

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Toronto, Canada

Meeting Date: December 8-11, 2014

Agenda Item 12

For:

- ☐ Approval
☒ Discussion
☒ Information

Public Sector Specific Financial Instruments

Objective(s) of Agenda Item

1. The objective of this session is to **consider** key issues in this Issues Paper and **review the** draft Consultation Paper (CP) on Public Sector Specific Financial Instruments; and to **provide directions** for further developing the CP.

Material(s) Presented

Agenda Item 12.1 Draft Issues Paper, Public Sector Specific Financial Instruments

Agenda Item 12.2 Draft of the CP, Public Sector Specific Financial Instruments

Issues Paper, Public Sector Specific Financial Instruments**Objective of the Issues Paper**

1. The objective of this session is to **consider** key issues in this Issues Paper and **review the** draft Consultation Paper (CP) on Public Sector Specific Financial Instruments; and to **provide directions** for further developing the CP.

Background

2. At its September 2014 meeting, the IPSASB discussed a draft of the introduction and objective chapters of the CP and an initial draft chapter on monetary gold. The IPSASB provided directions to staff regarding the further development of the CP.
3. A revised draft of the CP is included as Agenda Item 12.2. A marked-up version of the draft CP is available upon request.
4. This Issues Paper seeks the IPSASB's views on the key issues that staff has identified in revising the CP.

Key Issues**Chapter 1 – Introduction and Objective**

5. At its September 2014 meeting, the IPSASB requested additional background information to explain to constituents why the various topics in scope of this project have been included in the CP. Additional information has been included in paragraphs 1.4–1.7.
6. Specifically amendments have been included to more clearly communicate the following:
 - (a) The reason why the various topics have been included;
 - (b) How the public sector specific financial instruments project has evolved;
 - (c) The importance of the various topics in terms of public interest benefit; and
 - (d) That the final output of the project is not yet known.
7. Further, during the September meeting some members noted that the introduction should highlight that the current financial instruments standards IPSAS 28–30, are appropriate for the core treasury operations of government and government entities, this has been acknowledged in paragraph 1.4.
8. Since the last meeting and as the monetary gold chapter has progressed, the TBG has raised a question as to if the currency and coin issued by the entity should be the first topic chapter. The definitions of monetary authority and reserve assets and some of the discussion points in the monetary gold chapter, also will relate to the currency and coin chapter. Therefore, the TBG believes it may be more appropriate for it to be first.

Matter(s) for Consideration

1. The IPSASB is asked to:
 - (a) **Confirm** that the amended paragraphs 1.4–1.7 adequately capture the key points raised during the September meeting; and
 - (b) **Indicate** whether it agrees with the TBG proposal in regards to reordering the chapters.

Chapter 2 – Monetary Gold: Definitions and Descriptions

9. At the September 2014 meeting, the IPSASB directed staff to review the definition of monetary gold. The IPSASB asked staff to consider aligning the definitions more closely with GFS and SNA. The IPSASB also directed staff to develop definitions of the main terms included in the monetary gold definition (gold bullion, monetary authority and reserve assets).
10. Paragraphs 2.9–2.19 have been restructured to incorporate the feedback from the IPSASB, including the addition of definitions for gold bullion, monetary authority and reserve assets.
11. Staff has attempted to develop proposed definitions consistent with SNA and GFS as much as possible. The definitions do not include some components of the GFS/SNA definitions which are defined in other IPSASs and are inappropriate (such as the reference to financial asset in the monetary gold definition). Further, adjustments were made to make the proposed definitions more concise and consistent with how IPSAS definitions are developed for principle-based standards. Monetary authority, is referred to in both GFS and SNA, however, is not clearly defined or described. A definition has been proposed in the draft CP.
12. The definition of monetary gold does not refer to the physical form of gold. TBG members raised concerns that the inclusion of the terms “bullion”, “bars” and “ingots”, raised issues of translation, as all terms signify differing kinds of gold bars. Further, staff researched requirements of trading of physical gold and found little consistency in requirements of a standard size and form for trading gold. However, there is consistency in purity requirements. Physical gold is measured based on the purity multiplied by the weight of the tangible gold bar, to determine overall pure gold content. Therefore the definition includes purity requirements¹, but does not refer to a physical form requirement.
13. The IPSASB directed staff to consider the reasons why monetary authorities hold gold. To better understand this, staff attempted to try and find a common objective of monetary authorities. Staff undertook research of a number of monetary authorities, see Appendix 2: Primary Objective of Monetary Authorities, for full details. All monetary authorities mission statements and objectives noted in some manner that ensuring price stability was their key or main objective. Therefore, staff has determined this as the primary goal of monetary authorities and used this in the argument as to why monetary gold assets are held and important.

¹ The purity requirements is a consistent standard and the most important factor in being able to trade physical gold on exchanges and over the counter markets.

Matter(s) for Consideration

2. The IPSASB is asked to:
- (a) **Indicate** whether the definition of monetary gold is appropriate;
 - (b) **Indicate** whether the definitions of gold bullion, monetary authority and reserve asset are appropriate; and
 - (c) **Confirm** agreement that the main role and objective of the monetary authority is to achieve price stability.

Chapter 2 – Monetary Gold: Scope

14. The IPSASB provided feedback on the scope of a monetary gold standard² and noted that more work needed to be undertaken to categorize types of gold which might be held by monetary authorities and why such items are held to determine if they should be included within the scope of a potential standard on monetary gold.
15. The TBG considered that the scope needed to be discussed in more detail in the CP. Therefore, Appendix A: Types of Gold Analysis, was developed to:
- (a) Categorize the various types of gold and gold products and analyze whether they meet the definition of a financial instrument in IPSAS 28;
 - (b) To analyze how monetary authorities use different types of gold (Are they used like financial instruments (as defined in IPSAS 28)?); and
 - (c) To determine which should be in the scope of the CP.
16. Paragraphs 2.21 to 2.27 have been added to discuss of types of gold products which should be in scope of the standard and those which should not be.
17. The analysis in Appendix A, supports the inclusion of physical gold (held directly by monetary authorities and by 3rd parties in allocated gold accounts) and commemorative gold coins in scope of a monetary gold standard. This is discussed in paragraph 2.27.
18. Legal Tender Gold Coins, discussed in paragraph 2.24(b) of the CP meet the definition of a financial instrument as they are cash, so are not proposed to be in scope. However, legal tender gold coins do seem to satisfy the definition of monetary gold as set out in the CP. Further, the decision on scope of monetary gold legal tender gold coins, may impact the currency and coin in circulation chapter. Because if financial instruments standards are applied, such legal tender gold coins may be measured at their face value and not based on the content of their gold content (which in most cases is a much higher amount). The TBG would like the IPSASBs input on if legal tender gold coins should be considered within the scope of monetary gold, because of their physical characteristics as gold, or within the financial instruments standard based on their contractual nature as legal tender cash.
19. The IPSASB also directed that the draft CP should explore whether monetary authorities use monetary gold in the same manner as cash (i.e., is monetary gold cash, and therefore meets the definition of a financial instrument in IPSAS 28). Paragraph 2.22 considers this, with a fuller analysis

² References to a “monetary gold standard”, is meant to indicate a potential standalone standard on monetary gold or a wider standard covering multiple topics covered in the CP as the IPSASB has not yet decided what the aim of the output of the project is.

provided in Appendix A of the CP. The definitions of cash and cash equivalents in IPSAS were considered and based on those definitions, monetary gold should not be considered cash. Further, staff considered the characteristics of cash (money) versus monetary gold in Appendix 1, of this Issues Paper. This analysis explores the fundamental characteristics of both cash and gold. It demonstrates that monetary gold, while being similar to cash as it provides a store of value and is a unit of account, is not a generally accepted medium of exchange as it is not legal tender, which is a key unique characteristic of cash.

