirements regarding recognition, measurement as well as classification of assets and liabilities. Many of the rules, concepts, and procedures used in macroeconomic statistics are based on those used in public sector accounting. Ideally, wherever possible alignment of IPSASs with the requirements of Government Financial Statistics should be addressed already at first-time adoption of accrual IPSASs.
50. The application of accrual accounting standards such as IPSASs facilitates a government's preparation of fiscal statistics that meet the guidelines as set out in the Government Finance Statistics Manual. This is because a comprehensive and harmonized accrual accounting system greatly improves the source data necessary for compilation of GFS.
51. Differences between the two systems relate mainly to different objectives of the two systems and different definitions of the reporting entity. This leads to the fact that there are underlying conceptual as well as presentational differences between the two systems.
52. For example, the general valuation principle of GFS is to use current market prices for all assets, liabilities, and related value changes, i.e. for all stocks and flows. Differences arise when IPSASs allow the use of the historical cost basis. For example, under IPSASs, PP&E and intangible assets can be valued either at fair value or at depreciated historic cost on first-time adoption. Nevertheless, where an item is reported at historical cost, IPSASs often encourage or require disclosure of fair value, if there is a material difference between the item's historical cost and its fair value. If, under IPSASs, in addition to the book value based on historic cost, the fair value of the asset is also disclosed then reconciliation to GFS is feasible.
53. Par. 7.55 of the draft GFS manual states that if a government has a comprehensive accrual accounting system, such as that designed to produce IPSAS financial statements, then this will facilitate preparation of fiscal statistics, and greatly improve the source data for GFS. Production of fiscal statistics can be further facilitated through (a) choice of IPSAS options; and, (b) chart of accounts design. For example, many of the measurement differences can be overcome through choice of options within IPSASs. All of the classification differences described above can be addressed through chart of accounts design, see par 7.56 ff of the draft manual.

Preliminary Conclusions

54. The fact that the choice of IPSAS options determines alignment implies that also choices on first-time adoption of accrual IPSASs should be used to assure alignment with GFS. Therefore, it is the staff's view that in order to achieve alignment the above mentioned substantial differences between the two systems should already be addressed on first-time adoption of accrual IPSASs.
55. The IPSASB's Alignment Task Force, the IMF, and Eurostat recommend that governments also consider the production of GFS data when they first adopt accrual IPSASs and design a chart of accounts accordingly. Accounting policy decisions made during first time adoption can facilitate the production of GFS data. Therefore GFS alignment should be considered as part of the First-

time Adoption project and vice versa: Staff recommends that the GFS Alignment Project should consider linkages and coordination with the First Time Adoption of Accrual IPSASs project.

56. The Taskforce on Alignment of IPSASs and Public Sector Statistical Reporting Guidance currently considers addressing the issue of first-time adoption and related statistical requirements in a revised version of IPSAS 22.

57. Staff identified the following options for integration of GFS alignment considerations into first-time adoption:

- (a) *In the first-time adoption standard:*
 - (i) Include *encouragement* for entities to choose GFS aligned policy options within IPSASs;
 - (ii) Include *narrative* within the standard that notes/describes the alignment issue; or
 - (iii) Include (i) application/implementation guidance that explains alignment issues and identifies GFS aligned policy options in IPSASs; or (ii) narrative incorporated into IPSAS 22 that includes coverage of GFS aligned policy options in IPSASs.
- (b) In *IPSAS 22*, include application/implementation guidance on (a) choice of GFS aligned policy options in IPSASs; and, (b) first time adoption approaches that align financial accounting with GFS accounting, as much as possible.
- (c) Address the alignment issue in Study 14.

58. Staff is of the view that option A.3 suits best the needs of entities which adopt accrual IPSASs for the first-time. Those entities expect to have all the relevant provisions and narrative/guidance which assure alignment in one single document. Therefore, option B can be excluded. Staff is of the view that Study 14 should not be the primary document for integration of GFS alignment considerations into first-time adoption because Study 14 has a different purpose than IPSASs. To include the considerations in a standard on first-time adoption would certainly better position the objective of alignment than including it in Study 14. Nevertheless, staff recommends to update Study 14 in parallel to the first-time adoption project. Also a mixed approach in which the standard on first-time adoption cross-references to the alignment narrative/guidance provided by a revised version of IPSAS 22 is not desirable. As the option to include encouragements for entities to choose GFS aligned policy options within IPSASs goes beyond the mandate of the IPSAS-Board option 1 is also not a valid option. So the best way to move forward is either option A.2 or A.3. In order to avoid that the same narrative/guidance is provided twice under IPSASs option A.3 (i) can be excluded. Therefore, the remaining question would be whether the alignment issues should be addressed by narrative or application/implementation guidance included in a standard on first-time adoption.

Questions for the IPSASB:

Staff asks the Board whether alignment issues should be addressed by narrative (option A.2) or application/implementation guidance (option A.3(i)) included in a standard on first-time adoption. The Board might consider that these options could be addressed within a Consultation Paper on Alignment which will possibly be issued in the second half of 2012.

5. Specific Issues Resulting from the Analytical Review of IPSASs and IFRS 1

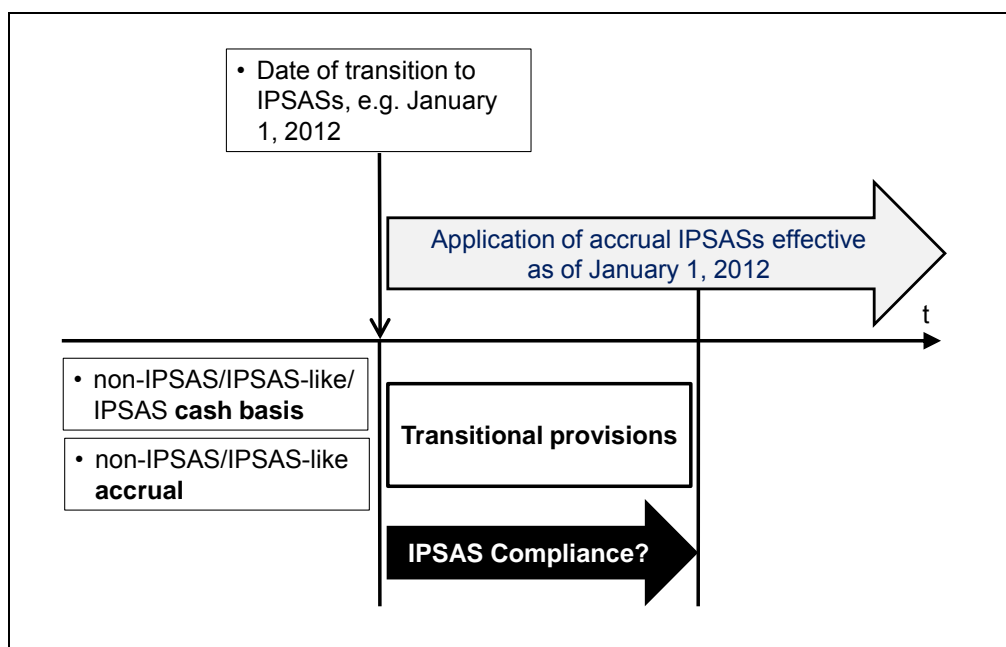
59. Irrespective of the decision taken by the IPSASB on the possible approaches in section 3 above, the Staff identified a few key issues which require discussion as these issues will impact on the type of transitional provisions developed.

- a. *IPSAS Compliance in Case of Usage of Transitional Provisions*

60. The question relates to the issue whether a public sector entity is in compliance with IPSASs if it uses certain elective transitional provisions currently included in IPSASs. Several public sector entities had used or are using a phased approach to the adoption of accrual IPSASs. Also Study 14 refers to a “transition path” for the first-time adoption of accrual IPSASs. This phased approach of adoption of accrual IPSASs does not correspond to the strict approach of IPSAS 1.28 (in analogy to IFRSs) where an entity has to **comply with all the requirements of IPSASs at the date of transition**. Currently, some transitional provisions under IPSASs allow for a certain transitional period to comply with the requirements of an IPSAS (e.g. IPSAS 1, 6, 17, or 25) and therefore create a transition path in which a public sector entity is able to “organize itself” for the full-adoption of IPSASs. Hence the question is if a public sector entity could claim to be in compliance with IPSASs in case it makes use of the transitional provisions as provided by certain IPSASs.

61. This question led to considerable debates at the United Nation Systems, as well as in South Africa, in their IPSAS implementation.

62. The following graph summarizes this question:



Questions for the IPSASB:

As this issue is of major importance for the understanding of the IPSASB's approach to first-time adoption of accrual IPSASs, staff asks the Board to provide its views on whether transitional provisions which allow a period of time to comply with the requirements of the Standards, affects an entity's compliance with IPSASs during that period.

Depending on the Board's response, the use of the existing transitional provisions in the IPSASs may be limited. If the use of such transitional provisions would not result in compliance, are there any other alternatives staff could consider which might be useful (particularly those entities in scenario 1?)

b. Opening IPSAS Statement of Financial Position and Comparative Information

63. As outlined in Section 2 of the Issues Paper the analysis showed that neither IPSASs nor Study 14 contains requirements to prepare and present an opening IPSAS Statement of Financial Position. Study 14 references several times to the requirement to have opening balances but does not provide directions where these requirements have its origin.
64. IPSAS 1.151 provides that comparative information is not required in respect of the financial statements to which accrual accounting is first adopted in accordance with IPSASs. In contrast, IFRS 1 provides retrospective application of IFRSs with some exceptions. IFRS 1.21 requires that an entity's first IFRS financial statements shall include at least three statements of financial position, two statements of comprehensive income, two separate income statements (if presented), two statements of cash flows and two statements of changes in equity and related notes, including comparative information.
65. The following example taken from IFRS 1 illustrates the understanding of first-time adoption and the preparation and presentation of an opening IFRS statement of financial position according to IFRSs.

