

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Abu Dhabi, UAE

Meeting Date: March 11-14, 2013

Agenda Item 9

For:

☐ Approval

☒ Discussion

☐ Information

ISSUES PAPER ON THE ASSESSMENT OF TRANSITIONAL ACCOUNTING ISSUES FOR IPSAS 21/26, 23, IPSAS 25 AND IPSAS 32

Objective of Issues Paper

1. The objective of this Issues Paper is to **provide**:
 - (a) A discussion of proposed transitional provisions for IPSAS 21, *Impairment of Non-cash generating Assets* and IPSAS 26, *Impairment of Cash Generating Assets* (Matter for Consideration 1),
 - (b) An assessment of transitional accounting issues of IPSAS 23, IPSAS 25 and IPSAS 32 based on a pre-defined set of criteria, and concluding proposals for the ED on First-time Adoption of Accrual Basis IPSASs (Matter for Consideration 2)

for **review** and **exchange of views** by the IPSASB.

Background for the discussion of proposed transitional provisions for IPSAS 21 IPSAS 26

2. In the December meeting 2012 the IPSASB discussed for the first time the assessments of transitional accounting issues of IPSASs 19 to IPSAS 22, IPSAS 24, IPSASs 26 to 27 and IPSAS 31. The Board discussed intensively the transitional accounting issue of IPSAS 26, *Retrospective accounting for impairment of cash generating assets* identified by staff. Appendix A of this Issues Paper contains the draft summary of the discussions on IPSAS 21 and IPSAS 26 at the last IPSASB meeting in December 2012.
3. Appendix B of this Issues Paper contains the assessments of transitional provisions related to IPSAS 21, *Impairment of Non-Cash Generating Assets*, and IPSAS 26, *Impairment of Cash-Generating Assets*, which were both part of Agenda Paper 7.2 at the December 2012 meeting.
4. With respect to IPSAS 21, *Impairment of Non-Cash Generating Assets* staff proposed to keep the existing transitional provision in IPSAS 21, i.e. entities should not be required to apply IPSAS 21 retrospectively. Staff noted that, as a consequence of prospective application of IPSAS 21, entities would be required to perform an impairment test under IPSAS 21 for its non-cash generating assets in the opening statement of financial position if there is any indication at the date of transition that the respective assets are impaired. Staff considered the transitional provision as a category 1 transitional provision. The IPSASB confirmed these views.
5. The current transitional provision in IPSAS 21.80 requires that impairment losses (reversals of impairment losses) that result from the first-time adoption of IPSAS 21 need to be recognized in surplus or deficit. IPSAS 21.80 explains that on first-time adoption of IPSAS 21, entities may face a change in accounting policy. As it would be difficult to determine the amount of adjustments

resulting from a retrospective application of the change in accounting policy, an entity shall not apply the benchmark or the allowed alternative treatment for other changes in accounting policies in IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.

6. With respect to retrospective application, IPSAS 21.81 clarifies that the amount of the resulting adjustment relating to periods before those presented in the financial statements is made to the opening balance of each affected component of net assets/equity of the earliest prior period presented. Usually the adjustment is made to accumulated surpluses or deficits, but also the adjustment may be made to another component of net assets/equity (for example, to comply with an IPSAS).
7. At the last IPSASB meeting, staff outlined that in contrast to IPSAS 21, IPSAS 26, *Impairment of Cash-Generating Assets*, currently does not provide any transitional provisions for first-time adoption. The IPSASB confirmed that by analogy to IPSAS 21 entities should not be required to retrospectively account for impairments of cash generating assets. As a consequence, by analogy to IPSAS 21 entities would be required to perform an impairment test under IPSAS 26 for its cash generating assets in the opening statement of financial position if there is any indication at the date of transition that the respective assets are impaired. The IPSASB confirmed that such a transitional provision should be considered as a category 1 transitional provision.
8. At the December 2012 meeting the IPSASB discussed the treatment of the effect of an impairment loss (or of the reversal of an impairment loss) that result from the first-time adoption of IPSAS 21 in an entity's first IPSAS financial statements. By analogy to IPSAS 21 an entity would be required to recognize the effect in surplus or deficit, i.e. in the entity's first IPSAS statement of financial performance.
9. Members discussed the following options for accounting of this effect:
 - (a) Measuring such assets at their recoverable amount and using the recoverable amount as deemed cost at the date of transition to IPSAS;
 - (b) Measuring such assets at their recoverable amount and reporting the effect either:
 - (i) in the entity's first IPSAS statement of financial position in net assets/equity, or
 - (ii) in the entity's first IPSAS statement of financial performance.
10. With respect to option (a) it was noted that the recoverable amount would become the asset's deemed cost and the effect could not be reversed in future periods. Therefore, assets existing at the date of transition would be treated differently than the same assets acquired after the date of transition. With respect to option (b) it was noted that option (b) (ii) would be better than (b) (i) as the presentation of the effect would be more representational faithful than reporting it through net assets/equity. On the other side it was argued that reporting the effect through the statement of financial performance would misinform users as the causes for the impairment actually occurred in prior periods.

Retrospective accounting for impairment of assets under IFRSs

11. With respect to treatment of the effect of an impairment loss (or of the reversal of an impairment loss) that result from the first-time adoption of IFRSs in an entity's first IFRS financial statements there is currently no optional exemption in IFRS 1 related to the application of IAS 36, which might imply that the standard should be applied retrospectively. Commentaries to first-time adoption of

IFRSs state that the Implementation Guidance in IFRS 1 relating to IAS 36 indicates that a first-time adopter should focus on the date of transition. This means that a first-time adopter does not seek to remeasure previous impairment losses, or to recognize an impairment loss that would have been recognized if IFRS had applied instead of previous GAAP. Retrospective application of IAS 36 is therefore not required. The commentary also clarifies that at the date of transition a first-time adopter should perform detailed impairment testing when there is an indication of impairment. Any impairment losses and reversal of impairment losses at the date of transition are charged or credited to retained earnings unless another component of equity is appropriate.

12. Other commentaries state that there are no exemptions in IFRS 1 from full retrospective application of IAS 36. A first time adopter needs to (a) determine whether any impairment loss exists at the date of transition to IFRSs; and (b) measure any impairment loss that exists at that date, and reverse any impairment loss that no longer exists at that date. This commentary also notes that as impairment losses for non-financial long-lived assets other than goodwill can be reversed under IAS 36, in many instances, there will be no practical differences between applying IAS 36 fully retrospectively or applying it at the transition date. In accordance with IAS 8, retrospective application requires adjustment of the opening balance of each affected component of equity for the earliest period presented as if the new accounting policy had always been applied. The amount of the resulting adjustment relating to periods before those presented in the financial statements will usually be made to retained earnings. However, it goes on to note that the adjustment may be made to another component to equity.
13. Based on the analysis of the treatment of impairment of assets at first-time adoption of IFRSs staff seeks to clarify the following issues with the IPSASB:

Matter for Consideration

1. Members are asked:
 - (a) Whether entities should not be required to apply IPSAS 21 and IPSAS 26 retrospectively at first-time adoption of accrual basis IPSASs;
 - (b) Whether entities should be required to perform an impairment test at the date of transition to IPSASs according to IPSAS 21 or IPSAS 26 respectively when there is an indication of impairment;
 - (c) Whether entities should recognize the effect of an impairment loss (or of the reversal of an impairment loss) that result from the first-time adoption of IPSAS 21 or IPSAS 26 in surplus or deficit in an entity's first IPSAS statement of financial performance or in accumulated surplus or deficit in the entity's opening statement of financial performance.
 - (d) Into which category of transitional provision (1 or 2) these transitional provisions should be grouped.

Background to the assessment of transitional accounting issues for IPSAS 23, IPSAS 25 and IPSAS 32

14. At the September 2012 meeting, staff was asked to (a) analyze the transitional accounting issues for IPSAS 19 to IPSAS 32, and (b) to re-draft the Exposure Draft based on results achieved at the September 2012 meeting and bring back these papers to the December 2012 meeting.
15. For the December meeting staff was not able to perform an assessment of:
 - (a) *IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers)*
 - (b) *IPSAS 25, Employee Benefits*
 - (c) *IPSASs 28-30, Financial Instruments*
 - (d) *IPSAS 32, Service Concession Arrangements*
16. For the March 2013 meeting staff has assessed the transitional provisions for IPSAS 23, 25 and 32. Staff intends to provide the assessments for IPSASs 28-30 for the next IPSASB meeting
17. The table in Appendix C of this Issues Paper provides an overview of the proposed transitional provisions based on the IPSASB's views expressed at the September and December 2012 IPSASB meeting.

Action requested:

Matter for Consideration

2. Members are asked to **review** and **discuss** the assessments of proposed transitional provisions for IPSAS 23, IPSAS 25 and IPSAS 32.