20. Based on an analysis of the characteristics of each category of gold and their use by monetary authorities³, staff consider that the following categories of gold products should be in scope of a standard on monetary gold:
 - (a) Physical gold held directly by monetary authorities;
 - (b) Physical gold held in allocated gold accounts; and
 - (c) Commemorative gold coins.
21. Additionally, in paragraph 2.27 of the CP, it is noted that the types of gold determined to be in scope, are consistent with the definition of monetary gold developed in the CP.
22. The following items should not be in scope either because of their characteristics or how they are used by monetary authorities:
 - (a) Physical gold held as deposits in unallocated gold accounts;
 - (b) Gold securities, equities, loans and derivatives;
 - (c) Gold coins which are legal tender;
 - (d) Gold antiques/historic artifacts; and
 - (e) Physical gold held for use in production, manufacturing or operations.

Matter(s) for Consideration

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| <ol style="list-style-type: none">3. The IPSASB is asked to confirm the proposed scope, or alternatively suggest amendments to the scope. |
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Chapter 2 – Monetary Gold: Measurement

23. Based on research presented to the IPSASB in March 2014, the key issue is the lack of consistency in measuring monetary gold, with entities recognizing monetary gold on a historical cost or fair value/current value basis. A small number also use a statutory rate.
24. In September 2014 the IPSASB directed that a link needed to be made from the gold assets being held by monetary authorities to the intention for which they are held and which measurement basis provides users with the best information, taking into account the guidance in the Conceptual Framework.
25. The Conceptual Framework provides guidance on the objective of measurement and selection of measurement basis as discussed in paragraph 2.32 of the CP.

³ Is the gold used like a financial instrument by the monetary authority?

26. Staff has responded to the direction and the guidance in the Conceptual Framework. The following revisions have been made in CP text (paragraphs 2.33–2.41):
- (a) Monetary gold assets in scope for the standard do not meet the definition of a financial instrument in IPSAS 28, but are used by monetary authorities similarly to financial instruments to achieve their main objective of price stability;
 - (b) Monetary gold items used similarly to financial instruments contribute to financial capacity; and
 - (c) An exit value provides the most relevant information on the contribution of monetary gold assets to financial capacity. Coupled with the large global liquid market for trading gold, market value—in, and open, active and orderly market—seems the most appropriate measurement basis.
27. At the September 2014 meeting IPSASB members questioned whether an exit value is always appropriate for monetary gold assets. An example was given of a monetary authority which made a decision to sell some gold assets. It took the monetary authority several years to sell off the assets, because of concerns that the sale of the reserves would destabilize the market and lead to lower prices. Staff believes this is an issue which exists for all traded products (financial instruments in particular) on markets and exchanges, when an entity looks to sell large quantities of financial assets or physical assets on organized exchanges or markets as the increase in supply can decrease prices. Staff does not consider this to be an issue unique to the gold market or one that should lead to a modification of the view that an exit value is appropriate. Further, in paragraph 2.40 in the CP, the appropriateness of an entry value is considered. Through analysis of the entry value measurement bases in the Conceptual Framework, it is concluded that even if an entry value is considered more appropriate, it is likely that Market value-in open, active and orderly market would likely be the most appropriate measurement basis.

Matter(s) for Consideration

4. The IPSASB is asked to:
- (a) **Indicate** whether it supports the view that monetary gold is held for its contribution to financial capacity and that information provided to users should reflect this; and
 - (b) **Indicate** if the discussion in paragraphs 2.33–2.41, sufficiently makes the link from the types of instruments in scope, the reason monetary authorities hold them and the appropriate measurement basis.

Chapter 2 – Monetary Gold: Recognition of Changes in Value of Monetary Gold

28. Where a current value measurement basis is adopted, there is a further issue in regards to how to account for transaction costs and changes in market value.
29. The CP proposes options for accounting for such changes based on considerations of the guidance in the Conceptual Framework as discussed in paragraphs 2.42–2.48.
30. The CP also discussed an approach consistent with current IPSAS financial instruments standards as discussed in paragraphs 2.49–2.50.

Matter(s) for Consideration

5. The IPSASB is asked to:
- (a) **Indicate** if it supports the various options on accounting for transaction costs and recognition of changes in the value of monetary gold, or alternatively suggest amendments; and
 - (b) **Indicate** any preliminary views on the appropriate location in the financial statement to recognize changes in value of monetary gold assets.

Chapter 2 – Monetary Gold: Presentation and Disclosure

31. At its September 2014 meeting, the IPSASB acknowledged that the draft CP was too prescriptive in regards to presentation and disclosure and that a disclosure objective would be more appropriate to communicate at the CP stage instead of a list of disclosures. Staff has therefore developed the following objective, which has been included in the CP in paragraph 2.57:

An entity shall present information that helps users of its financial statements assess:

- (a) The types (different categories) of monetary gold held by the entity;
- (b) The impact of monetary gold on the entity's financial performance and financial position; and
- (c) The nature and extent of risks arising from holding monetary gold to which the entity is exposed to during the period and at the end of the reporting period, and how the entity manages those risks.

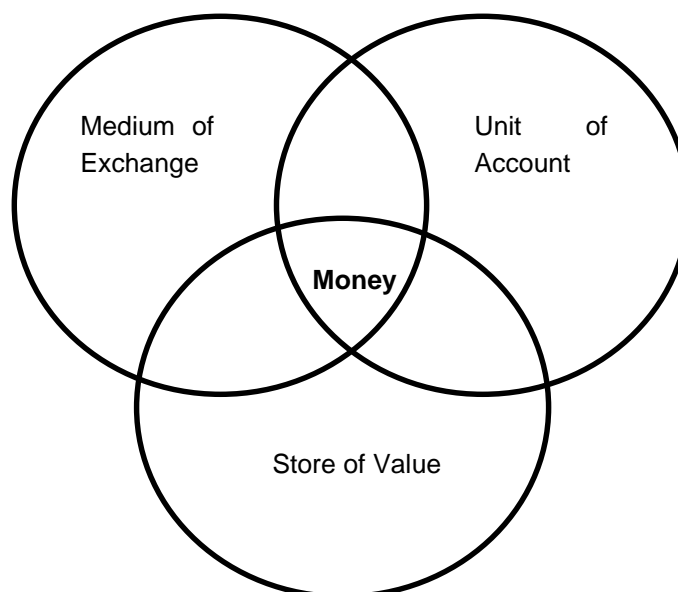
32. Staff has organized the discussion in relation to a presentation objective with regards to the Conceptual Framework's discussion on information selection, location and organization.

Matter(s) for Consideration

6. The IPSASB is asked to:
- (a) **Indicate** whether it supports the presentation objective, or alternatively to suggest amendments; and
 - (b) **Indicate** whether it supports the discussion of information selection, location and organization in the chapter of the CP, or alternatively to suggest amendments.

Appendix 1: Characteristics of Money vs. Gold

Characteristics of Money (Cash)



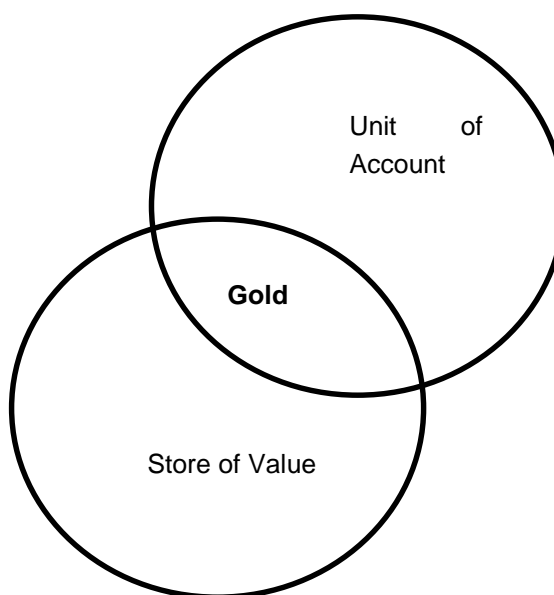
Medium of exchange: Anything generally accepted in exchange for goods or services.