Example: Consistent application of latest version of IFRSs

Background

The end of entity A's first IFRS reporting period is 31 December 20X5. Entity A decides to present comparative information in those financial statements for one year only (see paragraph 21). Therefore, its date of transition to IFRSs is the beginning of business on 1 January 20X4 (or, equivalently, close of business on 31 December 20X3). Entity A presented financial statements in accordance with its *previous GAAP* annually to 31 December each year up to, and including, 31 December 20X4.

Application of requirements

Entity A is required to apply the IFRSs effective for periods ending on 31 December 20X5 in:

- (a) preparing and presenting its opening IFRS statement of financial position at 1 January 20X4; and
- (b) preparing and presenting its statement of financial position for 31 December 20X5 (including comparative amounts for 20X4), statement of comprehensive income, statement of changes in equity and statement of cash flows for the year to 31 December 20X5 (including comparative amounts for 20X4) and disclosures (including comparative information for 20X4).

If a new IFRS is not yet mandatory but permits early application, entity A is permitted, but not required, to apply that IFRS in its first IFRS financial statements.

66. The example shows that the approach to first-time adoption in IFRSs differs from the IPSASB's approach to first-time adoption of accrual IPSASs. Guidance on how to prepare and present an opening IPSAS Statement of Financial Position is clearly missing in IPSASs.

67. In case that a public sector entity does not present comparative information in its first set of financial statements, the date of transition to IPSASs and the first IPSAS reporting period are in the same year. This is not consistent with IFRS 1.

Questions for the IPSASB:

Staff requests the Board's initial views on whether an "opening statement of financial position approach", as outlined in IFRS 1, should be explored. If yes, would this depend on the basis of accounting previously applied?

c. Future Approach to Transitional Provisions under IPSASs

68. The analysis in the beginning of the Issues Paper has shown that transitional provisions in IFRSs (other than those provided by IFRS 1) only apply to changes in accounting policies made by an entity that already uses IFRSs (cf. IFRS 1.9). Based on this fact and in regard that the IPSASB intends to develop a standard on first-time adoption of accrual IPSASs the question arises whether IPSASs should follow the same approach than IFRSs. With a standard on first-time adoption of accrual IPSASs the current transitional provisions under IPSASs will likely be moved to this standard. Therefore, staff recommends to follow the same approach towards transitional provisions than IFRSs does, i.e. to retain in IPSASs only those transitional provisions which apply to changes in accounting policies for entities which are already IPSAS-compliant.

Questions for the IPSASB:

Staff asks the Board to confirm its view.

Appendix 1

The Current IPSASB's-Approach of First-time Adoption of IPSASs

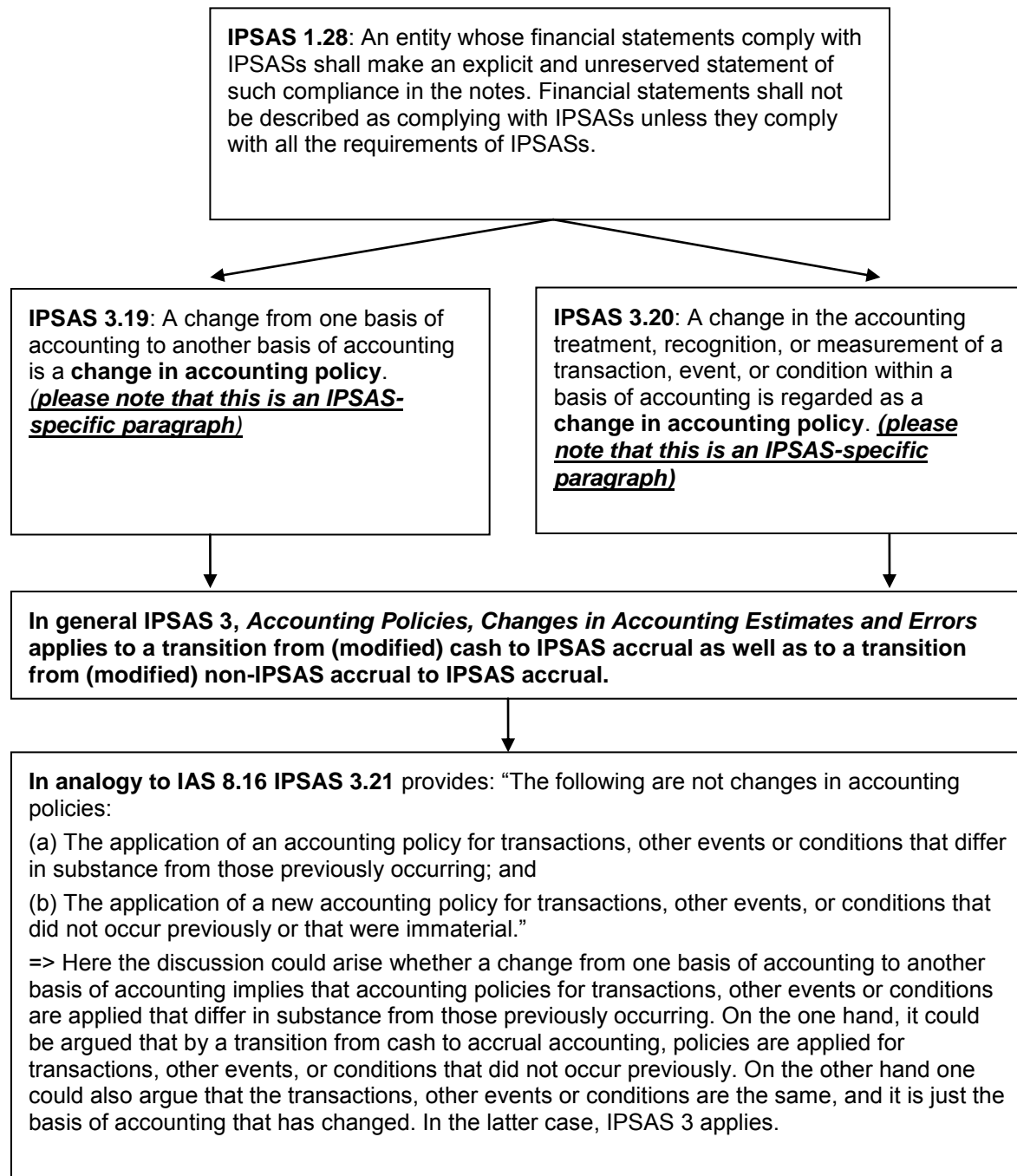
According to par. 22 of the Preface to International Public Sector Accounting Standards a public sector entity may at any time elect to adopt the accrual basis of accounting in accordance with IPSASs. At this point, the entity shall apply **all** the accrual based IPSASs **which are effective at that date** and could choose to apply the easements offered by the transitional provisions in an individual accrual based IPSAS (see here Appendix 2 which gives an overview of effective IPSASs as of January 1, 2012). Some of the transitional provisions under IPSASs provide relief to the entities on first-time adoption (e.g. IPSAS 1.151 which allows that comparative information is not presented in respect of the financial statements to which accrual accounting is first adopted in accordance with IPSASs, or IPSAS 6.65 where entities are not required to eliminate balances and transactions between entities within the economic entity for reporting periods beginning on a date within three years following the date of first adoption of accrual accounting in accordance with IPSASs). Entities **have a choice** to take advantage of the relief offered by the transitional provisions; they do not have to make use of them.

An entity can claim **full compliance with accrual basis IPSASs** only when it has complied with the requirements of all applicable IPSASs currently in force, cf. IPSAS 1.28. Study 14, Par. 4.21 underlines that the point at which this happens depends upon the approach taken to adoption of accrual accounting in a jurisdiction.

Par. 23 of the Preface to International Public Sector Accounting Standards clarifies that on the expiry of the transitional provisions, the entity shall report in full in accordance with all accrual based IPSASs. Thus, according to IPSAS 1.28 the entity whose financial statements comply with IPSASs shall make an explicit and unreserved statement of such compliance in the notes. It has to be noticed that financial statements shall not be described as complying with IPSASs unless they comply with all the requirements of IPSASs.

Based on the transitional provisions in single IPSASs an entity may decide to defer the application of the accrual basis of accounting to the recognition of certain transactions or balances for a set period of time (cf. Study 14, par. 4.18, page 75). In this case, Study 14 talks about a "transition path". The transitional provisions govern the length of time available to make the transition.

The following diagram sets out the current regulations under IPSASs on first-time adoption:



To sum up, the question could be **whether IPSAS 3 applies to the first-time adoption of accrual IPSASs**. References made by transitional provisions of other IPSASs (e.g. IPSAS 16.99, IPSAS 17.99, or IPSAS 3.128) clarify that **IPSAS 3 applies** in case of first-time adoption of accrual IPSASs.

What consequences does the application of IPSAS 3 have to first-time adoption of IPSASs?

1. According to IPSAS 3.24: “(a) an entity shall account for a change in accounting policy resulting from the initial application of an IPSAS in accordance with the **specific transitional provisions**, if any, in that Standard; and
(b) when an entity **changes an accounting policy upon initial application of an IPSAS** that does **not** include **specific transitional provisions** applying to that change, or **changes an accounting policy voluntarily**, it shall apply the change **retrospectively**. (Please note: Early application of a Standard is not a voluntary change in accounting policy, IPSAS 3.25).

IPSAS 3.24 (a) clarifies that in the initial application of an IPSAS (this comprises the first-time adoption of IPSASs) the specific transitional provisions in each IPSAS applies. As there is currently no standard comparable to IFRS 1, *First-time Adoption of IFRSs*, under IPSASs the specific transitional provisions according to each IPSAS are the primary guidance on first-time adoption of IPSASs. In contrast to IPSASs, IFRS 1.9 provides that the transitional provisions in other IFRSs [than IFRS 1] apply to changes in accounting policies made by an entity that already uses IFRSs; they do not apply to a first-time adopter's transition to IFRSs, except as specified in Appendices B-E of IFRS 1.