Assessment of Transitional Provisions Related to IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*

Accounting issue:	Retrospective recognition (and measurement) of taxation revenue at first-time adoption
Outline of issue:	<ul style="list-style-type: none"> According to IPSAS 23.31 an inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset shall be recognized as an asset when: <ul style="list-style-type: none"> (a) It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; (b) The fair value of the asset can be measured reliably. Following IPSAS 23.44 an inflow of resources from a non-exchange transaction recognized as an asset shall be recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow. Revenue from non-exchange transactions shall be measured at the amount of the increase in net assets recognized by the entity (cf. IPSAS 23.48). With respect to taxes, an entity shall recognize an asset when the taxable event occurs and the asset recognition criteria are met (cf. IPSAS 23.59). According to IPSAS 3 an entity would have to apply IPSAS 23 retrospectively.
Minimum information affected:	Opening statement of financial position, statement of financial performance, statement of financial position and statement of changes in net assets/equity, comparison of budget and actual information (when the entity makes publicly available its approved budget), notes disclosures
Transitional Provisions in IPSAS:	Transitional Provisions in IFRS 1:
<p>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.</p> <p>IPSAS 23.118: 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 (Note: the three year period relates to other non-exchange revenue and is discussed in the next issue) shall only be made to better conform to the accounting</p>	<p>Not applicable, as there is no IFRS-equivalent to IPSAS 23.</p>

<p>policies of this Standard. Entities may change their accounting policies in respect of revenue from non-exchange transactions on a class-by-class basis.</p> <p>IPSAS 23.119: 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.</p> <p>IPSAS 23.120: 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.</p>	
<p>Aspect of the minimum information:</p>	<p>Appropriate recognition (and measurement) of elements.</p>
<p>Assessment based on the qualitative characteristics of, and constraints on, information:</p>	<p>Staff proposes to provide a certain relief period where entities are not required to change their accounting policies in respect of the recognition and measurement of taxation revenue. Also changes in accounting policies in respect of the recognition and measurement of taxation revenue made before the expiration of the relief period shall only be made to better conform to the accounting policies of IPSAS 23. Staff also proposes to keep the existing disclosure requirements in IPSAS 23.118-120, when an entity makes use of a relief period.</p> <p>For many entities in the public sector, not recognizing taxation revenue for a certain period of time is a matter of relevance as it is capable of making a difference in achieving the objectives of financial reporting. Not applying IPSAS 23 for a certain period of time might not result in a faithful representation of the financial position/performance of an entity. Faithful representation might not be achieved as entities would not be required to recognize tax receivables at the date of transition to IPSASs. The cost of recognizing taxation revenue can be very high, mainly</p>

	<p>because of the required changes to the systems for tax administration and of possible changes to existing accounting policies. Also the efforts necessary for retrospective identification, recognition and measurement of assets arising from previous period's taxation revenue (e.g. tax receivables) will likely be considerably high.</p> <p>Staff has identified a trade-off between the qualitative characteristics and the constraints on information. Staff is of the view that the high costs for applying IPSAS 23 outweigh faithful representation and relevance.</p>
Fair presentation consideration:	Not recognizing taxation revenue during a certain period of time will affect an entity's fair presentation.
Practical complexity/difficulty:	<p>As outlined under the cost criterion, the retrospective application of IPSAS 23 can be quite cumbersome. Entities might face limitations of their existing tax administration systems and may also have limited trained staff. A certain period of time to comply with IPSAS 23 will allow entities a period of time to develop reliable methods for measuring taxation revenue. Staff shares the views expressed in para. 121 of IPSAS 23 that entities may apply this Standard incrementally to different classes of taxation revenue. 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.</p> <p>Experiences in jurisdictions have shown that entities at higher level of governments would need at least a 5-year period to adapt their tax administration systems and to develop reliable models for recognizing and measuring taxation revenue. Such a time frame would allow sufficient time for governments to plan and implement the changes (including system modifications) required by IPSAS 23.</p>
Proposal for ED:	Based on the practical complexity/difficulty-consideration and the cost-criterion staff proposes to allow for a certain relief period where entities are not required to change their accounting policies in respect of the recognition and measurement of taxation revenue. Based on experiences of jurisdictions implementing IPSAS 23 reg. taxations revenues staff proposes to keep the existing relief period in IPSAS 23 of five years. Where entities are able to comply with IPSAS 23 earlier than within 5 years, entities should be encouraged to recognize taxation revenue earlier than the allowed five years. Staff also proposes to keep the existing disclosure requirements in IPSAS 23.118-120, when an entity makes use of a relief period.
Basket:	Category 2, as not applying IPSAS 23 beginning on the date of transition to IPSASs affects fair presentation.

Accounting issue:	Retrospective recognition (and measurement) of revenue from non-exchange transactions, other than taxation revenue	
Outline of issue:	<ul style="list-style-type: none"> According to IPSAS 23.31 an inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset shall be recognized as an asset when: <ul style="list-style-type: none"> (a) It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; (b) The fair value of the asset can be measured reliably. Following IPSAS 23.44 an inflow of resources from a non-exchange transaction recognized as an asset shall be recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow. As an entity satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it shall reduce the carrying amount of the liability recognized and recognize an amount of revenue equal to that reduction (cf. IPSAS 23.45). According to IPSAS 23.50 a present obligation arising from a non-exchange transaction that meets the definition of a liability shall be recognized as a liability when, and only when: <ul style="list-style-type: none"> (a) It is probable that an outflow of resources embodying future economic benefits or service potential will be required to settle the obligation; and (b) A reliable estimate can be made of the amount of the obligation. Revenue from non-exchange transactions shall be measured at the amount of the increase in net assets recognized by the entity (cf. IPSAS 23.48). The amount recognized as a liability shall be the best estimate of the amount required to settle the present obligation at the reporting date (cf. IPSAS 23.57). According to IPSAS 3 an entity would have to apply IPSAS 23 retrospectively. 	
Minimum information affected:	Opening statement of financial position, statement of financial performance, statement of financial position and statement of changes in net assets/equity, comparison of budget and actual information (when the entity makes publicly available its approved budget), notes disclosures	
Transitional Provisions in IPSAS:		Transitional Provisions in IFRS 1:
IPSAS 23.117: 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		Not applicable, as there is no IFRS-equivalent to IPSAS 23.

<p>date within three years following the date of first adoption of this Standard.</p> <p>IPSAS 23.118: 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 transactions on a class-by-class basis.</p> <p>IPSAS 23.119: 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.</p> <p>IPSAS 23.120: 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.</p>	
<p>Aspect of the minimum information:</p>	<p>Appropriate recognition (and measurement) of elements.</p>
<p>Assessment based on the qualitative characteristics of, and constraints on, information:</p>	<p>Staff proposes to keep the existing transitional provisions in IPSAS 23 with respect to revenue from non-exchange transactions, other than taxation revenue. Entities should not be 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 transition to IPSASs. Also changes in accounting policies in</p>

	<p>respect of the recognition and measurement of revenue from non-exchange transactions other than taxation revenue made before the expiration of the relief period shall only be made to better conform to the accounting policies of IPSAS 23. Staff also proposes to keep the existing disclosure requirements in IPSAS 23.118-120, when an entity makes use of a relief period.</p> <p>For many entities not recognizing revenue from non-exchange transactions other than taxation revenue for a certain period of time is a matter of relevance as it is capable of making a difference in achieving the objectives of financial reporting. Not applying IPSAS 23 for a relief period of time might not result in a faithful representation of the financial position/performance of an entity. Faithful representation might also not be achieved as at the date of transition to IPSASs entities would not be required to recognize assets (and possible related liabilities) which have arisen from an inflow of resources resulting from a non-exchange transaction (e.g. fines receivables, gifts and donations, bequests, grants). The cost of recognizing revenue from non-exchange transactions, other than taxation revenue can be high. For example because of entity-wide changes to existing accounting policies relating to non-exchange transactions or of required changes in grants management. Also the efforts necessary for retrospective identification, recognition and measurement of assets and related liabilities arising from revenue from such non-exchange transactions (e.g. fine receivables, assets from bequests, gifts and donations, or grants) will likely be considerably high.</p> <p>Staff has identified a trade-off between the qualitative characteristics and the constraints on information. Staff is of the view that the high costs for applying IPSAS 23 outweigh faithful representation and relevance.</p>
Fair presentation consideration:	Not recognizing revenue from non-exchange transactions other than taxation revenue during a period of time will affect an entity's fair presentation.
Practical complexity/difficulty:	As outlined under the cost criterion, the retrospective application of IPSAS 23 can be quite cumbersome. Entities might face limitations in their existing administration systems of assets and related liabilities arising from non-exchange transactions. A period of grace to comply with IPSAS 23 will give entities time to adapt existing accounting policies and to implement appropriate administration systems (or modify existing ones). Staff shares the view in para. 121 that entities may apply this Standard incrementally to different classes of revenue from non-exchange transactions, other than taxation revenue. 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.

Proposal for ED:	Based on the cost criterion and the practical complexity/difficulty consideration staff proposes to keep the existing transitional provision in IPSAS 23. First-time adopters should not be 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. Staff also proposes to keep the existing disclosure requirements in IPSAS 23.118-120, when an entity makes use of a relief period.
Category:	Category 2, as staff assumes that not applying IPSAS 23 beginning on the date of transition to IPSASs affects fair presentation.