Store of value: The ability of a currency, commodity, or other type of capital to retain its worth over time.

Unit of account: A common measurement used to compare the value of goods and services.

- A.1 Staff researched various information sources on characteristics of money, and found that cash has the above three characteristics, as described below;
- a. Medium of exchange as it is legal tender and generally accepted (legally required) in exchange for goods.
 - b. Unit of account as it is a standard measure of value used to price goods. When people talk of the value of goods or services they do so in terms of amount of money and not the amount of time or another good (such as gold bars) to price a given good.
 - c. Store of value as it holds value over time. Can save money today and spend it in the future.
- A.2 The TBG noted that in economies experiencing high inflation, the ability for money to be a store of value becomes questionable. Further, even in a stable economy, inflation erodes money as a store of value.

Characteristics of Physical Gold



- A.3 Gold is not a medium of exchange, as it is not generally accepted as legal tender as payment for transactions. Even in circumstances when gold might be used as medium of exchange, it is accepted based on its market value in cash (the amount the quantity of gold is worth if sold for cash on the market).
- A.4 Unit of account, gold can be measured by the quantity of physical gold, such as the amount of gold in fine troy ounces.
- A.5 Store of value as gold has intrinsic value and is well recognized valuable commodity. Gold may be considered by some to be a better store of value than money given it has intrinsic value, compared to cash which does not. Cash today is called a fiat currency, which derives its value based on its acceptance as a medium of exchange. However, the global price of gold (unit of account) is stated in markets and exchanges, usually in US dollars.
- A.6 Conceptually gold is different than cash because it is not a generally accepted medium of exchange. It can function as a unit of account and is definitely a store of value (some argue it is a superior store of value than cash). However, legal tender gold coins are a subset of gold, which would be considered to have conceptually all three characteristics. There is a question as to the medium of exchange value, as the gold content of legal tender gold coins in most cases is higher than the face value (which is the medium of exchange value).

IPSAS Definitions Analysis

- A.7 **Cash:** Compromises cash on hand and demand deposits.
- A.8 **Cash Equivalents:** Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

- A.9 Gold does not meet the definition of cash as it is not cash or a demand deposit.
- A.10 Gold is not a cash equivalent either, as it is not an investment readily convertible to known amounts of cash. Further, it is subject to changes in value based on the global spot price of gold, which would not be considered insignificant risk of changes in value.

Summary

- A.11 Gold differs from money on a conceptual basis as well as from an IPSAS accounting basis. Monetary gold is similar to cash as it provides a store of value and is a unit of account. However, it is not a generally accepted medium of exchange as it is not legal tender, which is a key unique characteristic of cash.

Appendix 2: Primary Objective of Monetary Authorities

This appendix provides a brief summary of the objectives and mission of several monetary authorities. The text **bold and underlined** spotlights the primary objective of each monetary authority. As noted in the below, the common link for each is an objective of achieving price stability.

Country	Monetary Authority	Objective - Mission
Canada	Canadian Central Bank and Department of Finance	Canadian Central Bank: 4 main areas of responsibility – 1. Financial System – Central Bank: Provides liquidity to the system, gives policy advice to the fed. Government on the design and development of the financial system, oversees major clearing and settlement systems, provides banking services to the financial system and participants, collaborates with other domestic and international bodies involved in financial stability issues. 'Lender of Last Resort'. 2. Monetary Policy: <u>The objective of monetary policy is to preserve the value of money by keeping inflation low, stable and predictable. This is done through two key components, the inflation control target</u> (range of 1 to 3% target of 2%) and the flexible exchange rate. To achieve inflation target, the bank adjusts its key policy rate. 3. Currency – Canada's sole authority for issuing bank notes, responsible for the design, production and distribution of bank notes. 4. Funds Management – Bank of Canada is the fiscal agent for the Government of Canada.
US	Federal Reserve System	The Federal Reserve's responsibilities fall into four general areas. <ul style="list-style-type: none"> - <u>Conducting the nation's monetary policy by influencing money and credit conditions in the economy in pursuit of full employment and stable prices.</u> - Supervising and regulating banks and other important financial institutions to ensure the safety and soundness of the nation's banking and financial system and to protect the credit rights of consumers. - Maintaining the stability of the financial system and containing systemic risk that may arise in financial markets. - Providing certain financial services to the U.S. government, U.S. financial institutions, and foreign official institutions, and playing a major role in operating and overseeing the nation's payments systems.
UK	Bank of England	The Bank of England's purpose today reflects that vision first articulated by our founders. Our mission: <u>to promote the good of the people of the United Kingdom by maintaining monetary and financial stability.</u>

Europe	European Central Bank	The ECB is the central bank for Europe's single currency, the euro. <u>The ECB's main task is to maintain the euro's purchasing power and thus price stability in the euro area.</u> The euro area comprises the 18 European Union countries that have introduced the euro since 1999.
Australia	Reserve Bank of Australia	The Reserve Bank of Australia (RBA) is Australia's central bank and derives its functions and powers from the <i>Reserve Bank Act 1959</i> . <u>Its duty is to contribute to the stability of the currency, full employment, and the economic prosperity and welfare of the Australian people.</u> It does this by setting the cash rate to meet an agreed medium-term inflation target, working to maintain a strong financial system and efficient payments system, and issuing the nation's banknotes. The RBA provides certain banking services as required to the Australian Government and its agencies, and to a number of overseas central banks and official institutions. Additionally, it manages Australia's gold and foreign exchange reserves.
South Africa	South African Reserve Bank	Mandate: <u>The SARB is required to achieve and maintain price stability in the interest of balanced and sustainable economic growth in South Africa.</u> Achievement of price stability is quantified by setting of an inflation target, which is underpinned by the stability of the financial system and markets.
Japan	Bank of Japan	The bank of Japan is the central bank of Japan. The bank's objectives are "to issue banknotes and to carry out currency and monetary control" and "to ensure smooth settlement of funds amount banks and other financial institutions, thereby contributing to the maintenance of stability in the financial systems. <u>The banks principle of currency and monetary controls is aimed at achieving price stability, thereby contributing to the sound development of the national economy.</u>
Germany	Deutsche Bundesbank	Eurosystem monetary policy is the Bundesbank's core business area. Other core business areas include the financial and monetary system, banking supervision, cashless payments and cash operations. <u>The overriding aim behind all of the Bundesbank's activities is to safeguard the stability of the general price level and the financial system.</u>

Switzerland	The Swiss National Bank	The Swiss National Bank conducts the country's monetary policy as an independent central bank. It is obliged by the Constitution and by statute to act in accordance with the interests of the country as a whole. <u>Its primary goal is to ensure price stability, while taking due account of economic developments.</u> In so doing, it creates an appropriate environment for economic growth.
Brazil	Banco Central Do Brasil	Mission: <u>To Ensure the stability of the currency's purchasing power and a solid and efficient financial system.</u>
Denmark	Danmarks National Bank	Danmarks Nationalbank's <u>three main objectives are to contribute to ensuring stable prices, safe payments and a stable financial system.</u>
New Zealand	Reserve Bank of New Zealand	The Reserve Bank of New Zealand is New Zealand's central bank. We promote a sound and dynamic monetary and financial system. We work towards our vision by: <ul style="list-style-type: none"> - <u>Operating monetary policy to achieve and maintain price stability</u> - Assisting the functioning of a sound and efficient financial system - Meeting the currency needs of the public - Overseeing and operating effective payments systems - Providing effective support services to the Bank
China	People's Bank of China	<u>The objective of monetary policy is to maintain the stability of the value of the currency and thereby promote economic growth.</u>
Mexico	Banco de Mexico	Mission: <u>The main goal of Banco de Mexico is to preserve the value of Mexico's currency in the long term in order to improve Mexican's well-being.</u>
Russia	The Central Bank of the Russian Federation	According to the constitution, the Bank of Russia is an independent entity, <u>with the primary responsibility of protecting the stability of the national currency, the ruble.</u>
Norway	Norges Bank	CORE RESPONSIBILITIES: Organisation of the bank's operations is based on clearly defined core activities. Norges Bank shall: <p><u>PROMOTE price stability by means of monetary policy</u></p> <p>PROMOTE financial stability and contribute to robust and efficient financial infrastructures and payment systems</p> <p>MANAGE the portfolios of the GPFG and the bank's own foreign exchange reserves in an efficient and confidence-inspiring manner.</p>