Typically, if an entity makes use of the relief provided in the transitional provisions then the entity should disclose that fact (e.g. see IPSAS 6.67, IPSAS 8.67 or IPSAS 17.104).

Unfortunately, IPSAS 3.24 ff. does not provide guidance for the case when there are no transitional provisions in an IPSAS. Presumably, following the logic of IPSAS 3.24 (b) the entity shall apply the change retrospectively. In the absence of an IPSAS that specifically applies to a transaction, other event, or condition, (e.g. to present an opening statement of financial position), according to IPSAS 3.12 management shall use its judgement in developing and applying an accounting policy. In this case the management of the entity considers the hierarchy of IPSASs as provided by IPSAS 3.15. Following this route, the entity could consider the use of IFRS 1. Here the question could arise whether IFRS 1 has to be fully applied (e.g. the requirement to present comparative information), or whether solely the missing regulations under IPSASs could be applied. As IPSAS 3.15 uses 'may' rather than 'shall' one can assume that an entity can just make use of the regulation which is missing under IPSAS.

Considerations in the case of a decision to voluntarily implement accrual IPSASs

If an entity decides to **voluntarily** implement accrual IPSASs then the question could arise whether IPSAS 3.24 (b) applies, i.e. the entity shall apply the change retrospectively. According to IPSAS 3.25, for the purpose of IPSAS 3, early application of an IPSAS is not seen as a voluntary change. Therefore, retrospective application is not required. The same applies if just one IPSAS is applied voluntarily.

What does retrospective application mean to a public sector entity?

IPSAS 3.27 provides “When a change in accounting policy is applied **retrospectively** in accordance with paragraph 24(a) or (b), the entity shall adjust the opening balance of each affected component of net assets/equity for the earliest period presented, and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.”

- ⇒ The retrospective application of IPSASs might lead to enormous amounts of work as there will be a need to refer to historical recognition and measurement.

What are limitations on retrospective application?

IPSAS 3.28 provides that a change in accounting policy shall be applied retrospectively, **except to the extent that it is impracticable** to determine either

- (a) the **period-specific effects**, or
- (b) the **cumulative effect of the change**.

In the case of a transition from the cash to the IPSAS accrual basis public sector entities will likely be not able to determine the required information.



INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD

PROJECT BRIEF AND OUTLINE

1. Subject – First-time Adoption of IPSAS

- 1.1 The IPSASB has identified a project on First-time adoption of IPSASs as a high priority towards the implementation of IPSASs. The absence of a standard focusing on the first-time adoption is viewed as a gap in the body of IPSASs.
- 1.2 The project proposes to develop an IPSAS that will provide guidance for entities adopting IPSASs for financial reporting for the first time.

2. Project Rationale and Objectives

- 2.1 The objective of this project would be to explore the accounting treatment for the first-time adoption of IPSASs of public sector entities and to develop an IPSAS that provides guidance on first-time adoption.

International Guidance on this Topic

- 2.2 IFRS 1, *First-time Adoption of International Financial Reporting Standards*, provides requirements and guidance for entities initially adopting IFRSs in the financial statements. IFRS 1 was issued in June 2003 and replaced SIC-8, *First-time Application of IASs as the Primary Basis of Accounting*. IFRS 1 was originally developed to address concerns about the full retrospective application of IFRS required by SIC-8. Following considerable amendments to IFRS 1 to accommodate first-time adoption requirements from new or amended IFRSs, a revised IFRS 1 was issued in 2008.

IFRS 1 was further amended in 2009 and 2010. These amendments included:

- Changes to the derecognition exception and fair value measurement exemption from fixed date references to ‘the date of transition to IFRSs’;
- Providing an exemption that could be used when an entity resumes presenting financial statements in accordance with IFRSs after being subject to severe hyperinflation.

The revised IFRS was issued in December 2010.

- 2.3 In January 2011 the IPSASB has issued an updated and improved version of Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities*. The third edition of Study 14 provides guidance to public sector entities on how to migrate to the accrual basis of accounting in accordance with IPSASs. Therefore, the recommendations made on first-time adoption of

IPSASs have to be considered in drafting an Exposure Draft. Especially, the issues not covered by Study 14 will have to be dealt with in this project.

National Guidance on this Topic

- 2.4 Only some National Standards Setters (NSSs) have guidance on the First-time Adoption of (accrual) IPSASs (see Par. 7). Currently, no NSS has been identified providing specific transitional provisions on the first-time adoption of the Cash Basis IPSAS.

Issues identified

- 2.5 As the IPSASB attempts to facilitate compliance with accrual based IPSASs it provides transitional provisions in certain standards. Typically, the transitional provisions under IPSAS allows an entity additional time to meet the full requirements of a specific accrual based IPSAS or provide relief from certain requirements when initially applying an IPSAS. An entity may at any time elect to adopt the accrual basis of accounting in accordance with IPSASs. At this point, the entity shall apply all the accrual based IPSASs effective at that date and could choose to apply any transitional provisions in an individual accrual based IPSAS. After having decided to adopt accrual accounting in accordance with IPSASs, the transitional provisions govern the length of time available to make the transition and also indicate whether the IPSAS should be applied prospectively or retrospectively. On the expiry of the transitional provisions, the entity shall report in full in accordance with all accrual based IPSASs.
- 2.6 Currently, the IPSASB does not differentiate between the first-time adoption of accrual IPSASs of a public sector entity already applying the (non-IPSAS) accrual basis of accounting and the first-time adoption of IPSASs of an entity applying the (IPSAS/non-IPSAS) cash basis of accounting. Thus, the project explores whether the different context (either starting the transition from the cash or the non-IPSAS accrual basis of accounting) justifies specific consideration and therefore possibly requires different exceptions and exemptions.
- 2.7 Due to the fact that the current transitional provisions as provided under IPSASs in some cases deviate from the regulations from IFRS 1 (e.g. provision of prior year comparative information in the opening statement of financial position) the question arises how the IPSASB deals with these differences.

Objectives to be achieved

- 2.8 The objective of this project is to define the accounting treatment for the first-time adoption of IPSASs of public sector entities and to ensure that an entity's first financial statements contain high quality information that:
- (a) supports accountability and decision-making and is comparable over all periods presented;

- (b) provides a suitable starting point for accounting in accordance with IPSASs;
- (c) can be generated at a cost that does not exceed the benefits.

As a result of this work a new IPSAS may be developed.

Link to IFAC/IPSASB Strategic Plans

i. Link to IPSASB Strategy

2.9 The IPSASB has articulated the following strategic priorities for the period 2010-2012:

- Public sector conceptual framework;
- Public sector critical projects; and
- Communications and promoting adoption and implementation.

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

2.11 A project on First-time Adoption will be a public sector critical project because there is currently no standard on the First-time adoption of IPSASs. A project on that topic could either be a public sector specific, an IASB convergence or a hybrid project. A hybrid project could contain elements of both a public sector specific as well as an IASB convergence project.

ii. Link to IFAC Strategic Plan

2.12 The IFAC Strategic Plan for 2011-2014 identifies 2 specific strategies that are relevant. The first is IFAC's commitment to the development, adoption and implementation of international standards, including those for the public sector. The second is an enhanced focus on public sector financial reporting. Developing requirements and guidance for first-time adoption of IPSASs supports both of these strategies.

3. Outline of the Project

(a) Project Scope

3.1 The project applies to all public sector entities (except Government Business Enterprises (GBEs)), which are in the transition from the cash (references in cash in this project brief refer to cash, modified cash or modified accrual) or the Non-IPSAS accrual basis to the IPSAS accrual basis of accounting. The IPSAS would apply when a public sector entity adopts IPSASs for the first time.

3.2 The current transitional provisions for public sector entities which are in the process of adopting accrual IPSASs will then be included in an IPSAS on First-time

Adoption. In analogy to IFRS, the transitional provisions that apply to changes in accounting policies made by an entity that already uses IPSASs would be kept in each IPSAS containing such provisions.

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

Key Issue # 1 – Nature of Project

- 3.3 Due to the fact that in the public sector various forms of accounting bases (cash, modified cash, modified accrual, full accrual basis) are applied and due to the fact that the IPSASB issues IPSASs dealing with financial reporting under the cash basis of accounting and the accrual basis of accounting the approach to the project needs to be considered. IFRS 1, *First-time Adoption of International Financial Reporting Standards*, will need to be reviewed and considered but it is uncertain that this is an IASB convergence project. At this stage it seems more likely to be a public sector specific project or a hybrid project, which might use IFRS 1 as a starting point and adapt and enhance it by public sector specific issues. An analysis will be conducted at the start of the project to identify public sector specific issues and to determine the appropriate approach.
- 3.4 A public sector specific project would allow the IPSASB to keep the existing transitional provisions for first-time adoption, but to possibly ‘centralize’ them in a Standard. Using a hybrid approach, i.e. converging with IFRS 1 but also incorporating the existing transitional provisions under IPSAS in a first-time adoption IPSAS, would possibly allow combining the advantages of both approaches.

