



First-Time Adoption of Accrual Basis IPSASs

Agenda Item 6

Amanda Botha

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First Time Adoption of Accrual Basis IPSASs

- Objective of agenda item to discuss:
 - Assessment of transitional accounting issues
 - Issues Paper
 - Proposed Exposure Draft on *First-Time Adoption of Accrual Basis IPSASs*

First-Time Adoption of Accrual Basis IPSASs

Assessment of
transitional accounting
issues relating to
financial instruments

Assessment of Proposal for Transitional Accounting Issues: IPSAS 28

- Classification in accordance with substance and definition
- Non-derivative FI → liability and net asset/equity component
- Split compound FI into liability and equity component
 - on transition date where liability component outstanding (or not)

Assessment of Proposal for Transitional Accounting Issues: IPSAS 28

- Proposal for Exposure Draft:
 - Apply IPSAS (IFRS) transitional provisions
 - Retrospective application of presentation requirements
 - Compound FI → if liability is outstanding retrospective application
 - No separation of compound instrument if liability not outstanding

Assessment of Proposal for Transitional Accounting Issues: IPSAS 29

- IPSAS 29 requires retrospective application
- Recognition at fair value
- After initial recognition - classification and impairment

Assessment of Proposal for Transitional Accounting Issues: IPSAS 29

- Issues for consideration:
 - Recognition FI at date of transition
 - Measurement at date of transition → historical FV
 - Classification → based on historical facts or facts on transition date
 - Derecognition → derecognized in past but not meeting IPSAS 29 criteria on date of transition
 - Hedge accounting → how to designate instruments on transition

Assessment of Proposal for Transitional Accounting Issues: IPSAS 29

- Proposal for Exposure Draft:
 - Initial recognition
 - Three year relief for recognition and classification
 - Measurement
 - Apply IPSAS 29 transitional provisions (similar to IFRS)
 - Classification, derecognition and hedge-accounting
 - Apply IFRS 1 transitional provisions
 - Impairment
 - Apply prospectively if three year relief granted

Assessment of Proposal for Transitional Accounting Issues: IPSAS 30

- Proposal for Exposure Draft
 - No transitional relief for disclosures relating to:
 - Classes
 - Categories
 - Reclassification
 - Derecognition
 - FV measurement
 - Defaults and breaches
 - Classes of financial instruments

Assessment of Proposal for Transitional Accounting Issues: IPSAS 30

- Proposal for Exposure Draft
 - Nature and extent of risk prospectively
 - Comparative info need not to be presented
 - If three year relief period granted → disclosure when recognized



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Issues paper

Issues Paper

- General matter 1
 - Expectation gap around more detailed guidance and assistance
 - Explain in introductory material of Exposure Draft
 - Clarify objective of project
 - Outline existing material available
 - Other initiatives may be considered in future
- Members view on inclusion of explanation in ED

Issues Paper

- Specific matter 2 – Deemed cost for assets
 - Deemed cost for inventory acquired in exchange when no cost information
 - Limitation not discussed for other assets
 - No restriction from IFRS 1
- Members view on:
 - Use of deemed cost for all assets irrespective of cost information
 - Proposed wording