Chile	Banco Central de Chile	The Bank's mission corresponds to the core mandate for which the Central Bank of Chile was created: <u>to contribute to the proper functioning of the economy and to the well-being of all Chileans by safeguarding currency stability</u> and the normal settlement of internal and external payments.
South Korea	The Bank of Korea	<u>The primary purpose of the Bank, as prescribed by the Act, is the pursuit of price stability.</u> The Bank sets a price stability target in consultation with the Government and draws up and publishes an operational plan including it for monetary policy.
Malaysia	Bank Negara Malaysia	This is aimed at providing a conducive environment for the sustainable growth of the Malaysian economy. <u>Bank Negara Malaysia's monetary policy stance is to maintain price stability while remaining supportive of growth.</u>
Sweden	The Riksbank	The Riksbank is Sweden's central bank and an authority under the Riksdag, the Swedish parliament. <u>The Riksbank is responsible for monetary policy with the objective to maintain price stability.</u> The bank has also been given the task to promote a safe and efficient payment system.
Indonesia	Bank Indonesia	<u>Bank Indonesia has one single overarching objective: to establish and maintain rupiah stability.</u> This objective incorporates two key aspects: the first is a stable rupiah for goods and services, reflected by the inflation rate. The second is exchange rate stability against other foreign currencies, which is reflected by rupiah performance against other foreign currencies.
Turkey	Central Bank of Turkey	<u>As the country's monetary authority, the CBRT is responsible for conducting monetary and exchange rate policies in Turkey, with the primary objective of achieving price stability.</u> The CBRT is also responsible for taking measures to sustain the stability of the financial system. Moreover, the CBRT is in charge of printing banknotes, circulating money, establishing and overseeing payment systems and last but not least, managing Turkey's international reserves.
UAE	Central Bank of the UAE	Objective: Shall direct monetary, credit and banking policy and supervise over its implementation in accordance with the <u>State's general policy and in such ways as to help support the national economy and stability of the currency.</u>

1 Introduction and Objective

- 1.1 IPSASs do not provide requirements or guidance on how to account for a number of monetary items that have been termed “public sector specific financial instruments”. The lack of guidance for these transactions leads to reporting that is inconsistent between entities and may be inappropriate. As a result, users may not be provided with the information they need for accountability and decision-making purposes. This lack of guidance is a significant gap in the IPSASB’s literature.
- 1.2 This Consultation Paper (CP) is an important step in determining the appropriate reporting for public sector specific financial instruments. The CP considers the issues related to these instruments and possible approaches to accounting for them. The objective of the CP is to initiate a debate about matters such as:
- The types of instruments considered to be public sector specific financial instruments;
 - Approaches to recognition, measurement and derecognition; and
 - Presentation and disclosure of information about public sector specific financial instruments.

History of the Project

- 1.3 The project to develop IPSAS 28, *Financial Instruments: Presentation*, IPSAS 29, *Financial Instruments: Recognition and Measurement*, and IPSAS 30, *Financial Instruments: Disclosures*, identified several items, some of which may meet the definition of a financial instrument but have certain public sector specific characteristics. Others do not strictly meet the definition, but are used in a similar capacity to financial instruments. Issues identified during the initial financial instruments project as “public sector specific financial instruments” were:
- Monetary gold;
 - Special Drawing Rights;
 - Reserve position in the IMF;
 - Currency issued by the entity;
 - Financial guarantee contracts; and
 - Concessionary loans.
- 1.4 The IPSASB determined that a core set of financial instruments standards based on the IASB standards for financial instruments in force at December 31 2008 were appropriate for the core operations of government, and therefore developed IPSAS 28–30, *Financial Instruments*. Two public sector specific issues—concessionary loans and large-scale financial guarantee contracts—were addressed in application guidance in IPSAS 29. Both these instruments clearly meet the definitions of a financial instrument. The guidance has been applicable since January 1, 2013.
- 1.5 The IPSASB agreed to address the remaining issues through a further public sector specific financial instruments project, for which an initial project brief was approved in December 2013.
- 1.6 In December 2013, the IPSASB identified additional issues to those noted in paragraph 1.3. The additional issues were statutory receivables, statutory payables and certain types of securitization

transactions unique to the public sector. The IPSASB considers that it is in the public interest to consider these additional topics.

- 1.7 The key link between all of the issues in scope of this project is that they have arisen because of public sector specific transactions identified from the financial instruments convergence project and/or were items identified as having characteristics similar to financial instruments although they do not meet the definition of a financial instrument in IPSAS 28.

Approach taken in this CP

- 1.8 The Conceptual Framework was published in October 2014. This CP draws on the Framework in its analysis of each topic.
- 1.9 The CP is organized into separate chapters by topic. The IPSASB has not yet determined if the project will lead to the development of a single standard or several standards and/or additional application guidance. However, the IPSASB feels it is important to deal with all the issues in a single CP, to allow consideration of all topics by constituents. Not all topics will be considered to be relevant for all constituents.
- 1.10 The CP has the following structure:
- Chapter 1: Introduction and Objective;
 - Chapter 2: Monetary Gold;
 - Chapter 3: Currency and Coin Issued by the Entity;
 - Chapter 4: IMF Special Drawing Rights and Other IMF Transactions;
 - Chapter 5: Statutory Receivables;
 - Chapter 6: Statutory Payables; and
 - Chapter 7: Securitizations.

Conceptual Framework

- 1.11 The complete Conceptual Framework was published in October 2014. This development will influence the CP in the following ways:
- The objectives of financial reporting, the qualitative characteristics and the constraints on information included in general purpose financial reports, provide a framework against which the information needs of users can be weighed against accounting considerations for each chapter;
 - The measurement objective provides a framework for assessing the information needs of users and which measurement basis appropriately meet such needs; and
 - The concepts for presentation and disclosure allow for development of a presentation objective to address the needs of users, by considering the selection, location and organization of information in general purpose financial statements.

Objectives of financial reporting and qualitative characteristics

1.12 The objectives of financial reporting are set out in paragraph 2.1 of the Conceptual Framework.

“The objectives of financial reporting by public sector entities are to provide information about the entity that is useful to users of GPFRs for accountability purposes and for decision-making purposes (hereafter referred to as “useful for accountability and decision-making purposes”).”

1.13 The CP considers how well the options for accounting put forward in each chapter satisfy the objectives of financial reporting and meet users’ information needs.

Objective of measurement

1.14 The CP identifies viable measurement bases and assesses how well they meet the information needs of users.

Concepts of presentation

1.15 The CP considers how the presentation objective can be achieved through the selection, location and organization of information.