Key Issue # 2 – Missing Guidance for First-time Adoption of IPSAS

- 3.5 Despite the transitional provisions provided under IPSASs specific guidance on the first-time adoption of IPSASs is missing. In reviewing IFRS 1, the following matters that are either not dealt with in the IPSASs or, are dealt with differently:
- the principle of retrospective application of the accounting standards at first-time adoption (see IFRS 1.7);
 - guidance regarding the opening IFRS statement of financial position (e.g. definition of the date of transition to IFRSs (see IFRS 1.8 (example) as well as Appendix A, the use of accounting policies in the opening IFRS statement of financial position (e.g. the use of estimates (see IFRS 1.14), recognition, ‘derecognition’, reclassifications and measurement of assets and liabilities (see IFRS 1.10), treatment of adjustments (see IFRS 1.11));
 - exceptions to the retrospective application of other IFRSs (see IFRS 1.13);
 - exemptions from other IFRSs (see IFRS 1.18 and Appendices C-E);
 - disclosures that explain how the transition from previous GAAP to IFRSs affected the entity’s financial position, financial performance and cash flows (see IFRS 1.23 ff)

Key Issue # 3 – Scope of Exemptions

- 3.6 For the public sector there is a need to develop guidance both on adopting accrual IPSASs when the cash (or modified cash) basis of accounting was previously used as well as on adoption of accrual IPSASs when a different accrual basis financial reporting framework than IPSASs was used. Public sector entities moving from the cash/modified cash basis towards accrual IPSASs often face the challenge of not having sufficient information for fulfilling the requirements under IPSASs (e.g. determining of cost and/or fair value of property, plant and equipment). Currently, IPSASs do not differ between the two situations for adoption of accrual IPSASs. The situation of an entity moving from the cash to the IPSAS accrual basis will need to be addressed and possible exemptions considered.
- 3.7 As described above, due to the fact that public sector entities face a transition from the cash/modified cash basis to the accrual basis they might have different needs regarding exemptions from other IPSASs than entities moving from the non-IPSAS accrual basis to the accrual basis IPSASs. Furthermore, it has to be considered that the exemptions currently provided by the transitional provisions under IPSASs differ from the exemptions as stipulated by IFRS 1. Therefore, these differences have to be considered and aligned.

Key Issue # 4 – Reconciliations (see IFRS 1.23 ff)

- 3.8 IFRS 1.23 requires that an entity shall explain how the transition from previous GAAP to IFRS affected its reported financial position, financial performance and cash flows. The requirement to include a reconciliation of the entity's net position reported in accordance with previous GAAP to its net position in accordance with IPSASs will need to be considered in the context of whether it is appropriate.

Key Issue # 5 – Use of comparative information

- 3.9 IPSAS 1.151 states that comparative information is not required in respect of the financial statements to which accrual accounting is first adopted in accordance with IPSASs. This is in direct contrast to IFRS 1 which requires an opening balance sheet. This and other exemptions under IPSASs, would need to be considered by the Board in the context of promoting adoption of IPSASs, but still providing information that supports accountability and decision-making.

4. Describe the Implications for any Specific Persons or Groups

(a) Relationship to IASB

- 4.1 The IASB has existing standard IFRS 1, First-time Adoption of International Financial Reporting Standards. In December 2010 the IASB completed its deliberations on the amendments to IFRS 1. There are a few minor revisions to

IFRS 1 in the improvements for 2011 but currently there are no indications that any major revisions are expected.

(b) Relationship to Other Standards, Projects in Process or Planned

4.2 There are linkages with the following IPSASB projects in progress:

- Entity Combinations;
- Service Concession Arrangements;
- Improvements.

4.3 A project on the First-time Adoption will also have linkages with the following projects committed but not yet commenced by the IPSASB:

- Financial Instruments (public sector);
- IAS 39 Amendments;
- Revision of IPSASs 6-8.

5. Development Process, Project Timetable and Project Output

(a) Development process

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

5.2 The initial output will be an Exposure Draft of an IPSAS. Following analysis of submissions on the Exposure Draft, an IPSAS or amendments to existing IPSASs would be developed.

(b) Project timetable

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

Major Project Milestones	Expected Completion
Present Project Brief	June 2011
Discussion of issues and development of an Exposure Draft (ED)	March 2012
Approve Exposure Draft	June 2012 Response date October 31, 2012

Review of responses to ED and development of amendments to IPSASs	February 2013
Approve IPSAS or amendments to IPSASs	June 2013

(c) Project output

The expected output will be an IPSAS or amendments to existing IPSASs.

6. Resources Required

(a) Task-based Group

If the IPSASB decides to pursue a project, a Task Based Group is required. However, in any case, members may need to assist the Technical Staff with first-time adoption standards or guidelines that have been set in the public sector as well as any a broad understanding of current practices in both English and non-English speaking countries.

(b) Staff

It is anticipated that approximately two-third of an FTE would be needed. A FTE staff member will be required on this project for the period of the review (November 2011 – February 2012).

(c) Factors that might add to complexity or length

- Wide range of different accounting bases.

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

Australia – Australian Accounting Standards Board, First-time Adoption of Australian Accounting Standards (sector-neutral):

http://www.aasb.com.au/admin/file/content105/c9/AASB1_05-09_COMPoct10_01-11.pdf

Canada – Public Sector Accounting Board of the Chartered Accountants of Canada, Project page on First-time Adoption of Public Sector Accounting Standards by Government Organizations

<http://www.psab-ccsp.ca/projects/completed-projects/item31016.aspx>

IASB - Amendment to IFRS 1, First-time Adoption of IFRS Project Page:

<http://www.ifrs.org/Current+Projects/IASB+Projects/Additional+Exemptions+for+First-time+Adopters+-+Amendments+to+IFRS+1/Amendments+to+IFRS+1.htm>

IPSASB – Study 14: Transition to the Accrual Basis of Accounting: Guidance for Public Sector Entities, Third Edition, January 2011

<http://web.ifac.org/media/publications/1/study-14-transition-to-th/study-14-transition-to-th.pdf>

South Africa – Accounting Standards Board – Various Directives on Transitional Provisions:

<http://www.asb.co.za/documents/directives>

United Kingdom – FReM Government Financial Reporting Manual:

http://www.hm-treasury.gov.uk/frem_index.htm

United Nations Task Force on Accounting Standards - Various guidance notes on transitional provisions (e.g. first-time recognition of property, plant & equipment, determination of intangible assets)

First-time Adoption of IPSASs

Table of Transitional Provisions in IPSASs

Relevant Paragraphs in IPSASs	Comments	Type ¹
IPSAS 1, <i>Presentation of Financial Statements</i> (December 2006)		
151. All provisions of this Standard shall be applied from the date of first adoption of this Standard, except in relation to items that have not been recognized as a result of transitional provisions under another IPSAS. The disclosure provisions of this Standard would not be required to apply to such items until the transitional provision in the other IPSAS expires. Comparative information is not required in respect of the financial statements to which accrual accounting is first adopted in accordance with IPSASs.	IPSAS-specific paragraph. From May 2000 version of IPSAS 1, except for the last sentence that was added in December 2006 version of IPSAS 1.	A
152. Notwithstanding the existence of transitional provisions under another IPSAS, entities that are in the process of adopting the accrual basis of accounting for financial reporting purposes are encouraged to comply in full with the provisions of that other Standard as soon as possible.	IPSAS-specific paragraph. From May 2000 version of IPSAS 1.	A
IPSAS 2, <i>Cash Flow Statements</i> (May 2000)	No transitional provisions.	
IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> (December 2006)	No transitional provisions.	

¹ A: Entity in process of adopting accrual IPSASs.

B: Entity has adopted accrual IPSASs and is applying a revised or new accrual IPSAS.

<p>IPSAS 4, <i>The Effects of Changes in Foreign Exchange Rates</i> (April 2008)</p>		
<p>First-time Adoption of Accrual Accounting</p> <p>67. A reporting entity need not comply with the requirements for cumulative translation differences that existed at the date of first adoption of accrual accounting in accordance with IPSASs. If a first-time adopter uses this exemption:</p> <p> (a) The cumulative translation differences for all foreign operations are deemed to be zero at the date of first adoption to IPSASs; and</p> <p> (b) The gain and loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of first adoption of IPSASs, and shall include later translation differences.</p>	<p>IPSAS-specific paragraph. From December 2006 version of IPSAS 4. Equals to IFRS 1, Appendix D, D13</p>	<p>A</p>
<p>68. This Standard requires entities to:</p> <p> (a) Classify some translation differences as a separate component of net assets/equity; and</p> <p> (b) On disposal of a foreign operation, to transfer the cumulative translation difference for that foreign operation to the statement of financial performance as part of the gain or loss on disposal.</p> <p> The transitional provisions provide first-time adopters of IPSASs with relief from this requirement.</p>	<p>IPSAS-specific paragraph. From December 2006 version of IPSAS 4.</p>	<p>A</p>
<p>Transitional Provisions for All Entities</p> <p>69. An entity shall apply paragraph 56 prospectively to all acquisitions occurring after the beginning of the financial reporting period in which this Standard is first applied. Retrospective application of paragraph 56 to earlier acquisitions is permitted. For an acquisition of a foreign operation treated prospectively, but which occurred before the date on which this Standard is first applied, the entity shall not restate prior years and accordingly may, when appropriate, treat goodwill and fair value adjustments arising on that acquisition as assets and liabilities of the entity rather than as assets and liabilities of the foreign operation. Therefore, those goodwill and fair value adjustments either are already expressed in the entity’s functional currency, or are nonmonetary foreign currency items, which are reported using the exchange rate at the date of the acquisition.</p>	<p>From December 2006 version of IPSAS 4. Based on December 2003 version of IAS 21.59.</p>	<p>A, B</p>