Accounting issue:	Initial measurement of assets acquired through a non-exchange transaction	
Outline of issue:	<ul style="list-style-type: none"> Following IPSAS 23.42 an asset acquired through a non-exchange transaction shall initially be measured at its fair value <u>as at the date of acquisition</u>. IPSAS 23 does not contain guidance on the subsequent measurement of assets acquired through a non-exchange transaction. Staff assumes that for the subsequent measurement of each class of assets the corresponding IPSASs and/or the impairment standards apply. According to IPSAS 3 an entity would have to apply IPSAS 23 retrospectively. 	
Minimum information affected:	Opening statement of financial position, statement of financial performance, statement of financial position and statement of changes in net assets/equity, comparison of budget and actual information (when the entity makes publicly available its approved budget), notes disclosures	
Transitional Provisions in IPSAS:		Transitional Provisions in IFRS 1:
IPSAS 23 does not provide a transitional provision for the initial measurement of assets acquired through a non-exchange transaction.		Not applicable, as there is no IFRS-equivalent to IPSAS 23.
Aspect of the minimum information:	Appropriate measurement of elements.	
Proposal for ED:	<p>In line with the IPSASB's views on IPSAS 12, 16, 17 and 31 staff proposes for the initial measurement of assets acquired through a non-exchange transaction to also allow entities to (a) use fair value as initial measurement basis and (b) use that value as deemed cost.</p> <p>For an assessment of this transitional accounting issue staff would like Members to refer back to the analysis provided in the respective standards.</p>	
Category:	Category 1, as staff assumes that using fair value as deemed cost does not affect fair presentation.	

Assessment of Transitional Provisions Related to IPSAS 25, *Employee Benefits*

Accounting issue:	Recognition (and measurement) of liabilities for employee benefits at first-time adoption of accrual basis IPSASs	
Outline of issue:	<ul style="list-style-type: none"> Where an employee has provided service in exchange for employee benefits to be paid in the future an entity is generally required to recognize a liability and an expense, when the entity consumes the economic benefits or service potential arising from that service provided by the employee (cf. IPSAS 25.1). Costs of providing employee benefits generally are expensed unless other IPSASs permit or require capitalization, for example, IPSAS 17.31. Liabilities for employee benefits are recognized on the basis of a legal or constructive obligation. With respect to employee benefits entities may have unfunded or only partially funded pension plans in place and may continue with those plans after the date of transition to accrual basis IPSAS. Such entities may therefore have no or only some plan assets in place. As a result, an entities opening statement of financial position and subsequent financial statements may be imbalanced. 	
Minimum information affected:	Opening statement of financial position, statement of financial performance, statement of financial position and statement of changes in net assets/equity, comparison of budget and actual information (when the entity makes publicly available its approved budget), notes disclosures	
Transitional Provisions in IPSAS:		Transitional Provisions in IFRS 1:
<p>IPSAS 25 does not provide a transitional provision with respect to the recognition of liabilities arising from employee benefits.</p> <p><i>Staff would like to note:</i></p> <p>BC19 of IPSAS 25 states: “The impact on financial performance and financial position of increases in liabilities arising from adoption of this Standard will be an issue for many public sector entities. However, as indicated in paragraph BC17, a more immediate issue may be obtaining the information in the first place. The IPSASB therefore concluded that, in order to give public sector entities the time to develop new systems and upgrade existing systems, this Standard should become effective for reporting periods commencing on or after January 1, 2011.[...].”</p>		No transitional provisions in IFRS 1.

<p>Therefore, in staff's view it is important to note that the IPSASB was of the view that a period of grace should be provided, but using the effective date as a way of providing relief.</p> <p>With respect to IPSAS 19, <i>Provisions, Contingent Assets and Contingent Liabilities</i>, the IPSASB was of the view that such liabilities should be recognized at the date of transition to IPSASs.</p>	
<p>Aspect of the minimum information:</p>	<p>Appropriate recognition (and measurement) of elements.</p>
<p>Assessment based on the qualitative characteristics of, and constraints on, information:</p>	<p>Given that entities may face imbalanced financial statements over a considerable period of time starting with the opening statement of financial position staff has considered whether a relief period for the recognition of certain liabilities for employee benefits (e.g. for defined benefit plans and other long-term employee benefits) should be provided.</p> <p>The recognition of defined benefit plans and other long-term employee benefits at first-time adoption of IPSASs is a matter of relevance, as it is capable of making a difference in achieving the objectives of financial reporting. During a period of grace where entities are not required to recognize such liabilities the qualitative characteristic of faithful representation is not fulfilled. Financial statements which do not show all liabilities required by IPSAS 25 do not give a complete picture of the financial position of an entity. Also the qualitative characteristic of comparability is not going to be achieved, as users will not be able to compare the financial statements where such liabilities have not been recognized and where they have been recognized. In addition, such liabilities will likely be a material item in the statement of financial position. The cost for providing information about such liabilities (e.g. the cost for the preparation of actuarial pension valuation reports or the organization-wide identification of the information required for the recognition of other long-term employee benefits) may be high, but also the benefits of providing this information seem to be high for users and preparers.</p> <p>In staff's view the QCs of faithful representation and relevance outweighs all other qualitative characteristics/constraints.</p>
<p>Fair presentation consideration:</p>	<p>Not recognizing liabilities relating to employee benefits in an entity's first IPSAS financial statements affects fair presentation at first-time adoption.</p>

Practical complexity/ difficulty:	<p>Entities may experience difficulties in compiling the required information for the initial recognition and valuation of defined benefit plans and other long-term employee benefits. Entities previously applying the cash basis of accounting may have not recognized such liabilities in the past and have to undertake substantial efforts to recognize and measure all their liabilities relating to such employee benefits for the first time than entities previously applying the accrual basis of accounting (e.g. efforts for setting up the organizational structure for an organization-wide recognition of such liabilities, or the development of appropriate accounting policies for such liabilities). Entities may need some time to identify all their liabilities resulting from defined benefit plans and other long-term employee benefits. With respect to accounting for (a) short-term employee benefits, (b) defined contribution plans and (c) termination benefits according to IPSAS 25 staff is of the view that entities do not face major practical complexities or difficulties.</p>
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Proposal for ED:	<p>Based on the cost consideration and the practical complexities/difficulties, staff is of the view that for defined benefit plans and other long-term employee benefits entities should not be required to recognize and measure resulting liabilities at first-time adoption. Therefore, staff proposes to provide a relief period of 3 years where entities are not required to account for defined benefit plans and other long-term employee benefits according to IPSAS 25. Where entities are able to account for such liabilities earlier than within 3 years, entities should be encouraged to recognize them earlier.</p> <p>In accordance with IPSAS 25.167 staff proposes that 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.</p> <p>Also in accordance with the existing transitional provision in IPSAS 25.166, at first-time adoption of IPSAS 25 an entity shall determine its initial liability for defined benefit plans at that date as:</p> <ul style="list-style-type: none"> (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. <p>As many entities are not able to determine the information required by IPSAS 25.105 and 25.106. IPSAS 25.166 therefore excludes the corridor approach from the initial measurement of a defined benefit liability. Staff therefore proposes to keep the existing transitional provision also in the first-time adoption ED.</p>
Category:	Category 2, as fair presentation will not be achieved.

Accounting issue:	Retrospective splitting of the cumulative actuarial gains and losses from the inception of the defined benefit plan(s) until the date of first-time adoption of IPSAS 25 into a recognized and unrecognized portion	
Outline of issue:	<ul style="list-style-type: none"> According to IPSAS 25.105 in measuring its defined benefit liability in accordance with paragraph 65, an entity shall, subject to paragraph 70, recognize a portion of its actuarial gains and losses as revenue or expense if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of: <ul style="list-style-type: none"> (a) 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and (b) 10% of the fair value of any plan assets at that date. These limits shall be calculated and applied separately for each defined benefit plan. Entities have to recognize the amount determined by the corridor approach as a minimum, but they are allowed to recognize more than that. According to IPSAS 3 an entity would have to apply IPSAS 25 retrospectively, i.e. an entity would be required to (a) retrospectively split all cumulative actuarial gains and losses from the inception of all defined benefit plans of an entity until the date of transition to IPSAS into a recognized and unrecognized portion and (b) apply the corridor method appropriately. 	
Minimum information affected:	Opening statement of financial position, statement of financial performance, statement of financial position and statement of changes in net assets/equity, comparison of budget and actual information (when the entity makes publicly available its approved budget), notes disclosures	
Transitional Provisions in IPSAS:		Transitional Provisions in IFRS 1:
IPSAS 25.166: 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. <i>Staff would like to note:</i> Based on this transitional provision an entity is not able to apply the corridor method at the date of transition and it has to measure the full amount		In accordance with IAS 19, <i>Employee Benefits</i> , an entity may elect to use a 'corridor' approach that leaves some actuarial gains and losses unrecognized. Retrospective application of this approach requires an entity to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to IFRSs into a recognized portion and an unrecognized portion. However, a first-time adopter may elect to recognize all cumulative actuarial gains and losses at the date of transition to IFRSs, even if it uses the corridor approach for