2 Chapter 2: Monetary Gold

Introduction

- 2.1 Physical gold has a long history as a reserve asset held by entities in the public sector. Historically, currency was produced from precious metals (gold, silver). As economies advanced, paper money became more prevalent; however, would typically be exchangeable for a precious metal. Gold played a more direct role in the monetary system until the early 1970’s, when the US dollar¹, was allowed to float freely. Although currencies are no longer linked to gold, central governments and central banks continue to have physical gold holdings, because it is a medium of exchange with intrinsic value and for which there is a global liquid market.
- 2.2 Public sector entities, such as departments of the central government and/or central banks use gold to aid in meeting their primary objective of price stability. However, accounting for monetary gold is inconsistent in the public sector, with a range of measurement bases used.
- 2.3 This chapter of the CP is an important step in determining the appropriate accounting for monetary gold assets. This chapter considers the approaches to, and issues arising in, accounting for monetary gold. Its objective is to initiate a debate about matters such as:
- (a) The types of gold assets and how they are used by monetary authorities;
 - (b) Whether such gold assets are financial instruments as defined in IPSAS 28; and
 - (c) The appropriate way to measure monetary gold assets, considering guidance in the Conceptual Framework, to provide the best information to users.

Scope and Definitions

- 2.4 This section of the CP addresses the scope and discusses definitions of a future IPSAS standard/guidance on monetary gold. It has not been determined if the intent of this chapter is to

¹ The US dollar was the last currency which was exchangeable for a fixed amount of gold.

develop an individual IPSAS or if monetary gold will be included in a composite IPSAS providing requirements and guidance together with other items discussed in this CP.

Consistency with GFS and SNA

- 2.5 The IPSASB tries to reduce differences with the statistical basis of reporting where appropriate. The Preface to the Conceptual Framework states in paragraph 24, the removal of differences between GFS reports and IPSAS financial statements can provide benefits to users in terms of report quality, timeliness and understandability. Further, the IPSASB has published a policy paper, *Process for Considering GFS Reporting Guidelines during Development of IPSASs* in February 2014² (GFS Policy Paper), which has been considered in developing this chapter.
- 2.6 Informed by the Conceptual Framework and the GFS Policy Paper, the IPSASB reviewed the definitions and descriptions of monetary gold in the Government Finance Statistics Reporting Guidelines (GFS) 2001 manual and the System of National Accounts (SNA) 2008, to consider whether they assist in the development of definitions of monetary gold, gold bullion, monetary authority and reserve assets.
- 2.7 The GFS framework describes monetary gold in section 7.92–7.94 as follows:
- (a) *Section 7.92—Monetary gold consists of gold coins, ingots, and bars with a purity of at least 995/1000 that are:*
 - *Owned by units that undertake monetary authority functions; and*
 - *A component of the nation's official reserve assets. The monetary authority will normally be the central bank, but it is possible for a unit of the general government sector to undertake some functions of the monetary authority.*
 - (b) *Section 7.93—Monetary gold is a financial asset for which there is no corresponding liability on the part of another unit. It is valued at the current price established in organized markets or in bilateral arrangements between monetary authorities.*
 - (c) *Section 7.94—Any gold held by a government unit that does not satisfy the definition of monetary gold is treated as a nonfinancial asset, either a type of inventory (612) or a valuable (613). Deposits, loans, and securities denominated in gold are treated as deposits, loans, and securities and not as monetary gold. A gold swap is treated as a loan.*
- 2.8 SNA 2008 describes monetary gold as follows in Chapter 11, *The Financial Account*:
- (a) *Section 11.45—Monetary gold is gold to which the monetary authorities (or others who are subject to the effective control of monetary authorities) have title and is held as a reserve asset. It comprises gold bullion (including gold held in allocated gold accounts) and unallocated gold accounts with non-residents that given title to claim the delivery of gold. All monetary gold is included in reserve assets or is held by international financial organizations. Only gold that is held as a financial asset and as a component of foreign reserves is classified as monetary gold. Therefore, except in limited institutional circumstances, gold bullion can be a financial asset only for the central bank or central government.*
 - (b) *Section 11.46—Gold bullion take the form of coins, ingots, or bars with a purity of at least 995 parts per thousand; it is usually traded on organized markets or through bilateral arrangements*

² <http://www.ifac.org/sites/default/files/publications/files/IPSASB-GFS-Policy-Paper.pdf>

between central banks. Therefore, valuation of transactions is not a problem. Gold Bullion held as a reserve asset is the only financial asset with no corresponding liability.

Definitions and Descriptions

- 2.9 Drawing from the above definitions and descriptions from GFS and SNA, the IPSASB proposes the following definitions (detailed in paragraphs 2.10, 2.11, 2.13 and 2.16) and supporting guidance (outlined in paragraphs 2.12, 2.14-2.15 and 2.17–2.19).
- 2.10 **Monetary gold** is defined as follows:
“Gold bullion assets held by monetary authorities as reserve assets.”
- 2.11 **Gold bullion** is defined as follows:
“Physical gold that has a minimum purity of 995 parts per 1000.”
- 2.12 Physical gold which does not meet the minimum purity requirements of 995 parts per 1000, is not considered to be in saleable form, according to the internationally accepted rules³ for trading on markets and exchanges.
- 2.13 **Monetary authority** is defined as follows:
“The entity(ies) with responsibility for the monetary system. In most cases the monetary authority will be the central bank or a department(s) of the central (national) government. In some cases, it may be more than one entity.”
- 2.14 In limited circumstances a monetary authority may also be an international or regional entity⁴.
- 2.15 Monetary authorities may have a broad mandate to oversee various aspects of the monetary system. However, the primary objective of monetary authorities is to maintain price stability, which is achieved by ensuring stability in the domestic monetary system.
- 2.16 **Reserve assets** are defined as follows:
“Assets held by monetary authorities to help ensure price stability in the monetary system, such as monetary gold, currency (domestic and foreign), highly liquid investments, and Special Drawing Rights (SDRs).”
- 2.17 Reserve assets are held by monetary authorities to help in achieving the objective of price stability.
- 2.18 To be effective in helping monetary authorities meet their primary objective of price stability; reserve assets must be readily available for trading in a liquid market. Monetary gold should be in the physical form required for trading.
- 2.19 Monetary gold is one particular type of reserve asset. It is held by monetary authorities for its intrinsic value as a precious metal and because a global liquid trading market exists for trading it. Also, monetary gold is similar to foreign exchange holdings, another key type of asset used in providing

³ The international standard for transacting in physical gold, are the rules of the London Bullion Exchange are. For gold bars to be saleable they must meet the “London Good Delivery” rules.

⁴ An example of an international entity which holds reserve assets to provide stability to the global monetary system is the IMF, which has significant monetary gold assets. An example of a regional entity which holds reserve assets to provide stability to the European monetary system is the European Central Bank. Both of these entities work in a capacity similar to national governments and central banks in terms of their use of reserve assets, such as monetary gold.

stability to the monetary system. These characteristics of monetary gold help provide stability and aid monetary authorities in achieving their objective of price stability. Therefore, monetary gold has an economic substance that differs from physical gold holdings held for other purposes such as use in operations, manufacturing and/or because such holdings have historical or cultural significance.⁵

Scope

- 2.20 What is monetary gold and what is not? This is a key consideration in developing the scope of the CP. Each type of gold will be analyzed to determine if they meet the definition of a financial instrument in IPSAS 28. If the item meets the definition of a financial instrument, they will not be considered to be in scope of the CP. For those types of gold which do not meet the definition of a financial instrument, they will further be considered to determine if monetary authorities use them in a manner of a financial instrument. The items which do not meet the definition of a financial instrument, but which are used like one, will be considered for inclusion in the scope of the CP, if they satisfy the definition of monetary gold as defined in the CP.
- 2.21 Paragraphs 2.22–2.27 analyze a range of gold products and consider whether they should be in scope of the CP. Appendix A: Types of Gold Analysis, provides a more detailed analysis of each category of gold discussed below.
- 2.22 Physical Gold: Gold which is tangible in nature. It can have a range of purities ranging from low to high gold content⁶ and can take many forms⁷. Physical gold holdings do not have the characteristics of a financial instrument as they do not contain a contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. However, monetary authorities may use physical gold in a manner similar to cash. If physical gold is used like cash and meets the definition of cash, or a cash equivalent, it may be appropriate to apply financial instruments standards, as the definition of a financial asset includes cash. The definition of cash in IPSAS 2.8 states it “*comprises cash on hand and demand deposits*”. Monetary gold does not meet this definition. IPSAS 2.8 defines cash equivalents as “*Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value*”. Physical gold is not a short term highly liquid investment and the risks of changes in value are not insignificant. Therefore physical gold does not meet the definition of a financial instrument, cash or cash equivalent, and therefore should be considered for inclusion in the scope of this CP. The manner in which it is held by the monetary authority, is another factor which impacts if physical gold should be included in the scope of this CP.
- 2.23 Physical gold can be held directly by the monetary authority, stored with a 3rd party in an allocated gold account or by a 3rd party in an unallocated gold account. The different methods for holding physical gold are discussed in detail below:
- (c) Physical gold held directly by monetary authority: As discussed above, this type of gold does not have the characteristics of a financial instrument but is used like a financial instrument by