70. All other changes resulting from the application of this Standard shall be accounted for in accordance with the requirements of IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> .	From December 2006 version of IPSAS 4. Based on December 2003 version of IAS 21.60.	B
IPSAS 5, <i>Borrowing Costs</i> (May 2000)		
41. When the adoption of this Standard constitutes a change in accounting policy, an entity is encouraged to adjust its financial statements in accordance with IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> . Alternatively, entities following the allowed alternative treatment shall capitalize only those borrowing costs incurred after the effective date of this Standard that meet the criteria for capitalization.	From May 2000 version of IPSAS 5. Based on December 1993 version of IAS 23.30. IAS 23 was revised March 2007.	B
IPSAS 6, <i>Consolidated and Separate Financial Statements</i> (December 2006)		
65. Entities are not required to comply with the requirement in paragraph 45 concerning the elimination of balances and transactions between entities within the economic entity for reporting periods beginning on a date within three years following the date of first adoption of accrual accounting in accordance with IPSASs.	IPSAS-specific paragraph. From May 2000 version of IPSAS 6.	A
66. Controlling entities that adopt accrual accounting for the first time in accordance with IPSASs may have many controlled entities, with a significant number of transactions between these entities. Accordingly, it may be difficult to identify some transactions and balances that need to be eliminated for the purpose of preparing the consolidated financial statements of the economic entity. For this reason, paragraph 65 provides relief from the requirement to fully eliminate balances and transactions between entities within the economic entity.	IPSAS-specific paragraph. From May 2000 version of IPSAS 6.	A
67. Where entities apply the transitional provision in paragraph 65, they shall disclose the fact that not all balances and transactions occurring between entities within the economic entity have been eliminated.	IPSAS-specific paragraph. From May 2000 version of IPSAS 6.	A
68. Transitional provisions in IPSAS 6 (2000) provide entities with a period of up to three years to fully eliminate balances and transactions between entities within the economic entity from the date of its first application. Entities that have previously applied IPSAS 6 (2000) may continue to take advantage of this three-	IPSAS-specific paragraph. From December 2006 version of IPSAS 6.	A

year transitional period from the date of first application of IPSAS 6 (2006).		
IPSAS 7, <i>Investments in Associates</i> (December 2006)	No transitional provisions.	
IPSAS 8, <i>Interests in Joint Ventures</i> (December 2006)		
65. Where the proportionate consolidation treatment set out in this Standard is adopted, venturers are not required to eliminate balances and transactions between themselves, their controlled entities, and entities that they jointly control for reporting periods beginning on a date within three years following the date of first adoption of accrual accounting in accordance with IPSASs.	IPSAS-specific paragraph. From May 2000 version of IPSAS 8, except for some terminology changes made in December 2006 version of IPSAS 8.	A
66. Entities that adopt accrual accounting for the first time in accordance with IPSASs may have many controlled and jointly controlled entities, with a significant number of transactions between these entities. Accordingly, it may initially be difficult to identify all the transactions and balances that need to be eliminated for the purpose of preparing the financial statements. For this reason, paragraph 65 provides temporary relief from eliminating, in full, balances and transactions between entities and their jointly controlled entities.	IPSAS-specific paragraph. From May 2000 version of IPSAS 8.	A
67. Where entities apply the transitional provision in paragraph 65, they shall disclose the fact that not all inter-entity balances and transactions have been eliminated.	IPSAS-specific paragraph. From May 2000 version of IPSAS 8.	A
68. Transitional provisions in IPSAS 8 (2000) provide entities with a period of up to three years to fully eliminate balances and transactions between entities within the economic entity from the date of its first application. Entities that have previously applied IPSAS 8 (2000) may continue to take advantage of this three-year transitional provisional period from the date of first application of IPSAS 8 (2000).	IPSAS-specific paragraph. From December 2006 version of IPSAS 6.	A
IPSAS 9, <i>Revenue from Exchange Transactions</i> (July 2001)	No transitional provisions.	
IPSAS 10, <i>Financial Reporting in Hyperinflationary Economies</i> (July 2001)	No transitional provisions.	

IPSAS 11, <i>Construction Contracts</i> (July 2001)	No transitional provisions.	
IPSAS 12, <i>Inventories</i> (December 2006)	No transitional provisions.	
IPSAS 13, <i>Leases</i> (December 2006)		
79. All provisions of this Standard shall be applied from the date of first adoption of accrual accounting in accordance with IPSASs, except in relation to leased assets that have not been recognized as a result of transitional provisions under another IPSAS. The provisions of this Standard would not be required to apply to such assets until the transitional provision in the other IPSAS expires. In no case shall the existence of transitional provisions in other Standards preclude the full application of accrual accounting in accordance with IPSASs.	IPSAS-specific paragraph. From July 2001 version of IPSAS 13, except for changes to the last sentence made in December 2006 version of IPSAS 13.	A
80. Notwithstanding the existence of transitional provisions under another IPSAS, entities that are in the process of adopting the accrual basis of accounting are encouraged to comply in full with the provisions of that other standard as soon as possible.	IPSAS-specific paragraph. From July 2001 version of IPSAS 13.	A
81. Subject to paragraph 83, retrospective application of this Standard by entities that have already adopted the accrual basis of accounting and that intend to comply with IPSASs as they are issued is encouraged but not required. If the Standard is not applied retrospectively, the balance of any pre-existing finance lease is deemed to have been properly determined by the lessor, and shall be accounted for thereafter in accordance with the provisions of this Standard.	From July 2001 version of IPSAS 13, except for the beginning of the first sentence is added in December 2006 version of IPSAS 13. Based on December 2003 version of IAS 17.67.	A
82. Entities that have already adopted the accrual basis of accounting, and that intend to comply with IPSASs as they are issued, may have pre-existing finance leases that have been recognized as assets and liabilities in the statement of financial position. Retrospective application of this Standard to existing finance leases is encouraged. Retrospective application could lead to the restatement of such assets and liabilities. Such assets and liabilities are required to be restated only if the Standard is applied retrospectively.	IPSAS-specific paragraph. From July 2001 version of IPSAS 13.	A
83. An entity that has previously applied IPSAS 13 (2001) shall apply the	From December 2006 version of IPSAS 13.	B

<p>amendments made by this Standard retrospectively for all leases that it has recognized in accordance with that Standard or, if IPSAS 13 (2001) was not applied retrospectively, for all leases entered into since it first applied that Standard and recognized in accordance with that Standard.</p>	<p>Based on December 2003 version of IAS 17.68.</p>	
<p>84. Transitional provisions in IPSAS 13 (2001) provide entities with a period of up to five years to recognize all leases from the date of its first application. Entities that have previously applied IPSAS 13 (2001) may continue to take advantage of this five-year transitional period from the date of first application of IPSAS 13 (2001).</p>	<p>IPSAS-specific paragraph. From December 2006 version of IPSAS 13.</p>	<p>B</p>
<p>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, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. However, if an entity does not have the information necessary to apply the amendments retrospectively, it shall:</p> <ul style="list-style-type: none"> (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. 	<p>From November 2010 <i>Improvements to IPSASs</i>. Based on <i>Improvements to IFRSs</i> (November 2010), paragraph 68A.</p>	<p>B</p>
<p>IPSAS 14, <i>Events after the Reporting Date</i> (December 2006)</p>	<p>No transitional provisions.</p>	
<p>IPSAS 15, <i>Financial Instruments: Disclosure and Presentation</i> (December 2001)</p>		
<p>102. When comparative information for prior periods is not available when this International Public Sector Accounting Standard is first adopted, such information need not be presented.</p>		<p>A</p>
<p>IPSAS 16, <i>Investment Property</i> (December 2006)</p>		
<p>Initial Adoption of Accrual Accounting 91. An entity that adopts accrual accounting for the first time in accordance</p>	<p>IPSAS-specific paragraph.</p>	<p>A</p>

<p>with IPSASs shall initially recognize investment property at cost or fair value. For investment properties that were acquired at no cost, or for a nominal cost, cost is the investment property's fair value as at the date of acquisition.</p>	<p>From December 2001 version of IPSAS 16.</p>	
<p>92. The entity shall recognize the effect of the initial recognition of investment property as an adjustment to the opening balance of accumulated surpluses or deficits for the period in which accrual accounting is first adopted in accordance with IPSASs.</p>	<p>IPSAS-specific paragraph. From December 2001 version of IPSAS 16, except for amendments made in December 2006 version of IPSAS 16.</p>	<p>A</p>
<p>93. Prior to first adoption of accrual accounting in accordance with IPSASs, an entity (a) may recognize investment property on a basis other than cost or fair value as defined in this Standard, or (b) may control investment property that it has not recognized. This Standard requires entities to initially recognize investment property at cost or fair value as at the date of first adoption of accrual accounting in accordance with IPSASs. Where assets are initially recognized at cost and were acquired at no cost, or for a nominal cost, cost will be determined by reference to the investment property's fair value as at the date of acquisition. Where the cost of acquisition of an investment property is not known, its cost may be estimated by reference to its fair value as at the date of acquisition.</p>	<p>IPSAS-specific paragraph. From December 2001 version of IPSAS 16, except for the (a) in the first sentence made in December 2006 version of IPSAS 16.</p>	<p>A</p>
<p>Fair Value Model</p> <p>94. Under the fair value model, an entity shall recognize the effect of applying this Standard as an adjustment to the opening balance of accumulated surpluses or deficits for the period in which this Standard is first applied. In addition:</p> <p>(a) If the entity has previously disclosed publicly (in financial statements or otherwise) the fair value of its investment property in earlier periods (determined on a basis that satisfies the definition of fair value in paragraph 7 and the guidance in paragraphs 45–61), the entity is encouraged, but not required:</p> <p>(i) To adjust the opening balance of accumulated surpluses or deficits for the earliest period presented for which such fair value was disclosed publicly; and</p> <p>(ii) To restate comparative information for those periods; and</p> <p>(b) If the entity has not previously disclosed publicly the information described in (a), it shall not restate comparative information and shall</p>	<p>From December 2001 version of IPSAS 16. Based on April 2000 version of IAS 40.70.</p>	<p>A</p>

disclose that fact.		
<p>95. On the first application of this Standard, an entity may choose to apply the fair value model in respect of investment property already recognized in its financial statements. When this occurs, this Standard requires any adjustment to the carrying amount of the investment property to be taken to the opening balance of accumulated surpluses or deficits for the period in which the Standard is first applied. This Standard requires a treatment different from that required by IPSAS 3. IPSAS 3 requires comparative information to be restated unless such restatement is impracticable. This Standard only encourages such comparative information to be restated in certain circumstances.</p>	<p>From December 2001 version of IPSAS 16, except for some wording amended in December 2006 version of IPSAS 16.</p> <p>The third and forth sentences are based on December 2003 version of IAS 40.81 and other sentences are IPSAS-specific.</p>	<p>A</p>
<p>96. When an entity first applies this Standard, the adjustment to the opening balance of accumulated surpluses or deficits includes the reclassification of any amount held in revaluation surplus for investment property.</p>	<p>From December 2001 version of IPSAS 16.</p> <p>Based on December 2003 version of IAS 40.82.</p>	<p>A</p>
<p>97. An entity that (a) has previously applied IPSAS 16 (2001), and (b) elects for the first time to classify and account for some or all eligible property interests held under operating leases as investment property, shall recognize the effect of that election as an adjustment to the opening balance of accumulated surpluses or deficits for the period in which the election is first made. In addition, if the entity has previously disclosed publicly (in financial statements or otherwise) the fair value of those property interests in earlier periods, paragraph 94(a) applies. If the entity has not previously disclosed publicly the information related to those property interests described in paragraph 94(a), paragraph 94(b) applies.</p>	<p>From December 2006 version of IPSAS 16.</p> <p>Based on December 2003 version of IAS 40.80.</p>	<p>B</p>