<p>for the initial liability for defined benefit plans according to IPSAS 25.166. All previous cumulative actuarial gains and losses need to be recognized in the entity's opening accumulated surpluses or deficits.</p>	<p>later actuarial gains and losses. If a first-time adopter uses this election, it shall apply it to all plans.</p>
<p>Aspect of the minimum information:</p>	<p>Appropriate measurement of elements.</p>
<p>Assessment based on the qualitative characteristics of, and constraints on, information:</p>	<p>Staff proposes to keep the existing transitional provision, i.e. entities 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.</p> <p>The measurement of liabilities for defined benefits plans at first-time adoption of IPSASs is a matter of relevance, as it is capable of making a difference in achieving the objectives of financial reporting. The proposed transitional provision would not allow for faithful representation as IPSAS 25 is not applied on a retrospective basis. The effect of retrospectively applying the corridor approach to an entity's liabilities for defined benefit plans could be material (but does not necessarily have to). The cost for providing the required information for a retrospective determination of cumulative actuarial gains and losses will be extremely high and in some cases even be impracticable (e.g. for entities applying previously the cash basis of accounting).</p> <p>In staff's view the cost constraint will outweigh all other QCs.</p>
<p>Fair presentation consideration:</p>	<p>Because of the fact that for many entities it is often impracticable to determine the required information for retrospectively applying IPSAS 25, staff is of the view that not applying IPSAS 25 retrospectively, does not affect fair presentation.</p>
<p>Practical complexity/difficulty:</p>	<p>Entities may experience difficulties in compiling the required information for the retrospective application of IPSAS 25, i.e. the determination of the cumulative actuarial gains and losses from the inception of the defined benefit plan(s) until the date of transition to IPSASs. For some entities (e.g. for entities applying previously the cash basis of accounting) it might even be impracticable to determine this information. In case that the transitional provision would offer a possibility to apply IPSAS 25 retrospectively (like in IFRS 1.D10), then entities already applying the accrual basis of accounting might be able to apply IPSAS 25 retrospectively and may use the corridor method whereas entities previously applying the cash basis may not be able to use that method.</p>

Proposal for ED:	Based on the practical complexity/difficulty consideration, the fair presentation consideration as well as the cost constraint, staff is of the view that the existing transitional provision in IPSAS 25.169 should be kept. Therefore, entities shall not be permitted to 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.
Category:	Category 1, as the transitional provision does not affect fair presentation.

Accounting issue:	Requirement to provide comparative information reg. employee benefits in an entity's first IPSAS financial statements	
Minimum information affected:	Opening statement of financial position, statement of financial performance, statement of financial position and statement of changes in net assets/equity, comparison of budget and actual information (when the entity makes publicly available its approved budget), notes disclosures	
Transitional Provisions in IPSAS:		Transitional Provisions in IFRS 1:
IPSAS 25.171: In the first year of adoption of this Standard, an entity is not required to provide comparative information.		No transitional provisions in IFRS 1.
Aspect of the minimum information:	Appropriate presentation of comparative information about employee benefits in an entity's first IPSAS financial statements.	
Outline of issue:	<ul style="list-style-type: none"> At the September and December 2012 meeting the IPSASB confirmed its view expressed at the June 2012 meeting to only encourage, but not require, entities to provide comparative information in their first IPSAS financial statements. As an entity is able to elect whether it wants to present comparative information in its first IPSAS financial statements, staff is of the view that: <ol style="list-style-type: none"> Where an entity elects to present comparative information in its first IPSAS financial statements, then the entity is required to present comparative information throughout its first IPSAS financial statements; and Where an entity elects to not present comparative information, then the entity should not be required to present comparative information in its first IPSAS financial statements. 	
Proposal for ED:	As a consequence, staff is of the view that no specific transitional provision with respect to the presentation of comparative information on employee benefits should be provided.	
Category:	No transitional provision should be provided.	

Accounting issue:	Requirement to provide the disclosures in paragraphs 141(c), 141(e), and 141(f).
Outline of issue:	<ul style="list-style-type: none"> According to IPSAS 25.141(c) an entity shall disclose the following information about defined benefit plans: A reconciliation of opening and closing balances of the present value of the defined benefit obligation showing separately, if applicable, the effects during the period attributable to each of the following: <ul style="list-style-type: none"> (i) Current service cost; (ii) Interest cost; (iii) Contributions by plan participants; (iv) Actuarial gains and losses; (v) Foreign currency exchange rate changes on plans measured in a currency different from the entity's presentation currency; (vi) Benefits paid; (vii) Past service cost; (viii) Entity combinations; (ix) Curtailments; and (x) Settlements. According to IPSAS 25.141(e) an entity shall disclose the following information about defined benefit plans: A reconciliation of the opening and closing balances of the fair value of plan assets, and of the opening and closing balances of any reimbursement right recognized as an asset in accordance with paragraph 121 showing separately, if applicable, the effects during the period attributable to each of the following: <ul style="list-style-type: none"> (i) Expected return on plan assets; (ii) Actuarial gains and losses; (iii) Foreign currency exchange rate changes on plans measured in a currency different from the entity's presentation currency; (iv) Contributions by the employer; (v) Contributions by plan participants; (vi) Benefits paid; (vii) Entity combinations; and (viii) Settlements. According to IPSAS 25.141(f) an entity shall disclose the following information about defined benefit plans: A reconciliation of the present value of the defined benefit obligation in (c) and the fair value of the plan assets in (e) to the assets and

	<p>liabilities recognized in the statement of financial position, showing at least:</p> <ul style="list-style-type: none"> (i) The net actuarial gains or losses not recognized in the statement of financial position (see paragraph 105); (ii) The past service cost not recognized in the statement of financial position (see paragraph 112); (iii) Any amount not recognized as an asset, because of the limit in paragraph 69(b); (iv) The fair value at the reporting date of any reimbursement right recognized as an asset in accordance with paragraph 121 (with a brief description of the link between the reimbursement right and the related obligation); and (v) The other amounts recognized in the statement of financial position.
Minimum information affected:	Opening statement of financial position, statement of financial performance, statement of financial position and statement of changes in net assets/equity, comparison of budget and actual information (when the entity makes publicly available its approved budget), notes disclosures
Transitional Provisions in IPSAS:	Transitional Provisions in IFRS 1:
<p>IPSAS 25.173: 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).</p> <p>IPSAS 25.174: 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.</p>	No transitional provisions in IFRS 1.
Aspect of the minimum information:	Appropriate disclosures in an entity's IPSAS financial statements where liabilities resulting from defined benefit plans are first presented.
Assessment based on the qualitative characteristics of, and constraints on,	Staff is of the view that entities are able to present the disclosures required by IPSAS 25.141(c), 25.141(e), and 25.141(f) in their first IPSAS financial statements. Staff is of the view that where an entity is able to provide the disclosures required by IPSAS 25.141(c), 25.141(e), and 25.141(f) the entity should be required to present these disclosures in its

information:	<p>IPSAS financial statements where defined benefit plans are first recognized.</p> <p>Disclosures about the composition, measurement, and development of defined benefit obligations as required by paragraphs 141(c), 141(e), and 141(f) are a matter of relevance, as they are capable of making a difference in achieving the objectives of financial reporting. Where an entity does not disclose that information in its first IPSAS financial statements, faithful representation will likely not be achieved. As defined benefit liabilities can be a material item in the statement of financial position, disclosures about their composition and their measurement can be material. The cost for providing the information required by paragraphs 141(c), 141(e), and 141(f) in an entity's first IPSAS financial statements (especially the required opening balances) are likely to be high. Based on the fact that staff proposes to have relief period for the recognition of defined benefit plans also entities applying previously the cash basis of accounting are able to provide the required information.</p> <p>In staff's view the qualitative characteristics of relevance, faithful representation and materiality outweigh the cost consideration.</p>
Fair presentation consideration:	Staff is of the view that an entity cannot assert fair presentation when it does not provide the information required by paragraphs 141(c), 141(e), and 141(f).
Practical complexity/difficulty:	Entities may experience difficulties in compiling the required information by IPSAS 25.141(p), e.g. the opening balances for actuarial gains and losses or past service costs. As IPSAS 25.141(c) clarifies that the required information only needs to be presented if applicable, staff is of the view that entities already have sufficient relief for the disclosures.
Proposal for ED:	Based on the fact that (a) entities need to present the information required by IPSAS 25.141(c) and IPSAS 25.141(e) only if applicable, (b) the qualitative characteristics of relevance, faithful representation and materiality outweigh the cost consideration and (c) the fair presentation consideration staff is of the view that the existing transitional provision in IPSAS 25.173 should not be kept, i.e. entities should be required to provide the disclosures in paragraphs 141(c), 141(e), and 141(f) in its IPSAS financial statements where liabilities for defined benefit plans are first recognized.
Category:	Not applicable as no transitional provision is proposed.