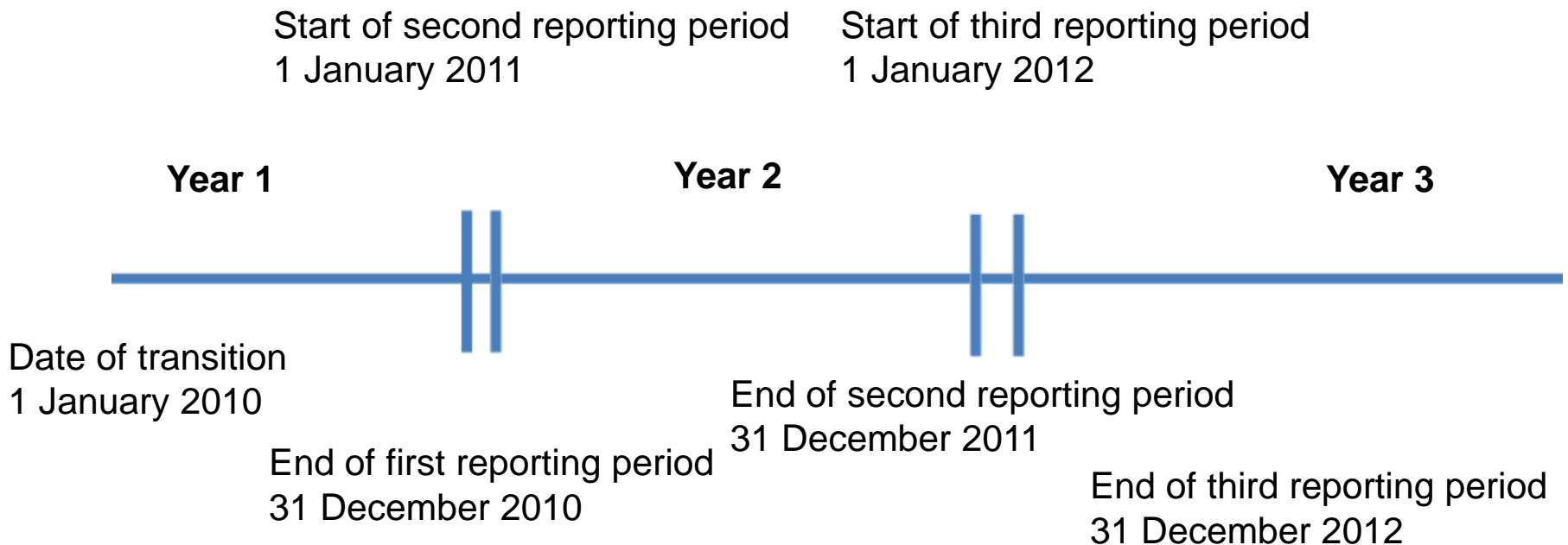
Issues Paper

- Specific matter 3 – Determining a deemed cost for assets
 - Previous GAAP revaluation for PPE (FV/cost/depreciated cost)
 - Use principles in existing IPSASs for fair value
 - IPSAS 16 market based but IPSAS 12 limited guidance
- Members view on other measurement alternatives:
 - Inventory → current replacement cost
 - Investment property → depreciated replacement cost

Issues Paper

- Specific matter 4 – Deemed cost when 3 years elected
 - What point during 3 year transition should it be determined?
 - Once determined should it be adjusted retrospectively?
- Members view on:
 - Point at which deemed cost should be determined
 - Adjusting value of asset retrospectively (or not)
 - Opening accumulated surplus/deficit to be adjusted

Allowing a three year relief period



Issues Paper

- Specific matter 5 – Impact of relief on leased assets
 - Delayed recognition of leased assets when 3 year relief
 - Leased assets delayed → impact on lease liabilities
- Members view on:
 - Impact of relief period on lease assets vs leased liabilities
 - Proposed wording

Issues Paper

- Specific matter 6 – Impact of relief on provisions relating to assets
 - No relief provided for liabilities and provisions
 - Initial estimates of cost of dismantling and removing
 - 3 year relief period impacts recognition
- Members view on:
 - Providing relief for recognition of liability
 - Proposed wording

Issues Paper

- Specific matter 7 – Impact of relief on disclosures
 - Relief period impacts disclosures in IPSAS 1 and 18
 - Until relief period expired → required not to comply
- Members view on:
 - Providing relief from IPSAS 1 and 18 disclosures
 - Proposed wording

Issues Paper

- Specific matter 8 – Impact of relief on reconciliations and comparative information
 - Reconciliation
 - To explain transition from previous basis
 - Reconciliation at different points during transition
 - Comparative information
 - Provide where practical following recognition
- Members view on:
 - Presenting reconciliation at different points during transition
 - Presenting comparative information when practical

Issues Paper

- Specific matter 9 – Timing of impairment test
 - IPSAS 21 and IPSAS 26 applied prospectively
 - Relief period impacts impairment timing
 - Until relief period expired → required not to test
- Members view on:
 - Providing impairment test relief
 - Proposed wording

Issues Paper

- Specific matter 10 – Internally generated intangible assets
 - IPSAS 31.70 → not recognition if previously expensed
 - Proposal to recognize on transition
- Members view on:
 - Proposal to recognize previously expensed intangible assets
 - Proposed wording

Issues Paper

- Specific matter 11 – Timing differences for group
 - IFRS 1.D16 and D17 relief
 - Timing difference between adoption
- Members view on inclusion of similar relief in ED

Issues Paper

- Specific matter 12 – Severe hyperinflation
 - IFRS 1.D26 and D30 relief
 - Subject to severe hyperinflation before transition
 - Functional currency normalization date
- Members view on inclusion of similar relief in ED

Issues Paper

- Specific matter 13
 - Members view on other matters to be included in Implementation Guidance
- Specific matter 14
 - Presentation of updated ED (BFC) at September 2013 meeting



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Proposed Exposure
Draft