<p>Cost Model</p> <p>98. Prior to first application of this Standard, an entity may recognize its investment property on a basis other than cost, for example fair value or some other measurement basis. IPSAS 3 applies to any change in accounting policies that is made when an entity first applies this Standard and chooses to use the cost model. The effect of the change in accounting policies includes the reclassification of any amount held in revaluation surplus for investment property.</p>	<p>From December 2001 version of IPSAS 16. The second and third sentences based on December 2003 version of IAS 40.83.</p>	<p>A</p>
<p>99. IPSAS 3 requires an entity to retrospectively apply accounting policies unless it is impracticable to do so. Therefore, when an entity (a) initially recognizes investment property at cost, and (b) chooses to use the cost model in accordance with this Standard, it shall also recognize any accumulated depreciation and any accumulated impairment losses that relate to that property, as if it had always applied those accounting policies.</p>	<p>IPSAS-specific paragraph. From December 2006 version of IPSAS 16.</p>	<p>A</p>
<p>100. For entities that have previously applied IPSAS 16 (2001), the requirements of paragraphs 36–38 regarding the initial measurement of an investment property acquired in an exchange of assets transaction shall be applied prospectively only to future transactions.</p>	<p>From December 2006 version of IPSAS 16. Based on December 2003 version of IAS 40.84.</p>	<p>B</p>
<p>IPSAS 17, <i>Property, Plant, and Equipment</i> (December 2006)</p>		
<p>95. Entities are not required to recognize property, plant, and equipment for reporting periods beginning on a date within five years following the date of first adoption of accrual accounting in accordance with IPSASs.</p>	<p>IPSAS-specific paragraph. From December 2001 version of IPSAS 17.</p>	<p>A</p>
<p>96. An entity that adopts accrual accounting for the first time in accordance with IPSASs shall initially recognize property, plant, and equipment at cost or fair value. For items of property, plant, and equipment that were acquired at no cost, or for a nominal cost, cost is the item's fair value as at the date of acquisition.</p>	<p>IPSAS-specific paragraph. From December 2001 version of IPSAS 17.</p>	<p>A</p>
<p>97. The entity shall recognize the effect of the initial recognition of property, plant, and equipment as an adjustment to the opening balance of accumulated surpluses or deficits for the period in which the property, plant, and equipment is initially recognized.</p>	<p>IPSAS-specific paragraph. From December 2006 version of IPSAS 17.</p>	<p>A</p>
<p>98. Prior to first application of this Standard, an entity may recognize its property, plant, and equipment on a basis other than cost or fair value as defined in this</p>	<p>IPSAS-specific paragraph.</p>	<p>A</p>

<p>Standard, or may control assets that it has not recognized. This Standard requires entities to initially recognize items of property, plant, and equipment at cost or, fair value as at the date of initial recognition in accordance with this Standard. Where assets are initially recognized at cost and were acquired at no cost, or for a nominal cost, cost will be determined by reference to the asset's fair value as at the date of acquisition. Where the cost of acquisition of an asset is not known, its cost may be estimated by reference to its fair value as at the date of acquisition.</p>	<p>From December 2001 version of IPSAS 17 except for the first sentence amended in December 2006 version of IPSAS 17.</p>	
<p>99. IPSAS 3 requires an entity to retrospectively apply accounting policies unless it is impracticable to do so. Therefore, when an entity initially recognizes an item of property, plant, and equipment at cost in accordance with this Standard, it shall also recognize any accumulated depreciation and any accumulated impairment losses that relate to that item, as if it had always applied those accounting policies.</p>	<p>IPSAS-specific paragraph. From December 2006 version of IPSAS 17.</p>	<p>A</p>
<p>100. Paragraph 14 of this Standard requires the cost of an item of property, plant, and equipment to be recognized as an asset if, and only if:</p> <ul style="list-style-type: none"> (a) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and (b) The cost or fair value of the item can be measured reliably. 	<p>IPSAS-specific paragraph. From December 2001 version of IPSAS 17.</p>	<p>A</p>
<p>101. The transitional provisions in paragraphs 95 and 96 are intended to give relief in situations where an entity is seeking to comply with the provisions of this Standard, in the context of implementing accrual accounting for the first time in accordance with IPSASs, with effect from the effective date of this Standard or subsequently. When entities adopt accrual accounting in accordance with IPSASs for the first time, there are often difficulties in compiling comprehensive information on the existence and valuation of assets. For this reason, for a five-year period following the date of first adoption of accrual accounting in accordance with IPSASs, entities are not required to comply fully with the requirements of paragraph 14.</p>	<p>IPSAS-specific paragraph. From December 2001 version of IPSAS 17.</p>	<p>A</p>
<p>102. Notwithstanding the transitional provisions in paragraph 95 and 96, entities that are in the process of adopting accrual accounting are encouraged to comply in full with the provisions of this Standard as soon as possible.</p>	<p>IPSAS-specific paragraph. From December 2001 version of IPSAS 17.</p>	<p>A</p>
<p>103. The exemption from the requirements of paragraph 14 implies that the associated measurement and disclosure provisions of this Standard do not need to be complied with in respect of those assets or classes of asset that are not</p>	<p>IPSAS-specific paragraph. From December 2001 version of IPSAS 17.</p>	<p>A</p>

recognized under paragraphs 95 and 96.		
104. When an entity takes advantage of the transitional provisions in paragraphs 95 and 96, that fact shall be disclosed. Information on the major classes of asset that have not been recognized by virtue of paragraph 95 shall also be disclosed. When an entity takes advantage of the transitional provisions for a second or subsequent reporting period, details of the assets or classes of asset that were not recognized at the previous reporting date but that are now recognized shall be disclosed.	IPSAS-specific paragraph. From December 2001 version of IPSAS 17.	A
105. For entities that have previously applied IPSAS 17 (2001), the requirements of paragraphs 38–40 regarding the initial measurement of an item of property, plant, and equipment acquired in an exchange of assets transaction shall be applied prospectively only to future transactions.	From December 2006 version of IPSAS 17. Based on December 2003 version of IAS 16.80 except for the beginning of the sentence.	B
106. Transitional provisions in IPSAS 17 (2001) provide entities with a period of up to five years to recognize all property, plant, and equipment and make the associated measurement and disclosure from the date of its first application. Entities that have previously applied IPSAS 17 (2001) may continue to take advantage of this five-year transitional period from the date of first application of IPSAS 17 (2001). These entities shall also continue to make disclosures required by paragraph 104.	IPSAS-specific paragraph. From December 2006 version of IPSAS 17.	B
IPSAS 18, <i>Segment Reporting</i> (June 2002)	No transitional provisions.	
IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> (October 2002)		
110. The effect of adopting this Standard on its effective date (or earlier) shall be reported as an adjustment to the opening balance of accumulated surpluses/(deficits) for the period in which the Standard is first adopted. Entities are encouraged, but not required, to (a) adjust the opening balance of accumulated surpluses/(deficits) for the earliest period presented, and (b) to restate comparative information. If comparative information is not restated, this fact shall be disclosed.	From October 2002 version of IPSAS 19. Based on September 1998 version of IAS 37.93.	A
IPSAS 20, <i>Related Party Disclosures</i> (October 2002)	No transitional provisions.	

IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i> (December 2004)		
80. This Standard shall be applied prospectively from the date of its application. Impairment losses (reversals of impairment losses) that result from adoption of this IPSAS shall be recognized in accordance with this Standard (i.e., in surplus or deficit).	IPSAS-specific paragraph. From December 2004 version of IPSAS 21.	A
81. Before the adoption of this Standard, entities may have adopted accounting policies for the recognition and reversal of impairment losses. On adoption of this Standard, a change in accounting policy may arise. It would be difficult to determine the amount of adjustments resulting from a retrospective application of the change in accounting policy. Therefore, on adoption of this Standard, an entity shall not apply the benchmark or the allowed alternative treatment for other changes in accounting policies in IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> .	IPSAS-specific paragraph. From December 2004 version of IPSAS 21.	A
IPSAS 22, <i>Disclosure of Financial Information about the General Government Sector</i> (December 2006)	No transitional provisions.	
IPSAS 23, <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i> (December 2006)		
116. Entities are not required to change their accounting policies in respect of the recognition and measurement of taxation revenue for reporting periods beginning on a date within five years following the date of first adoption of this Standard.	IPSAS-specific paragraph. From December 2006 version of IPSAS 23.	A
117. Entities are not required to change their accounting policies in respect of the recognition and measurement of revenue from non-exchange transactions, other than taxation revenue, for reporting periods beginning on a date within three years following the date of first adoption of this Standard.	IPSAS-specific paragraph. From December 2006 version of IPSAS 23.	A
118. Changes in accounting policies in respect of the recognition and measurement of revenue from non-exchange transactions made before the expiration of the five year period permitted in paragraph 116, or the three year period permitted in paragraph 117, shall only be made to better conform to the accounting policies of this Standard. Entities may change their accounting policies in respect of revenue from non-exchange	IPSAS-specific paragraph. From December 2006 version of IPSAS 23.	A