Accounting issue:	Requirement to provide the disclosures in paragraph 141(p) retrospectively
Outline of issue:	<ul style="list-style-type: none"> According to IPSAS 25.141(p) an entity shall disclose the following information about defined benefit plans: The amounts for the current annual period and previous four annual periods of: <ul style="list-style-type: none"> (i) The present value of the defined benefit obligation, the fair value of the plan assets, and the surplus or deficit in the plan; and (ii) The experience adjustments arising on: <ul style="list-style-type: none"> a. The plan liabilities expressed either as (1) an amount, or (2) a percentage of the plan liabilities at the reporting date; and b. The plan assets expressed either as (1) an amount, or (2) a percentage of the plan assets at the reporting date. At the September and December 2012 meeting the IPSASB confirmed its view expressed at the June 2012 meeting to only encourage, but not require, entities to provide comparative information in their first IPSAS financial statements.
Minimum information affected:	Opening statement of financial position, statement of financial performance, statement of financial position and statement of changes in net assets/equity, comparison of budget and actual information (when the entity makes publicly available its approved budget), notes disclosures
Transitional Provisions in IPSAS:	Transitional Provisions in IFRS 1:
<p>IPSAS 25.175: In the first year of adoption of this Standard, an entity may provide the information required in paragraph 141(p) prospectively.</p> <p>IPSAS 25.176: 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.</p>	<p>IFRS 1.D11: An entity may disclose the amounts required by paragraph 120A(p) of IAS 19 as the amounts are determined for each accounting period prospectively from the date of transition to IFRSs.</p>

Aspect of the minimum information:	Appropriate disclosures in an entity's first IPSAS financial statements.
Assessment based on the qualitative characteristics of, and constraints on, information:	<p>Staff is of the view that the existing transitional provision should be kept, i.e. an entity should be allowed to provide the information required by IPSAS 25.141(p) only prospectively.</p> <p>Disclosures about the value of the defined benefit obligations, of the plan assets and of the surplus or deficit in the plan are a matter of relevance, as they are capable of making a difference in achieving the objectives of financial reporting. Where an entity discloses the information required by IPSAS 25.141(p) only for the current annual period but not for the previous four annual periods faithful representation will be impaired. The qualitative characteristic of comparability is not going to be achieved, as users will not be able to compare the information required by IPSAS 25.141(p) over a period of time. As defined benefit liabilities can be a material item in the statement of financial position, disclosures about their composition and their measurement can be material. The cost for providing the information required by IPSAS 25.141(p) for the previous four annual periods are likely to be high. For some entities (e.g. entities applying the cash basis of accounting) it might even be impracticable to determine the required information.</p> <p>In staff's view the cost constraint outweighs all other qualitative characteristics.</p>
Fair presentation consideration:	By analogy to the fair presentation consideration performed for the assessment of the transitional provision in IPSAS 1 on comparative information staff is of the view that an entity can assert fair presentation when it provides the information required in paragraph 141(p) only prospectively.
Practical complexity/difficulty:	Entities may experience difficulties in compiling the required information by IPSAS 25.141(p). Some entities might even be unable to determine the required information (e.g. entities applying the cash basis of accounting or entities applying the accrual basis of accounting only recently).
Proposal for ED:	Based on the cost constraint as well as the practical complexity/difficulty consideration, staff is of the view that the existing transitional provision should be kept, i.e. an entity is allowed to provide the information required by IPSAS 25.141(p) only prospectively.
Category:	Category 1, as fair presentation is not affected by that transitional provision.

**Assessment of Transitional Provisions Related to IPSAS 32, *Service Concession Arrangements*:
 Grantor**

Accounting issue:	Retrospective recognition (and measurement) of service concession assets and related liabilities	
Outline of issue:	<ul style="list-style-type: none"> • According to IPSAS 32.34, where a grantor has previously recognized service concession assets and related liabilities, revenues and expenses, the entity is required to apply IPSAS 32 retrospectively. As a result of this requirement, on initial adoption of IPSAS 32 an entity would be required to: <ul style="list-style-type: none"> ○ Reclassify any previously recognized assets qualifying as service concession assets according to IPSAS 32 and, where the grantor has not recognized or not in accordance with IPSAS 32 recognized related liabilities, the grantor needs to recognize these related liabilities; ○ Recognize service concession assets, related liabilities and other liabilities, commitments, contingent liabilities, and contingent assets arising from a service concession arrangement which were not or not completely recognized under the entities previous basis of accounting based on the recognition criteria of IPSAS 32 and IPSASs 19, 28, 29 and 30; ○ Remeasure existing (already recognized) or measure newly recognized (a) service concession assets, (b) related liabilities, (c) other liabilities and commitments, (d) contingent liabilities, and (e) contingent assets arising from a service concession arrangement in accordance with IPSAS 32 and IPSASs 19, 28, 29 and 30. ○ Derecognize service concession assets, related liabilities, other liabilities and commitments, contingent liabilities, and contingent assets arising from a service concession arrangement recognized under an entity's previous basis of accounting but which are not in accordance with the recognition criteria of IPSAS 32 and IPSASs 19, 28, 29 and 30. 	
Minimum information affected:	Opening statement of financial position, statement of financial position, statement of financial performance, statement of changes in net assets/equity, comparison of budget and actual information (when the entity makes publicly available its approved budget), notes disclosures	
Transitional Provisions in IPSAS:		Transitional Provisions in IFRS 1:
IPSAS 32.34: A grantor that has previously recognized service concession assets and related liabilities, revenues, and expenses shall apply this Standard retrospectively in accordance		Please note that these transitional provisions apply to the operator in a service concession arrangement. Regarding financial assets or intangible assets accounted for in accordance with IFRIC 12, <i>Service</i>

<p>with IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.</p> <p>IPSAS 32.35: A grantor that has not previously recognized service concession assets and related liabilities, revenues, and expenses shall either:</p> <ul style="list-style-type: none"> (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. <p>When the grantor makes this election, it shall disclose this fact, along with disclosures relating to the measurement of those assets and liabilities.</p> <p><i>Staff would like to note:</i></p> <ul style="list-style-type: none"> • The distinction between entities which have previously recognized service concession assets and related liabilities and which have not, correspond to the distinction made in the current transitional provisions for intangible assets in IPSAS 31. • Based on IPSAS 32.35 (b) entities that have previously not recognized service concession assets and related liabilities, revenues and expenses (e.g. entities applying the cash basis of accounting) have the possibility to <u>not</u> recognize (and measure) service concession assets and related liabilities in their first IPSAS financial statements. Precondition for such relief is that the entity elects to not present comparative information at first-time adoption. • The assumption that where an entity previously has recognized service concession assets and related liabilities, revenues and expenses such an entity is able to apply IPSAS 32 retrospectively might not hold true. In a situation where an entity applied the cash basis under its 	<p><i>Concession Arrangements</i>, IFRS 1.D22 states that a first-time adopter may apply the transitional provisions in IFRIC 12.</p> <p>IFRIC 12.29: Subject to paragraph 30, changes in accounting policies are accounted for in accordance with IAS 8, i.e. retrospectively.</p> <p>IFRIC 12.30: If, for any particular service arrangement, it is impracticable for an operator to apply this Interpretation retrospectively at the start of the earliest period presented, it shall:</p> <ul style="list-style-type: none"> (a) recognize financial assets and intangible assets that existed at the start of the earliest period presented; (b) use the previous carrying amounts of those financial and intangible assets (however previously classified) as their carrying amounts as at that date; and (c) test financial and intangible assets recognized at that date for impairment, unless this is not practicable, in which case the amounts shall be tested for impairment as at the start of the current period.
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<p>previous basis of accounting (and has not recognized service concession assets and related liabilities, revenues and expenses), then moved to a non-IPSAS compliant (modified) accrual basis and therefore “has previously recognized service concession assets and related liabilities, revenues and expenses”, and finally, after a few reporting periods, started to adopt the accrual basis IPSASs such an entity might not be able to apply IPSAS 32 retrospectively (e.g. due to incomplete accounting records). As the entity has applied the accrual basis and recognized service concession assets and related liabilities only for some reporting periods, there might be service concession assets and related liabilities which date back to the time when the entity applied the cash basis of accounting. For such an entity it might be considerably cumbersome or even impracticable to remeasure its service concession assets and especially related liabilities on a retrospective basis. Staff would like to note that an entity may have a better availability of the information required for remeasurement of service concession assets (e.g. contracts underlying the service concession arrangement) than for the remeasurement of pre-existing intangible assets.</p> <ul style="list-style-type: none"> • At the December 2012 meeting the IPSASB generally supported the view that with regard to transitional provisions for intangible assets no distinction should be made between tangible and intangible assets; therefore the same transitional provisions as for IPSAS 16 or 17 should apply for IPSAS 31. 	
Aspect of the minimum information:	Appropriate recognition, measurement and presentation of elements in an entity's first IPSAS financial statements.
Assessment based on the qualitative characteristics of, and constraints on,	Based on staff's view that (a) entities which have previously recognized service concession assets and related liabilities might not be able to apply IPSAS 32 retrospectively, (b) the recognition of service concession assets and related liabilities should not depend on whether the grantor elects to

information:	<p>present comparative information in its first IPSAS financial statements and (c) based on IPSASB's view expressed at the December 2012 meeting, staff proposes not to distinguish between a grantor that has previously recognized service concession assets and related liabilities, revenues and expenses and a grantor that has not. Staff has considered a transitional provision where entities are not required to recognize service concession assets, related liabilities and other liabilities, commitments, contingent liabilities, and contingent assets arising from a service concession arrangement beginning on a date within three years following the date of transition to IPSASs.</p> <p>Depending on the entity's operations (e.g. a government department which heavily relies on service concession arrangements), the recognition of service concession assets and related liabilities can be a matter of relevance as it is capable of making a difference in achieving the objectives of financial reporting. During the grace period of three years the qualitative characteristic of faithful representation is not fulfilled. Financial statements not showing all service concession assets and related liabilities do not give a complete picture of the financial position of an entity. Also the qualitative characteristic of comparability is not going to be achieved. Service concession assets and related liabilities can be a material item in the statement of financial position of the grantor. During the grace period, the cost of providing that information are likely to be high.</p> <p>In staff's view the QC of faithful representation and the cost-benefit consideration outweighs all other qualitative characteristics/constraints.</p>
Practical complexity/difficulty:	<p>Entities which have previously applied the cash basis of accounting or the accrual basis of accounting only recently might experience difficulties in compiling the information required for the measurement of existing service concession assets and related liabilities (see also IPSAS 32.BC43).</p>
Fair presentation consideration:	<p>Not recognizing service concession assets and related liabilities in an entity's first IPSAS financial statements affects fair presentation of an entity's financial position at first-time adoption.</p>
Proposal for ED:	<p>In line with IPSAS 16, 17 and 31, and based on the cost consideration staff proposes that a grantor should not be required to recognize service concession assets and related liabilities on a date within three years following the date of transition to IPSASs. The transitional provisions should not to distinguish between a grantor that has previously recognized service concession assets and related liabilities, revenues and expenses and a grantor that has not.</p>
Category:	<p>Category 2, as not recognizing service concession assets and related liabilities in an entity's first IPSAS financial statements affects fair presentation of an entity's financial position at first-time adoption.</p>