⁵ Some monetary authorities may hold physical gold for the purpose of trading with other monetary authorities, banks or commodity brokers (to facilitate trading in the markets). Monetary authorities may also hold physical gold for use in manufacturing for items such as gold coins.

⁶ Tradable physical gold requires a purity of 995 parts per 1000 or greater gold content.

⁷ Physical form of gold can be in the form of bars of various shapes and sizes. Sometimes physical gold exists in the form of nuggets. Also, gold bars are sometimes referred to as ingots.

monetary authorities. Based on its characteristics and the manner in which it is used, physical gold held directly by monetary authorities should be in the scope of this CP;

- (d) Physical gold held by a 3rd party in an allocated gold account: This is physical gold which is stored with a 3rd party for safekeeping. The 3rd party specifically identifies the gold being held and segregates it. At any time the monetary authority can take possession of the gold, or instruct the 3rd party to undertake transactions of the gold being held. This type of arrangement does not contain a contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity and is therefore not a financial instrument. It is not considered to be different than physical gold held directly by the entity as it is only being stored by the 3rd party for safekeeping, and the rights and obligations of owning the physical gold have not been transferred. Because it is not a financial instrument, but is used similarly to a financial instrument, physical gold held in an allocated gold should be considered for inclusion in the scope of this CP; and
- (e) Physical gold held as a deposit by a 3rd party in an unallocated gold account: This is physical gold deposited by the monetary authority with a 3rd party (in a manner similar to how cash is deposited at a bank). The gold deposited is not segregated or identified. The monetary authority has the right to request on call delivery⁸ deposited physical gold. Gold held in unallocated gold accounts is a contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The monetary authority has a financial asset, because it has deposited gold with the 3rd party institution and the 3rd party has a financial liability because it has an obligation to provide the quantity of gold on demand. Unallocated gold accounts meet the definition of a financial instrument in IPSAS 28. Therefore gold held in unallocated gold accounts should not be in the scope of this CP.

2.24 Gold Coins: Coins which are minted from gold either as commemorative gold coins or legal tender gold coins.

- (a) Commemorative Gold Coins: Coins made from gold. These coins derive their value based on the gold content of the coin. Commemorative gold coins are not legal tender and are not considered cash. They are physical in nature and are not financial instruments because they do not result from a contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another. However, monetary authorities may use commemorative gold coins like a financial instrument to aid in achieving the objective of price stability by providing stability to the monetary system. Therefore, these should be considered for inclusion in the scope of this CP; and
- (b) Legal Tender Gold Coins: Gold coins which are legal tender in a particular jurisdiction. Such as the South African Kruggerrand, Canadian Maple Leaf, British Britannica, China Panda and American Gold Eagle coins. The South African Kruggerrand legal tender value is equal to the market value of the gold content of the coin. While other such coins, the legal tender face value is less than the value of the gold in the coins. The value of the coin in the market in which it is exchanged is likely to be based on the value of the gold content and not the face value for such coins. Legal tender gold coins are considered to be financial instruments as they are a financial

⁸ Similar to cash held by banks as deposits, banks holding monetary gold in unallocated gold accounts, would not in the normal course of operations hold enough gold to deliver to all depositors on demand. This is one of the risks and key differences between gold held in allocated gold accounts versus unallocated gold accounts.

asset with a corresponding financial liability of the monetary authority which issues the coin. There may be a question whether such a financial instrument would be valued at the fair value of the coin based on the gold content or the face value of the coin. However, it appears they would be considered financial instruments and should be accounted for by applying IPSAS 28–30. Therefore they should not be in the scope of this CP.

2.25 The banking and the gold industries have developed a range of securities linked to gold. The main categories of gold instruments are discussed below:

- (a) Gold Loans: Debt agreements for borrowings where gold is posted as collateral to secure the loan. Gold loans are financial instruments as they result from a contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. As these are financial instruments IPSAS 28–30, should be applied and gold loans should not be in the scope of this CP;
- (b) Gold Exchange Traded Funds (ETFs): Securities (investment funds) traded on public markets which are linked to an underlying amount of gold, to the market price of gold or which hold a range of underlying securities of entities which produce gold. Gold ETFs are financial instruments as they result from a contract, which gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. As these are financial instruments IPSAS 28–30 should be applied and they should not be in the scope of this CP;
- (c) Gold Forward/Futures: Derivative contracts for the exchange of a quantity of gold at a future date at a specified price. Gold derivatives are financial instruments as they result from a contract, which gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In some cases, entities may be exempt from financial instruments accounting when contracts are entered into and held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected usage requirements. However, this scope exemption is intended for companies, which have regular and expected requirements for usage of the underlying non-financial item. Monetary authorities hold gold to use like a financial instrument, not for operations and therefore the scope exemption should not apply. Gold derivative contracts are financial instruments and IPSAS 28–30 should be applied and they should not be in the scope of this CP; and
- (d) Gold Equities: Common and preferred shares of companies which explore, develop and mine gold. These are companies which generate revenue through the exploration, development and mining of gold. Gold equities are financial instruments as they result from a contract, which gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. As these are financial instruments, IPSAS 28–30 should be applied and they should not be in the scope of this CP.

2.26 Gold Antiques: Cultural and historical items which contain gold. These items have both value arising from their gold content, as well as their historical and/or cultural value. These items would not be considered a financial instrument, as they are tangible in nature and do not give rise to a financial asset of one entity or a financial liability or equity instrument of another entity. Further, gold antiques would be held by government entities because of their cultural and/or historical significance and if held by a monetary authority, would not be held for use in a manner similar to a financial instrument. Therefore it would be inappropriate to include these in the scope of this CP.

- 2.27 Items considered for inclusion in the scope of this CP based on their characteristics and how they are used by monetary authorities are physical gold (including gold held in allocated gold accounts) and commiserative gold coins. Further, these types of gold are held by monetary authorities, physical in nature and used to achieve the objectives of the monetary authority. For these reasons, these types of monetary gold meet the definition of monetary gold as stated in paragraph 2.10 and should be included in the scope of this CP.

Recognition

- 2.28 Monetary gold should be recognized in the statement of financial position when it meets the definition in paragraph 2.18 and the definition of an asset in the Conceptual Framework which is “an asset is a resource presently controlled by the entity as a result of a past event.”
- 2.29 The Conceptual Framework provides recognition guidance in paragraph 6.7, which requires consideration in regards to measurement uncertainty. When applying this guidance to monetary gold, because of the physical nature of the asset and the existence of a global market for trading gold, the risk of measurement uncertainty is considered minimal.
- 2.30 Control over monetary gold arises through acquisition which results in physical possession usually by a purchase. Control can be exercised even if the gold is not directly held by the entity. Following acquisition it is common for entities to store gold with a monetary authority or international banking institution which provides safe keeping services⁹.