transactions on a class-by-class basis.		
119. When an entity takes advantage of the transitional provisions in paragraph 116 or 117, that fact shall be disclosed. The entity shall also disclose (a) which classes of revenue from non-exchange transactions are recognized in accordance with this Standard, (b) those that have been recognized under an accounting policy that is not consistent with the requirements of this Standard, and (c) the entity's progress towards implementation of accounting policies that are consistent with this Standard. The entity shall disclose its plan for implementing accounting policies that are consistent with this Standard.	IPSAS-specific paragraph. From December 2006 version of IPSAS 23.	A
120. When an entity takes advantage of the transitional provisions for a second or subsequent reporting period, details of the classes of revenue from non-exchange transactions previously recognized on another basis, but which are now recognized in accordance with this Standard, shall be disclosed.	IPSAS-specific paragraph. From December 2006 version of IPSAS 23.	A
121. The transitional provisions are intended to allow entities a period to develop reliable models for measuring revenue from non-exchange transactions during the transitional period. Entities may adopt accounting policies for the recognition of revenue from non-exchange transactions that do not comply with the provisions of this Standard. The transitional provisions allow entities to apply this Standard incrementally to different classes of revenue from non-exchange transactions. For example, entities may be able to recognize and measure property taxes and some classes of transfers in accordance with this Standard from the date of application, but may require up to five years to fully develop a reliable model for measuring income tax revenue.	IPSAS-specific paragraph. From December 2006 version of IPSAS 23.	A
122. When an entity takes advantage of the transitional provisions in this Standard, its accounting policies for each class of revenue from non-exchange transactions may only be changed to better conform to this Standard. An entity may retain its existing accounting policies until it decides to fully apply the provisions of this Standard, or until the transitional provisions expire, whichever is earlier, or it may change them to apply the requirements of this Standard progressively. An entity may, for example, change from a policy of recognition on a cash basis to a modified cash or modified accrual basis before it fully applies this Standard.	IPSAS-specific paragraph. From December 2006 version of IPSAS 23.	A
123. The disclosure requirements of paragraph 119 assist users to track the progress of the entity in conforming its accounting policies to the requirements of this IPSAS during the reporting periods in which the transitional provisions apply.	IPSAS-specific paragraph. From December 2006 version of IPSAS 23.	A

This disclosure facilitates the objective of full accountability and transparency.		
IPSAS 24, <i>Presentation of Budget Information in Financial Statements</i> (December 2006)	No transitional provisions.	
IPSAS 25, <i>Employee Benefits</i> (February 2008)		
166. On first adopting this Standard, an entity shall determine its initial liability for defined benefit plans at that date as: (a) The present value of the obligations (see paragraph 77) at the date of adoption; (b) Minus the fair value, at the date of adoption, of plan assets (if any) out of which the obligations are to be settled directly (see paragraphs 118–120); (c) Minus any past service cost that, under paragraph 112, shall be recognized in later periods.	From February 2008 version of IPSAS 25. Based on 2004 Bound Volume version of IAS 19.154.	A
167. If the initial liability determined in accordance with paragraph 166 is more or less than the liability that would have been recognized at the same date under the entity's previous accounting policy, the entity shall recognize that increase/decrease in opening accumulated surpluses or deficits.	IPSAS-specific paragraph. From February 2008 version of IPSAS 25.	A
168. On the initial adoption of this Standard, the effect of the change in accounting policy includes all actuarial gains and losses that arose in earlier periods, even if they fall inside the corridor specified in paragraph 105. Entities reporting under accrual accounting for the first time will not have recognized any liability, in which case the increase in the liability will represent the full amount of the liability minus the fair value, at the date of adoption, of any plan assets in accordance with paragraph 166(b) and any past service cost to be recognized in later periods in accordance with paragraph 166(c). Under the provisions of this Standard, this increased liability is recognized in accumulated surpluses or deficits.	From February 2008 version of IPSAS 25. The first sentence based on 2004 Bound Volume version of IAS 19.156.	A
169. On first adopting this Standard, an entity shall not split the cumulative actuarial gains and losses from the inception of the defined benefit plan(s) until the date of first adoption of this Standard into a recognized and unrecognized portion. All cumulative actuarial gains and losses shall be recognized in opening accumulated surpluses or deficits.	IPSAS-specific paragraph. From February 2008 version of IPSAS 25.	A
170. On first adoption of this Standard, entities are not permitted to split cumulative	IPSAS-specific paragraph.	A

actuarial gains and losses into recognized and unrecognized portions. All cumulative gains and losses are recognized in opening accumulated surpluses or deficits. This requirement on first-time adoption of this Standard does not preclude an entity electing to recognize only part of its actuarial gains and losses in accordance with the requirements in paragraphs 105–107 in subsequent reporting periods.	From February 2008 version of IPSAS 25.	
171. In the first year of adoption of this Standard, an entity is not required to provide comparative information.	IPSAS-specific paragraph. From February 2008 version of IPSAS 25.	A
172. Paragraph 171 provides relief from the inclusion of comparative information to all entities in the first year of adoption of this Standard. An entity is encouraged to include comparative information where this is available.	IPSAS-specific paragraph. From February 2008 version of IPSAS 25.	A
173. In the first year of adoption of this Standard, an entity is not required to provide the disclosures in paragraphs 141(c), 141(e), and 141(f).	IPSAS-specific paragraph. From February 2008 version of IPSAS 25.	A
174. The reconciliations in paragraphs 141(c) and 141(e) both involve the disclosure of opening balances relating to components of defined benefit obligations, plan assets, and reimbursement rights. The disclosure in paragraph 141(f) requires a reconciliation that relies on information in paragraphs 141(c) and 141(e). These disclosures are not required in the first year of adoption of this Standard. An entity is encouraged to include these disclosures where the information is available.	IPSAS-specific paragraph. From February 2008 version of IPSAS 25.	A
175. In the first year of adoption of this Standard, an entity may provide the information required in paragraph 141(p) prospectively.	IPSAS-specific paragraph. From February 2008 version of IPSAS 25.	A
176. The information specified in paragraph 141(p) relates to the present value of the defined benefit obligation, the fair value of the plan assets, the surplus or deficit in the plan, and certain experience adjustments. This disclosure is only required for the current annual period in the first year of adoption. Information on prior annual periods can be provided prospectively as the entity reports under the requirements of this Standard. This allows entities to build trend information over a period, rather than producing such information for reporting periods prior to the period of first adoption of the Standard.	IPSAS-specific paragraph. From February 2008 version of IPSAS 25.	A
IPSAS 26, <i>Impairment of Cash-Generating Assets</i> (February 2008)	No transitional provisions.	

<p>IPSAS 27, <i>Agriculture</i> (December 2009)</p>		
<p>Initial Adoption of Accrual Accounting</p> <p>55. Where an entity initially recognizes biological assets or agricultural produce on the first-time adoption of the accrual basis of accounting, the entity shall report the effect of the initial recognition of those assets, and that produce as an adjustment to the opening balance of accumulated surpluses or deficits for the period in which this Standard is first adopted.</p>	<p>IPSAS-specific paragraph. From December 2009 version of IPSAS 27.</p>	<p>A</p>
<p>IPSAS 28, <i>Financial Instruments: Presentation</i> (January 2010)</p>		
<p>56. An entity shall apply this Standard retrospectively on first time application.</p>	<p>From January 2010 version of IPSAS 28. Based on 2009 Bound Volume version of IAS 32.97.</p>	<p>A, B</p>
<p>57. When an entity that previously applied IPSAS 15, <i>Financial Instruments: Disclosure and Presentation</i>, applies the requirements in paragraphs 15 to 18, an entity is required to split a compound financial instrument with an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation into a liability and net assets/equity component. If the liability component is no longer outstanding, a retrospective application of these requirements would involve separating two components of net assets/equity. The first component would be in accumulated surpluses and deficits and represent the cumulative interest accreted on the liability component. The other component would represent the original net assets/equity component. Therefore, an entity need not separate these two components if the liability component is no longer outstanding when the Standard is adopted.</p>	<p>From January 2010 version of IPSAS 28. Based on 2009 Bound Volume version of IAS 32.97C except for the beginning of the first sentence.</p>	<p>B</p>
<p>58. An entity that either previously did not apply IPSAS 15 or adopts accrual accounting for the first time, applies the transitional provision in paragraph 57 to all compound financial instruments.</p>	<p>IPSAS-specific paragraph. From January 2010 version of IPSAS 28.</p>	<p>A</p>
<p>IPSAS 29, <i>Financial Instruments: Recognition and Measurement</i> (January 2010)</p>		
<p>114. This Standard shall be applied retrospectively except as specified in paragraphs 115–123. The opening balance of accumulated surplus or</p>	<p>From January 2010 version of IPSAS 29. Based on 2009 Bound Volume version of</p>	<p>A, B</p>