Accounting issue:	Initial measurement of service concession assets and related liabilities
Outline of issue:	<ul style="list-style-type: none"> According to IPSAS 32.11 a grantor is required to initially measure the service concession asset at its fair value. Related liabilities shall be initially measured at the same amount as the service concession asset, adjusted by the amount of any other consideration (e.g., cash) from the grantor to the operator, or from the operator to the grantor (cf. IPSAS 32.15). Because of the different compensation models for the various types of service concession arrangements, for the measurement of liabilities the grantor needs to differ between: <ul style="list-style-type: none"> (a) Service concession arrangements following the “financial liability” model (cf. IPSAS 32.18 et seq.), and (b) Service concession arrangements following the “grant of a right to the operator model” (cf. IPSAS 32.24 et seq.). The grantor shall account for other liabilities, commitments, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with IPSAS 19, IPSAS 28, IPSAS 29, and IPSAS 30 (cf. IPSAS 32.28).
Minimum information affected:	Opening statement of financial position, statement of financial performance, statement of financial position and statement of changes in net assets/equity, comparison of budget and actual information (when the entity makes publicly available its approved budget), notes disclosures
Transitional Provisions in IPSAS:	Transitional Provisions in IFRS 1:
<p>IPSAS 32.35: A grantor that has not previously recognized service concession assets and related liabilities, revenues, and expenses shall either:</p> <ul style="list-style-type: none"> (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. <p>When the grantor makes this election, it shall disclose this fact, along with disclosures relating to the measurement of those assets and liabilities.</p> <p>IPSAS 32.AG68: Where the grantor has not previously recognized service concession assets,</p>	<p>Regarding financial assets or intangible assets accounted for in accordance with IFRIC 12, <i>Service Concession Arrangements</i>, IFRS 1.D22 states that a first-time adopter may apply the transitional provisions in IFRIC 12.</p> <p>IFRIC 12.29: Subject to paragraph 30, changes in accounting policies are accounted for in accordance with IAS 8, i.e. retrospectively.</p> <p>IFRIC 12.30: If, for any particular service arrangement, it is impracticable for an operator to apply this Interpretation retrospectively at the start of the earliest period presented, it shall:</p> <ul style="list-style-type: none"> (a) recognize financial assets and intangible assets that existed at the start of the earliest period presented; (b) use the previous carrying amounts of those financial and intangible assets (however previously classified) as

<p>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> <p>IPSAS 32.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 17.46-48). (b) For intangible assets – fair value. IPSAS 31 only allows fair value for revaluation, thus the deemed cost is limited to fair value. <p>IPSAS 32.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. <p>IPSAS 32.AG71: Depreciation or amortization is based on that deemed cost and starts from the date for which the entity established the deemed cost.</p> <p>IPSAS 32.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 	<p>their carrying amounts as at that date; and</p> <ul style="list-style-type: none"> (c) test financial and intangible assets recognized at that date for impairment, unless this is not practicable, in which case the amounts shall be tested for impairment as at the start of the current period.
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<p>value (see paragraph 11); and</p> <p>(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> <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 included in any revaluation surplus.</p> <p>IPSAS 32.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>	
<p>Aspect of the minimum information:</p>	<p>Appropriate measurement of elements.</p>
<p>Assessment based on the qualitative characteristics of, and constraints on, information:</p>	<p>Staff proposes for the initial measurement of service concession assets and related liabilities to allow for a deemed cost approach as described in IPSAS 32.AG68 et seq. (see above).</p> <p>An accurate measurement of service concession assets and related liabilities is relevant as it is capable of making a difference in achieving the objectives of financial reporting. An accurate measurement contributes to provide information useful for accountability purposes, to the ability of an entity to fulfill its service delivery objectives, etc. Measurement of (a) service concession property, plant, and equipment based on either fair value or depreciated replacement cost, (b) service concession intangible assets based of fair value, (c) related financial liabilities under the “financial liability model” using the remaining</p>

	<p>contractual cash flows specified in the binding arrangement and the rate described in paragraphs AG41–AG46, and (d) related liabilities under the “grant of a right to the operator model” using the fair value of the asset less any financial liabilities, adjusted to reflect the remaining period of the service concession arrangement are able to provide such relevant information.</p> <p>Using the measurement bases as outlined in IPSAS 32.AG69 to AG73 to measure service concession assets and related liabilities at first-time adoption will likely result in faithful representation. Allowing entities to use such a deemed cost approach, might be an appropriate substitute for retrospective measurement of related service concession liabilities (e.g. for entities previously applying the cash basis of accounting). Having an option to use such a deemed cost approach instead of retrospectively applying IPSAS 32, entities are able to make use of an option that is less complex and requires less historical information.</p> <p>The described measurement bases fulfill the qualitative characteristic of understandability. For entities which have not accounted for service concession arrangements under their previous basis of accounting (e.g. for entities previously applying the cash basis of accounting) retrospective measurement of service concession assets and related liabilities could be considerably cumbersome for entities (e.g. retrospective application of IPSAS 29 in the case of the financial liability model or retrospective determination of the unearned portion of the revenue arising from the exchange of assets between the grantor and the operator in the case of the grant of a right to the operator model). An option to use the measurement bases as described in IPSAS 32.AG72 and AG73 is therefore an appropriate substitute for retrospective measurement and may contribute to save costs for preparers.</p>
<p>Fair presentation consideration:</p>	<p>The deemed cost approach as outlined in IPSAS 32.AG68 et seq. allows for fair presentation of service concession assets and related liabilities.</p>

Practical complexity/difficulty:	When entities implement accrual accounting in accordance with IPSASs for the first time, they often experience difficulties in compiling the required information for the measurement of assets and liabilities at first-time adoption. With respect to service concession arrangements the retrospective measurement of related liabilities according to IPSAS 32.18 et seq. for the “financial liability model” or according to IPSAS 32.24 et seq. for the “grant of a right to the operator model” can be challenging (e.g. retrospective determination of the asset and service component under the “financial liability model” or retrospective determination of the unearned portion of the revenue arising from the exchange of assets between the grantor and the operator under the “grant of a right to the operator model”). Especially entities applying previously the cash basis of accounting need to undertake considerable efforts to measure their related liabilities retrospectively.
Proposal for ED:	Staff proposes that entities should be allowed to measure service concession assets and related liabilities at first-time adoption using the deemed cost approach as described in IPSAS 32.AG68 to AG73.
Category:	Category 1, as such a deemed cost approach allows for fair presentation of service concession assets and related liabilities in an entity’s first IPSAS financial statements.

Appendix A: Draft Summary of Agenda Item 7 on First-Time Adoption of Accrual Basis IPSASs from the December 2012 IPSASB meeting

Agenda Item 7: First-Time Adoption of Accrual Basis IPSASs

IPSAS 21: Retrospective accounting for impairment of non-cash generating assets

Staff proposed to keep the existing transitional provision in IPSAS 21, i.e. entities should not be required to apply IPSAS 21 retrospectively. Staff noted that, as a consequence, entities would be required to perform an impairment test under IPSAS 21 for its non-cash generating assets in the opening statement of financial position if there is any indication at the date of transition that the respective assets are impaired. Staff considered the transitional provision as a category 1 transitional provision. The IPSASB confirmed these views.