Measurement of Monetary Gold

- 2.31 Monetary authorities are inconsistent in how they measure monetary gold with some measuring using historical cost, others at fair value/current value and a further group using a statutory rate¹⁰. Use of a statutory rate is not considered an appropriate measurement basis in the Conceptual Framework.
- 2.32 Chapter 7 on measurement in the Conceptual Framework, paragraph 7.2, states that the *objective of measurement is to select those measurement bases that most fairly reflect the cost of services, operational capacity and financial capacity of the entity in a manner that is useful in holding the entity to account and for decision-making purposes*. Paragraph 7.3 further elaborates *that selection of a measurement basis contributes to meeting the objectives of financial reporting in the public sector by providing information that enables users to assess:*
- (a) *The cost of services provided in the period in historical or current terms.*
 - (b) *Operational capacity—the capacity of the entity to support the provision of services in future periods through physical and other resources; and*
 - (c) *Financial capacity—the capacity of the entity to continue to fund its activities.*

⁹ Safe keeping services for gold are when a banking institution, such as a central bank, an international bank or a local bank take responsibility for holding gold on behalf of another institution. This gold may be held in either an allocated or unallocated account. An allocated gold account holds specific gold assets deposited by another entity. An unallocated gold account holds gold deposits, but does not segregate and/or specify the gold deposited by the depositing entity.

¹⁰ Two examples of monetary authorities using statutory rates to measure monetary gold are the US Federal Reserve Bank and the South African Reserve bank. The US Federal Reserve measures monetary gold at the statutory rate set by law at \$42.22 per fine troy ounce. The South African Reserve Bank measures monetary gold at the market price take at 14:30 on the reporting date.

- 2.33 Monetary gold defined in paragraph 2.10, is used by monetary authorities to achieve the objective of price stability of the monetary system. Therefore, a measurement basis that provides information on financial capacity appears most relevant as it provides information to enable users to assess monetary authorities' ability to provide stability and liquidity into the monetary system. Because of the objective of monetary authorities and how they use reserve assets, such as monetary gold, it is not thought that information on the cost of services or operational capacity would be relevant.
- 2.34 Monetary authorities currently measure monetary gold either on a historical cost basis or fair value/current value basis¹¹. A smaller group of monetary authorities also use a statutory rate. For those jurisdictions which use a statutory rate, the method of applying such a rate is not consistent. However, the reason for using a statutory rate is consistent, as these monetary authorities appear to use this method to reduce the volatility caused by changes in gold prices. It is clear that use of a statutory rate would not be an acceptable basis, when considering the guidance of the Conceptual Framework.
- 2.35 The Conceptual Framework paragraph 7.4 states, *that selection of a measurement basis also includes an evaluation of the extent to which the information provided achieves the Qualitative Characteristics (QCs)*. See Appendix B: Evaluation of Options against the Objectives of Financial Reporting and the QCs, for an analysis of the QCs against historical cost and current value. Based on then objectives for which monetary authorities hold gold and an assessment of the extent to which the measurement bases achieve the QCs, the best information to users is provided by a current value measurement basis.

Historical Cost

- 2.36 An assessment of the information provided by measuring monetary gold at historical cost for each of the QCs is summarized as follows:
- (a) Relevance—Historical cost information is not relevant for determining financial capacity;
 - (b) Faithful Representation—Historical cost provides a faithfully representative view of the transaction price to acquire monetary gold, but not information on the current financial capacity it provides;
 - (c) Understandability—Historical cost information is not complex. It provides information on cost to acquire (entry value of) monetary gold, rather than the resources that could be accessed through selling it;
 - (d) Timeliness—Timeliness is not an issue as historical cost is known when the monetary gold is acquired and it does not change unless the monetary gold is impaired or sold;
 - (e) Comparability—Historical cost measurement does not provide comparable information as the value is based on the timing of the purchase of gold and not the true economic value; and
 - (f) Verifiability—Historical cost measurements are generally transaction based and easily verifiable.

¹¹ Only measurement bases consistent with the conceptual frameworks guidelines are discussed, which is why a statutory rate, is not referred to here.

- 2.37 Information provided by historical cost does meet some of the QCs and provide information which is useful to users. Historical cost does not provide information which faithfully represents the financial capacity of monetary gold.

Market Value

- 2.38 An assessment of the information provided by measuring monetary gold at market value (current value) for each of the QCs is summarized as follows: Relevance—Market value is a relevant measure that provides information on the contribution of monetary gold to financial capacity;
- (b) Faithful Representation—Market value provides a faithfully representative view of the financial capacity monetary gold can provide as it represents the exit value and is an objective price, available in a transparent, liquid market;
 - (c) Understandability—Market value information is understandable; valuation of monetary gold using a spot rate is not complex;
 - (d) Timeliness—Market value provides measurement information in a timely manner. The gold markets are transparent and prices are available in real time;
 - (e) Comparability—Market value provides measurement information which allows direct comparability of the financial capacity provided by monetary gold against other assets recognized as reserve assets as well as liabilities, and between different monetary authorities; and
 - (f) Verifiability—Market value provides information on financial capacity which is verifiable, given the physical nature of monetary gold and the transparent liquid global market which gold trades in.
- 2.39 An exit value is appropriate for measuring monetary gold, because it provides information related to financial capacity, and achieves the QCs. The best exit-based measure is market value because there is an open, active and orderly market for gold, which is non-entity specific. By using market value to measure the value of monetary gold, it allows for the faithful representation of the contribution of monetary gold to an entity's financial capacity.
- 2.40 Monetary authorities hold monetary gold to aid in achieving the objective of price stability. Monetary gold helps in this objective because of its unique nature of having intrinsic value and a global market for trading. This allows it to help provide confidence in the monetary system, and therefore it is unlikely monetary authorities will sell it. It could be argued that from this point of view an entry value measurement basis might be appropriate. For those who support such a view, it should be noted that market value in an open, active and orderly market is both an entry and exit value. Further, historical cost is another entry value measurement basis, which has already been discussed in paragraph 2.35. The only remaining asset measurement basis which is an entry value, as noted in paragraph 7.6 in the Conceptual Framework, is replacement cost. The qualitative characteristics of replacement cost have not been discussed. This is because replacement cost is defined in paragraph 7.24 as, *The most economic cost required for the entity to replace the service potential of an asset (including the amount that the entity will receive from its disposal at the end of its useful life) at the reporting date.* The most economic cost to replace the service potential of monetary gold would be to buy it at the spot rate in the gold market, which would be the same as market value, in an open and active market.
- 2.41 Given the ease of obtaining the spot price for gold, the global liquid market for trading it and why it is held by monetary authorities, market value in an open, active and orderly market appears to be the

most appropriate measurement basis for providing information on financial capacity and the QC of verifiability.