<p>deficit for the earliest prior period presented and all other comparative amounts shall be adjusted as if this Standard had always been in use unless restating the information would be impracticable. If restatement is impracticable, the entity shall disclose that fact and indicate the extent to which the information was restated.</p>	<p>IAS 39.104.</p>	
<p>115. When this Standard is first applied, an entity is permitted to designate a financial asset, including those that may have been recognized previously, as available for sale. For any such financial asset the entity shall recognize all cumulative changes in fair value in a separate component of net assets/equity until subsequent derecognition or impairment, when the entity shall transfer that cumulative gain or loss to surplus or deficit. For financial assets that were previously recognized, the entity shall also:</p> <ul style="list-style-type: none"> (a) Restate the financial asset using the new designation in the comparative financial statements; and (b) Disclose the fair value of the financial assets at the date of designation and their classification and carrying amount in the previous financial statements. 	<p>From January 2010 version of IPSAS 29. Based on 2009 Bound Volume version of IAS 39.105.</p>	<p>A, B</p>
<p>116. When this Standard is first applied, an entity is permitted to designate a financial asset or a financial liability, including those that may have been recognized previously, at fair value through surplus or deficit that meet the criteria for designation in paragraphs 10, 13, 14, 15, 51, AG7–AG16, AG47, and AG48. Where an entity previously recognized financial assets and financial liabilities, the following apply:</p> <ul style="list-style-type: none"> (a) Notwithstanding paragraph 111, any financial assets and financial liabilities designated as at fair value through surplus or deficit in accordance with this subparagraph that were previously designated as the hedged item in fair value hedge accounting relationships shall be de-designated from those relationships at the same time they are designated as at fair value through surplus or deficit. (b) Shall disclose the fair value of any financial assets or financial liabilities designated in accordance with subparagraph (a) at the date of designation and their classification and carrying amount in the previous financial statements. (c) Shall de-designate any financial asset or financial liability previously designated as at fair value through surplus or deficit if it does not qualify for such designation in accordance with those paragraphs. 	<p>From January 2010 version of IPSAS 29. Based on 2009 Bound Volume version of IAS 39.105B except for the beginning sentence of the paragraph.</p>	<p>A, B</p>

<p>When a financial asset or financial liability will be measured at amortized cost after de-designation, the date of de-designation is deemed to be its date of initial recognition.</p> <p>(d) Shall disclose the fair value of any financial assets or financial liabilities de-designated in accordance with subparagraph (c) at the date of de-designation and their new classifications.</p>		
<p>117. An entity shall restate its comparative financial statements using the new designations in paragraph 116 provided that, in the case of a financial asset, financial liability, or group of financial assets, financial liabilities or both, designated as at fair value through surplus or deficit, those items or groups would have met the criteria in paragraph 10(b)(i), 10(b)(ii), or 13 at the beginning of the comparative period or, if acquired after the beginning of the comparative period, would have met the criteria in paragraph 10(b)(i), 10(b)(ii), or 13 at the date of initial recognition.</p>	<p>From January 2010 version of IPSAS 29. Based on 2009 Bound Volume version of IAS 39.105D.</p>	<p>A, B</p>
<p>118. Except as permitted by paragraph 119, an entity shall apply the derecognition requirements in paragraphs 17–39 and Appendix A paragraphs AG51–AG67 prospectively. If an entity derecognized financial assets under another basis of accounting as a result of a transaction that occurred before the adoption of this Standard and those assets would not have been derecognized under this Standard, it shall not recognize those assets.</p>	<p>From January 2010 version of IPSAS 29. Based on 2009 Bound Volume version of IAS 39.106.</p>	<p>A, B</p>
<p>119. Notwithstanding paragraph 118, an entity may apply the derecognition requirements in paragraphs 17–39 and Appendix A paragraphs AG51–AG67 retrospectively from a date of the entity’s choosing, provided that the information needed to apply this Standard to assets and liabilities derecognized as a result of past transactions was obtained at the time of initially accounting for those transactions.</p>	<p>From January 2010 version of IPSAS 29. Based on 2009 Bound Volume version of IAS 39.107.</p>	<p>A, B</p>
<p>120. Notwithstanding paragraph 114, an entity may apply the requirements in the last sentence of paragraph AG108, and paragraph AG109, in either of the following ways:</p> <p>(a) Prospectively to transactions entered into after the adoption of this Standard; or</p> <p>(b) Retrospectively from a date of the entity’s choosing, provided that the information needed to apply this Standard to assets and liabilities as a result of past transactions was obtained at the time of initially</p>	<p>From January 2010 version of IPSAS 29. Paragraph (a) based on 2009 Bound Volume version of IAS 39.107A (b) and paragraph (b) is IPSAS-specific.</p>	<p>A, B</p>

accounting for those transactions.		
121. An entity shall not adjust the carrying amount of non-financial assets and non-financial liabilities to exclude gains and losses related to cash flow hedges that were included in the carrying amount before the beginning of the financial year in which this Standard is first applied. At the beginning of the financial period in which this Standard is first applied, any amount recognized directly in net assets/equity for a hedge of a firm commitment that under this Standard is accounted for as a fair value hedge shall be reclassified as an asset or liability, except for a hedge of foreign currency risk that continues to be treated as a cash flow hedge.	From January 2010 version of IPSAS 29. Based on 2009 Bound Volume version of IAS 39.108.	A, B
122. If an entity has designated as the hedged item an external forecast transaction that: (a) Is denominated in the functional currency of the entity entering into the transaction; (b) Gives rise to an exposure that will have an effect on consolidated surplus or deficit (i.e., is denominated in a currency other than the economic entity's presentation currency); and (c) Would have qualified for hedge accounting had it not been denominated in the functional currency of the entity entering into it; it may apply hedge accounting in the consolidated financial statements in the period(s) before the date of first application of the last sentence of paragraph 89 and paragraphs AG133 and AG134.	From January 2010 version of IPSAS 29. Based on 2009 Bound Volume version of IAS 39.108A.	A, B
123. An entity need not apply paragraph AG134 to comparative information relating to periods before the date of application of the last sentence of paragraph 89 and paragraph AG133.	From January 2010 version of IPSAS 29. Based on 2009 Bound Volume version of IAS 39.108B.	A, B
IPSAS 30, <i>Financial Instruments: Disclosures</i> (January 2010)		
52. If an entity applies this Standard for annual periods beginning before January 1, 2013, it need not present comparative information for the disclosures required by paragraphs 38–49 about the nature and extent of risks arising from financial instruments.	From January 2010 version of IPSAS 29. Based on 2009 Bound Volume version of IFRS 7.44.	A, B
IPSAS 31, <i>Intangible Assets</i> (January 2010)		

128. An entity that has previously recognized intangible assets shall apply this Standard retrospectively in accordance with IPSAS 3.	IPSAS-specific paragraph. From January 2010 version of IPSAS 31.	A
129. An entity that has not previously recognized intangible assets and uses the accrual basis of accounting shall apply this Standard prospectively. However, retrospective application is permitted.	IPSAS-specific paragraph. From January 2010 version of IPSAS 31.	A
130. For intangible items that meet: (a) The recognition criteria in this Standard (including reliable measurement of original cost); and (b) The criteria in this Standard for revaluation (including existence of an active market); 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.	From January 2010 version of IPSAS 31. Based on 2009 Bound Volume version of IFRS 1.D7(b).	A
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: (a) Fair value; or (b) Cost or depreciated cost in accordance with IPSASs, adjusted to reflect, for example, changes in a general or specific price index.	From January 2010 version of IPSAS 31. Based on 2009 Bound Volume version of IFRS 1.D6.	A
IPSAS 32, Service Concession Arrangements (Grantor)		
34. A grantor that has previously recognized service concession assets and related liabilities, revenues, and expenses shall apply this Standard retrospectively in accordance with IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors.	From October 2011 version of IPSAS 32. IPSAS-specific standard	A
35. A grantor that has not previously recognized service concession assets and related liabilities, revenues, and expenses shall either: (a) Apply this Standard retrospectively in accordance with IPSAS 3; or (b) Elect to recognize and measure service concession assets and related liabilities at the beginning of the earliest period for which comparative information is presented in the financial statements. When the grantor makes this election, it shall disclose this fact, along with disclosures relating to the measurement of those assets and liabilities.		A

<p>AG68. Where the grantor has not previously recognized service concession assets, it may elect to under paragraph 35(b) to recognize and measure service concession assets and related liabilities prospectively, using deemed cost. Deemed cost is determined at the beginning of the earliest period for which comparative information is presented in the financial statements.</p>		A
<p>AG69. Deemed cost for service concession assets should be determined using the following measurement bases:</p> <ul style="list-style-type: none"> (a) For property, plant, and equipment – fair value, or depreciated replacement cost as a means of estimating fair value where there is no market. IPSAS 17 allows revaluation using fair value or depreciated replacement cost (see IPSAS 17, paragraphs 46–48); and (b) For intangible assets – fair value. IPSAS 31 only allows fair value for revaluation, thus the deemed cost is limited to fair value. 		A
<p>AG70. The related liability should be determined using the following approaches:</p> <ul style="list-style-type: none"> (a) For the liability under the financial liability model, the remaining contractual cash flows specified in the binding arrangement and the rate described in paragraphs AG41–AG46. (b) For the liability under the grant of a right to the operator model, the fair value of the asset less any financial liabilities, adjusted to reflect the remaining period of the service concession arrangement. 		A
<p>AG71. Depreciation or amortization is based on that deemed cost and starts from the date for which the entity established the deemed cost.</p>		A
<p><i>Use of Deemed Cost under the Financial Liability Model</i></p> <p>AG72. Where the grantor uses deemed cost under the financial liability model, it measures:</p> <ul style="list-style-type: none"> (a) The service concession asset at fair value (see paragraph 11); and (b) The financial liability using the remaining contractual cash flows specified in the binding arrangement and the rate described in paragraphs AG41–AG46 at the beginning of the earliest period for which comparative information is presented in the financial statements. <p>Any difference between the value of the asset and the financial liability is recognized directly in net assets/equity. If the entity chooses as its accounting policy the revaluation model in IPSAS 17 or IPSAS 31, this difference is</p>		A

included in any revaluation surplus.		
<p><i>Use of Deemed Cost under the Grant of a Right to the Operator Model</i></p> <p>AG73. Where the grantor uses deemed cost under the grant of a right to the operator model, it measures:</p> <p>(a) The service concession asset at fair value (see paragraph 11); and</p> <p>(b) The liability representing the unearned portion of any revenue arising from the receipt of the service concession asset. This amount should be determined as the fair value of the asset less any financial liabilities, adjusted to reflect the remaining period of the service concession arrangement.</p>		A