IPSAS 26: Retrospective accounting for impairment of cash generating assets

Staff noted that IPSAS 26 does not provide any transitional provisions. Staff assumed that by analogy to IPSAS 21 entities would not be required to account for impairments of cash generating assets on a retrospective basis. Staff proposed that entities should be required to apply IPSAS 26 prospectively. Staff noted that, as a consequence, entities would be required to perform an impairment test under IPSAS 26 for its cash generating assets in the opening statement of financial position if there is any indication at the date of transition that the respective assets are impaired. Staff considered the transitional provision as a category 1 transitional provision. Members added that this transitional provision would only apply to assets which are measured based on their historic cost. Members discussed the presentation of an impairment loss at the date of transition in the entity's first IPSAS financial statements. Staff noted that according to IPSAS 21 such an effect would be reported in the entity's first IPSAS statement of financial performance. Members discussed the following options (a) measuring such assets at their recoverable amount without reporting the impairment loss (difference between cost (less any accumulated depreciation) and recoverable amount) neither in the opening statement of financial position nor in the entity's first statement of financial performance, (b) measuring such assets at their recoverable amount and reporting the effect either (i) in the entity's first IPSAS statement of financial position in net assets/equity, or (ii) in the entity's first IPSAS statement of financial performance. With respect to option (a) it was noted that the recoverable amount would become the asset's deemed cost and the effect could not be reversed in future periods. Therefore, assets existing at the date of transition would be treated differently than the same assets acquired after the date of transition. With respect to option (b) it was noted that option (b) (ii) would be better than (b) (i) as the presentation of the effect would be more representational faithful than reporting it through net assets/equity. On the other side it was argued that reporting the effect through the statement of financial performance would misinform users as the impairment actually occurred in prior periods.

In summary, it was concluded that no difference should be made between the transitional provisions of IPSAS 21 and IPSAS 26. Staff should propose a draft wording for the next meeting.

Appendix B: Excerpts of Agenda Paper 7.2 from IPSASB's December 2012 Meeting

Assessment of Transitional Provisions Related to IPSAS 21, *Impairment of Non-Cash Generating Assets*

Accounting issue:	Retrospective accounting for impairment of non-cash generating assets	
Outline of issue:	<ul style="list-style-type: none"> Following IPSAS 21.26 an entity shall assess at each reporting date whether there is any indication that a non-cash generating asset may be impaired. According to IPSAS 3 an entity would have to apply IPSAS 21 retrospectively. 	
Minimum information affected:	Opening statement of financial position, statement of financial performance, statement of financial position and statement of changes in net assets/equity, comparison of budget and actual information (when the entity makes publicly available its approved budget), notes disclosures	
Transitional Provisions in IPSAS:		Transitional Provisions in IFRS 1:
IPSAS 21.80: 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).		There is no transitional provision in IFRS 1 related to the application of IAS 36, which might imply that the standard should be applied retrospectively. The Implementation Guidance in IFRS 1.IG 39 et seq. indicates that a first-time adopter should focus on the date of transition. As a consequence, entities do not need to remeasure previous impairment losses, or recognize an impairment loss that would have been recognized if IFRS had been applied instead of previous GAAP.
Aspect of the minimum information:	Appropriate measurement of elements.	
Assessment based on the qualitative characteristics of, and constraints on, information:	<p>Staff proposes that entities should not be required to apply IPSAS 21 retrospectively.</p> <p>Not applying IPSAS 21 retrospectively can be a matter of relevance as it is capable of making a difference in achieving the objectives of financial reporting. Not applying IPSAS 21 retrospectively at first-time adoption of accrual basis IPSASs might not result in a faithful representation of the financial position/performance of an entity. Faithful representation might not be achieved as entities would not be required to remeasure previous impairment losses, or would not be required to recognize an impairment loss that would have been recognized if IPSAS had been applied instead of previous GAAP. The cost of retrospectively applying IPSAS 21 can be very high. The efforts necessary for retrospective identification of</p>	

	<p>indications that an asset may be impaired can be considerable. In some cases it is even impossible to determine the required external or internal information to determine whether there are any indications for impairment. Whether events or circumstances that indicate an impairment will be significant often depend on judgment by the governing board or management of an entity and their estimates at previous reporting dates. Getting the required information for such estimates from a governing board or management on a retrospective basis is in most cases impracticable and may require the use of “hindsight” as the assessments may not have been done at that point; which is inappropriate.</p> <p>Staff has identified a trade-off between the qualitative characteristics and the constraints on information. Staff is of the view that the high costs for applying IPSAS 21 retrospectively outweigh faithful representation and relevance.</p>
Fair presentation consideration:	Because of the fact that it is often impracticable to determine the required information for IPSAS 21 retrospectively, staff is of the view that not applying IPSAS 21 retrospectively, does not affect fair presentation.
Practical complexity/difficulty:	Based on the fact that entities may have adopted accounting policies under their previous basis of accounting for the recognition and reversal of impairment losses, it might be difficult to determine the amount of adjustments resulting from a retrospective application of the change in accounting policy (cf. IPSAS 21.81). As outlined under the cost-criterion in some cases it can even be impracticable to determine the required external or internal information to determine whether there were any indications for impairment. The extent of impairment testing and the required expertise might also result in the need for additional independent expertise to assist with the required valuations.
Proposal for ED:	Based on the practical complexity/difficulty-criterion and the cost-criterion staff proposes to keep the existing transitional provision in IPSAS 21, i.e. entities should only be required to apply IPSAS 21 prospectively. This means, that first-time adopters are required to apply IPSAS 21 prospectively from the date of transition to IPSASs. As a consequence, entities would be required to perform an impairment test under IPSAS 21 for its non-cash generating assets in the opening statement of financial position if there is any indication at the date of transition that the respective assets are impaired.
Basket:	Basket 1, as staff assumes that not applying IPSAS 21 retrospectively, does not affect fair presentation

Assessment of Transitional Provisions Related to IPSAS 26, *Impairment of Cash Generating Assets*

Accounting issue:	Retrospective accounting for impairment of cash generating assets	
Outline of issue:	<ul style="list-style-type: none"> Following IPSAS 26.22 an entity shall assess at each reporting date whether there is any indication that a cash generating asset may be impaired. According to IPSAS 3 an entity would have to apply IPSAS 26 retrospectively. 	
Minimum information affected:	Opening statement of financial position, statement of financial performance, statement of financial position and statement of changes in net assets/equity, comparison of budget and actual information (when the entity makes publicly available its approved budget), notes disclosures	
Transitional Provisions in IPSAS:		Transitional Provisions in IFRS 1:
IPSAS 26 does not provide any transitional provisions, but staff assumes that by analogy to IPSAS 21.80 entities would not be required to account for impairments of cash generating assets on a retrospective basis.		There is no transitional provision in IFRS 1 related to the application of IAS 36, which might imply that the standard should be applied retrospectively. The Implementation Guidance in IFRS 1.IG 39 et seq. indicates that a first-time adopter should focus on the date of transition. As a consequence, entities do not need to remeasure previous impairment losses, or recognize an impairment loss that would have been recognized if IFRS had been applied instead of previous GAAP.
Aspect of the minimum information:	Appropriate measurement of elements.	
Assessment based on the qualitative characteristics of, and constraints on, information:	<p>Staff proposes that entities should not be required to apply IPSAS 26 retrospectively.</p> <p>Not applying IPSAS 26 retrospectively can be a matter of relevance as it is capable of making a difference in achieving the objectives of financial reporting. Not applying IPSAS 26 retrospectively at first-time adoption of accrual basis IPSASs might not result in a faithful representation of the financial position/performance of an entity. Faithful representation might not be achieved as entities would not be required to remeasure previous impairment losses, or would not be required to recognize an impairment loss that would have been recognized if IPSAS had been applied instead of previous GAAP. The cost of retrospectively applying IPSAS 26 can be very high. The efforts necessary for retrospective identification of indications that an asset may be impaired can be considerable. In some cases it is even impossible to determine the required external or internal information to determine whether there are any indications for</p>	

	<p>impairment. Whether events or circumstances that indicate an impairment will be significant often depend on judgment by the governing board or management of an entity and their estimates at previous reporting dates. Getting the required information for such estimates from a governing board or management on a retrospective basis is in most cases impracticable and may require the use of “hindsight” as the assessments may not have been done at that point; which is inappropriate.</p> <p>Staff has identified a trade-off between the qualitative characteristics and the constraints on information. Staff is of the view that the high costs for applying IPSAS 26 retrospectively outweigh faithful representation and relevance.</p>
Fair presentation consideration:	Because of the fact that it is often impracticable to identify the required information for IPSAS 26 retrospectively, staff is of the view that not applying IPSAS 26 retrospectively, does not affect fair presentation.
Practical complexity/difficulty:	Based on the fact that entities may have adopted accounting policies under their previous basis of accounting for the recognition and reversal of impairment losses, it might be difficult to determine the amount of adjustments resulting from a retrospective application of the change in accounting policy. As outlined under the cost-criterion in some cases it can even be impracticable to determine the required external or internal information to determine whether there were any indications for impairment. The extent of impairment testing and the required expertise may also result in the need for additional independent expertise to assist with the required valuations.
Proposal for ED:	Based on the practical complexity/difficulty-criterion and the cost-criterion staff proposes that entities should only be required to apply IPSAS 26 prospectively. This means, that first-time adopters are required to apply IPSAS 26 prospectively from the date of transition to IPSASs. As a consequence, entities would be required to perform an impairment test under IPSAS 26 for its non-cash generating assets in the opening statement of financial position if there is any indication at the date of transition that the respective assets are impaired.
Basket:	Basket 1, as staff assumes that not applying IPSAS 26 retrospectively does not affect fair presentation.

Appendix C: Overview of Proposed Transitional Provisions Based on the IPSASB's Views Expressed at the September and December 2012 Meeting

IPSAS and transitional accounting issue	Proposed transitional provision	Category
IPSAS 1: Presentation of comparative information in an entity's first IPSAS financial statements	Entities are encouraged to provide comparative information in an entity's first IPSAS financial statements but not required.	1
IPSAS 2: No transitional accounting issues identified	<i>No transitional provisions related to IPSAS 2 should be provided.</i>	Not applicable.
IPSAS 3: No transitional accounting issues identified	<i>No transitional provisions related to IPSAS 3 should be provided.</i>	Not applicable.
IPSAS 4: Accounting for cumulative translation differences at first-time adoption of IPSASs	The existing transitional provisions in IPSAS 4 related to first-time adoption should be incorporated in the first-time adoption ED.	1
IPSAS 4: Translation to a presentation currency using a rate determined centrally by an entity	<i>As the issue affects not only affects entities at first-time adoption but also in subsequent reporting periods, the IPSASB was of the view that no transitional provision related to translation to the presentation currency using a rate determined centrally by an entity should be provided in the first-time adoption ED and that the issue should be considered in an Improvements project.</i>	Not applicable.
IPSAS 5: Retrospective capitalization or expensing of borrowing costs	<i>Based on the rationale that the IPSASB does not want to encourage entities to apply the allowed alternative treatment, at the December 2012 the IPSASB generally supported the view that no transitional provision for retrospective application of IPSAS 5 should be included in the ED.</i> <i>No transitional provisions related to IPSAS 5 should be provided.</i>	Not applicable.
IPSAS 6 and 8: Requirement to present consolidated financial statements at first-time adoption of accrual basis IPSASs	<i>No transitional provisions related to the requirement to present consolidated financial statements at first-time adoption of accrual basis IPSAS should be provided.</i>	Not applicable.
IPSAS 6 and 8: Requirement to fully eliminate balances, transactions, revenues, and expenses between entities within the economic entity	The existing transitional provisions in IPSAS 6 and IPSAS 8 related to the requirement to fully eliminate balances, transactions, revenues, and expenses between entities within the economic entity at first-time adoption should be incorporated in the first-time adoption ED. A relief period of 3	2

IPSAS and transitional accounting issue	Proposed transitional provision	Category
according to IPSAS 6.45 and IPSAS 8.35 where the proportionate consolidation of IPSAS 8 is adopted	years to perform such eliminations was considered as appropriate.	
IPSAS 6, 7 and 8: Determination of the initial cost of (i) a controlled entity in the separate opening IPSAS statement of financial position; (ii) an investment in an associate in the separate opening IPSAS statement of financial position.	At the December 2012 meeting the IPSASB confirmed to use the relief as provided by IFRS 1.D15 in the ED and adapt for IPSASs.	1
IPSAS 8: Measurement and recognition of jointly controlled assets and liabilities at first-time adoption (cf. IPSAS 8.22 et seq.)	The IPSASB proposed to add a clarification that for jointly controlled assets and liabilities a joint operator is allowed to make use of the respective transitional provisions of the IPSAS on first-time adoption of accrual basis IPSASs.	Not applicable.
IPSAS 9: No transitional accounting issues identified	<i>No transitional provisions related to IPSAS 9 should be provided.</i>	Not applicable.
IPSAS 10: No transitional accounting issues identified	<i>No transitional provisions related to IPSAS 10 should be provided.</i>	Not applicable.
IPSAS 11: Retrospective recognition of contract costs that relate to future activity on the contract	<i>No transitional provision for retrospective recognition of contract costs should be provided. Entities are required to retrospectively account for such contract costs as it is assumed that entities will have kept track of these costs.</i>	Not applicable.
IPSAS 12: Initial measurement of inventories	At the December meeting the IPSASB confirmed that entities should be allowed to use a deemed cost approach based on fair value for all three types of inventories in the ED on first-time adoption except for inventories acquired in an exchange transaction and where cost information for such inventories is available.	1
IPSAS 13: Retrospective application of IPSAS 13	At the December meeting the IPSASB was of the view that entities should be required to identify all of their existing finance lease assets and their corresponding liabilities at the date of transition to accrual basis IPSASs. Applying IPSAS 13 merely prospectively at first-time adoption was considered as inappropriate. The IPSASB generally supported the view that, by analogy to IPSAS 32, entities should be required to follow	To be discussed.

IPSAS and transitional accounting issue	Proposed transitional provision	Category
	similar transitional provisions for the measurement of existing finance lease assets at first-time adoption.	
IPSAS 13: Restatement of finance leases by a lessee	The IPSASB generally supported the view that, by analogy to IPSAS 32, entities should be required to follow similar transitional provisions for the measurement of existing finance lease assets at first-time adoption.	To be discussed.
IPSAS 14: No transitional accounting issues identified	<i>No transitional provisions related to IPSAS 14 should be provided.</i>	Not applicable.
IPSAS 15: No transitional accounting issues identified	<i>No transitional provisions related to IPSAS 15 should be provided.</i>	Not applicable.
IPSAS 16: Recognition of investment property at first-time adoption of accrual basis IPSASs	At the December meeting the IPSASB was of the view that entities should not be required to recognize investment property beginning on a date within three years following the date of transition to IPSASs.	2
IPSAS 16: Initial measurement of investment property	<ol style="list-style-type: none"> 1. Allow for deemed cost approach based on fair value for investment property as provided by IFRS 1.D5-D7 also in the ED on first-time adoption if the entity elects to use the cost model in IPSAS 16. 2. Entities should also be allowed to measure investment property acquired at no cost, or for a nominal cost using the deemed cost approach at first-time adoption. 	1
IPSAS 17: Recognition of property, plant and equipment at first-time adoption of accrual basis IPSASs	At the December meeting the IPSASB was of the view that entities should not be required to recognize property, plant, and equipment beginning on a date within three years following the date of transition to IPSASs.	2
IPSAS 17: Initial measurement of property, plant and equipment	<ol style="list-style-type: none"> 1. Allow for deemed cost approach based on fair value as provided by IFRS 1.D5-D7 if the entity elects to use the cost model in IPSAS 17. 2. Entities should also be allowed to measure property, plant, and equipment that was acquired at no cost, or for a nominal cost using the deemed cost approach at first-time adoption. 	1
IPSAS 18: Requirement to disclose financial information by segments	The IPSASB generally supported the view that entities should not be required to disclose financial information by segments on a date within three years following the date of first adoption of accrual basis IPSASs.	1
IPSAS 19: Recognition (and measurement) of provisions	<i>The IPSASB generally supported the view that provisions (other than decommissioning, restoration and similar liabilities)</i>	Not applicable.

IPSAS and transitional accounting issue	Proposed transitional provision	Category
at first-time adoption of accrual basis IPSASs (other than decommissioning, restoration and similar liabilities) and Disclosure of contingent liabilities and contingent assets at first-time adoption	<i>should be recognized and measured according to IPSAS 19 at first-time adoption of accrual basis IPSASs. No transitional provision should be provided. The Board also supported the view that entities should be required to disclose contingent liabilities and contingent assets at first-time adoption.</i>	
IPSAS 20: Requirement to disclose related party relationships, related party transactions and information about key management personnel at first-time adoption	The IPSASB generally supported the view that entities should not be required to disclose related party relationships, related party transactions and information about key management personnel at first-time adoption on a date within three years following the date of first adoption of accrual basis IPSASs and that entities which are able to disclose such information should be encouraged to do so.	2
IPSAS 21: Retrospective accounting for impairment of non-cash generating assets	At the December Meeting the IPSASB supported the view that entities should not be required to apply IPSAS 21 retrospectively. For a discussion about the transitional provisions for IPSAS 21 see the first Matter for Consideration of this Issues Paper.	To be discussed.
IPSAS 26: Retrospective accounting for impairment of cash generating assets	At the December Meeting the IPSASB supported the view that no difference should be made between the transitional provisions in IPSAS 21 and IPSAS 26. By analogy to IPSAS 21 entities should not be required to apply IPSAS 26 retrospectively. For a discussion about the transitional provisions for IPSAS 26 see the first Matter for Consideration of this Issues Paper.	To be discussed.
IPSAS 27: Recognition of biological assets and agricultural produce at first-time adoption of accrual basis IPSASs	The IPSASB generally supported the view that entities should not be required to recognize biological assets and agricultural produce beginning on a date within three years following the date of transition to IPSASs.	2
IPSAS 31: Retrospective recognition (and measurement) of intangible assets	The IPSASB generally supported the view that no distinction should be made between tangible and intangible assets, and therefore the same transitional provisions as for IPSAS 17 should be provided. Therefore, entities should not be required to recognize intangible assets beginning on a date within three years following the date of transition to IPSASs.	2
IPSAS 31: Initial measurement of intangible	With regard to the initial measurement of intangible assets the IPSASB generally supported the view that entities should be	1

IPSAS and transitional accounting issue	Proposed transitional provision	Category
assets	<p>allowed to measure intangible assets using the deemed cost approach at first-time adoption. Reliable measurement of original cost should be excluded as criterion for the application of the deemed cost approach at first-time adoption but not the existence of an active market. Entities would be allowed to apply the deemed cost approach when the intangible items meet:</p> <ul style="list-style-type: none"> (a) The recognition criteria in IPSAS 31 (excluding reliable measurement of original cost); and (b) The criteria in IPSAS 31 for revaluation (including existence of an active market). 	