Initial and Subsequent Measurement

- 2.42 Application of market value gives rise to two issues—accounting for transaction costs and changes in value. The Conceptual Framework will be considered in developing the various accounting options for each issue. Further, an approach that draws on the consistency of accounting with current IPSAS standards on financial instruments will be discussed, given how monetary gold is used like a financial instrument.
- 2.43 Monetary gold assets carried at current value will be revalued based on the spot rate for gold at each reporting date. Therefore, capitalization of transaction costs provide little ongoing information value to users. As well, capitalization of transaction costs requires them to meet the definition of an asset in the Conceptual Framework, which is stated in paragraph 5.6 as, *a resource presently controlled by the entity as a result of a past event*. The key question in the definition is if transaction costs are a resource or not. Paragraph 5.7 of the Conceptual Framework states, *a resource is an item with service potential or the ability to generate economic benefits*. Transaction costs do not embody service potential or the ability to generate economic benefits. If transaction costs are not capitalized, they should be expensed as incurred. Paragraph 5.30, in the Conceptual Framework notes an expense as, *Decreases in the net financial position of the entity, other than decreases arising from ownership distributions*. Transaction costs are decreases in the net financial position of an entity and they are not as a result of an ownership distribution and therefore meet the definition of expense.
- 2.44 The next consideration, is where in the financial statements is appropriate to recognize transaction cost expenses. The Conceptual Framework does not assign elements to specific financial statements. Paragraph 5.32 notes, *the entity's surplus or deficit for the period is the difference between revenue and expense reported on the statement of financial performance*. Transaction costs, being a realized expense in the period, seem appropriate to recognize in the statement of financial performance. The information provided by doing so, allows users to evaluate the impact on surplus or deficit related to monetary gold transactions.
- 2.45 Use of market value, raises the issue of how the in value of monetary gold assets should be recognized. The Conceptual Framework chapter 5 states that revenue and (expenses), *are increases (decreases) in the net financial position of the entity other than increases (decreases) arising from ownership contributions (distributions)*. Changes in fair value of monetary gold assets, both unrealized (temporary) and realized will give rise to revenue or expense as they result in changes in the net financial position of the entity which are not ownership contributions or distributions.
- 2.46 It is not clear where revenue and expense from changes in fair value of gold assets should be recognized in the financial statements, consistent with the discussion above in 2.43. At each reporting date, revaluations of monetary gold assets due to changes in the spot rate of gold, give rise to unrealized (temporary) gains or losses. When monetary gold assets are actually sold, they give rise to realized gains or losses.
- 2.47 Recognition of realized gains and losses, similar to transaction costs in 2.43 are a realized revenue or expense in the period and appropriate to recognize in the statement of financial performance. The information provided by doing so, allows users to evaluate the impact on surplus or deficit related to the sale and derecognition of monetary gold assets.

- 2.48 Accounting for unrealized gains or losses, appears a little more subjective. The IASB has a view, currently expressed in their developing Conceptual Framework, that unless there is a clear argument for an alternative, all revenue and expense should be recognized in the statement of financial performance. However, recognition of unrealized gains or losses may increase volatility in the statement of financial performance, which may artificially increase or decrease the cost of service for the period. This could impair the objectives of financial reporting and may not clearly communicate to users the cost of services for the period. As the Conceptual Framework is not clear on this issue, constituents' views would be helpful.
- 2.49 As monetary gold assets are being used in a manner similar to financial instruments, it may also be useful to consider the requirements of IPSAS 29, for accounting for initial transaction costs. Depending on the categorization of the financial asset, transaction costs are either capitalized as part of the initial cost of acquiring a financial asset—if the asset is categorized as available for sale (AFS), or expensed as incurred if categorized as a financial asset at fair value through surplus or deficit (held for trading (HFT)).
- 2.50 Similarly consideration of the IPSAS financial instruments requirements seems useful to consider for accounting for recognition of gains and losses for changes in fair value of monetary gold assets. IPSAS allows unrealized gains and losses for AFS financial instruments to be recognized directly in net assets until realized when they are derecognized. When AFS financial instruments are realized, cumulative gains and losses are recognized in the statement of financial performance. Further, for unrealized AFS investments, where the investment is impaired, the cumulative impairment loss shall be removed from net assets and recognized in the statement of financial performance. The changes in fair value, both unrealized and realized, are recognized in the statement of financial performance for those financial instruments accounted for as HFT investments.
- 2.51 Market value—in an open, active and orderly market provides information on the contribution that monetary gold makes to financial capacity at each subsequent reporting period and allows users to assess that contribution. Constituents are asked to provide their views on the appropriate option for accounting for transaction costs and recognition of changes in value of monetary gold assets.

Derecognition

- 2.52 The Conceptual Framework in chapter 6.10 notes that *derecognition is the process of evaluating whether changes have occurred since the previous reporting date that warrant removing an element that has been previously recognized from the financial statements, and removing the item if such changes have occurred.*
- 2.53 In accordance with this guidance, derecognition would occur in most circumstances when the monetary gold is sold or transferred to another entity. Given the physical nature of monetary gold, other than an outright transfer or sale, any sale of an interest or percentage of gold, or use as gold for collateral would be contractual and give rise to a financial asset of one entity and a financial liability or equity instrument of another entity, and therefore be assessed under IPSAS 28–30.

Presentation and Disclosure

- 2.54 This section of the CP discusses at a high level the information to be presented in respect of monetary gold. It does not propose specific requirements. These requirements are linked to decisions regarding the approach to recognition and measurement, and therefore will be determined once the IPSASB has considered the responses to this chapter of the CP.

- 2.55 The information to be presented will need to be useful for accountability and decision-making purposes to ensure it meets the objectives of financial reporting. Information will need to be consistent with the QCs set out in the Conceptual Framework. Decisions about the information to include will also need to take into account the constraints on information included in general purpose financial reporting.
- 2.56 Chapter 8 of the Conceptual Framework describes the decisions that need to be made regarding the presentation of information. These decisions are grouped under three headings – information selection, information location and information organization. This CP concentrates on information selection, but also discusses location and organization. The discussion in this CP focuses mainly on information selection through the development of a presentation objective.

Information Selection

Presentation Objective

- 2.57 Information selection involves asking the question “What information do users need?” To assist in answering this question, the IPSASB is proposing the following presentation objective for this chapter:

An entity shall present information that helps users of its financial statements assess:

- (a) The types (different categories) of monetary gold held by the entity;
- (b) The impact of monetary gold on the entity's financial performance and financial position; and
- (c) The nature and extent of risks arising from holding monetary gold to which the entity is exposed to during the period and at the end of the reporting period, and how the entity manages those risks.

- 2.58 This CP is seeking respondents' views as to the information that users will need to achieve the above presentation objective. The following paragraphs set out some of the issues that respondents may wish to consider in coming to a view on users' information needs.

Existing IPSAS provisions

- 2.59 Provisions within existing IPSASs will require some information to be presented in the financial statements:
- The statement of financial position will include assets in respect of monetary gold;
 - The statement of financial performance will include revenue and expense in respect of monetary gold;
 - The cash flow statement will include cash flows in respect of monetary gold; and
 - The notes will include accounting policies in respect of monetary gold, and further details of the amounts listed above.

Details of revenues, expenses, assets and liabilities

- 2.60 The faces of the financial statements will display the amounts of revenues, expense, assets and cash flows arising from monetary gold. The notes will disclose more detail on these amounts; the following questions will need to be addressed:
- How much more detail is appropriate?

- Should each physical type of monetary gold asset be disclosed individually? What criteria should be considered when coming to this decision?
- For revenue and expense, should information about the unrealized gains/losses be presented and where should that information be recognized in the financial statements (statement of financial performance or directly in net assets)?

Appendix A: Types of Gold Analysis

A.1 The purpose of this appendix is to consider the various types of gold and gold instruments available and their characteristics. The Appendix indicates whether a particular type meets the definition of a financial instrument in IPSAS 28 and how monetary authorities use such instruments—in particular if they are used like financial instruments, as defined in IPSAS 28, to achieve the objectives of the authority.

Type of Gold	Example	Characteristics of a Financial Instrument (FI)?	Do Monetary Authorities (MAs) use like FIs?	Appropriate to be in Scope for Monetary Gold Standard?
Physical Gold – Held by MAs	Gold bars and other physical gold.	No – physical in nature, does not contain a contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another.	Yes – held to assist in achieving key objective of price stability as a reserve asset similar to other FIs.	Yes – do not qualify for financial instruments accounting, but used like financial instruments.
Physical Gold – Held in Allocated Gold Accounts	Gold bars – Held by a 3 rd party for safekeeping. Specifically identified gold is segregated and held by the safekeeping entity for the depositor [Asset still recorded on depositor's books, fee charged for safekeeping (security) and storage].	No – physical in nature, does not contain a contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another.	Yes – held to assist in achieving key objective of price stability as a reserve asset similar to other FIs.	Yes – do not qualify for financial instruments accounting, but used like financial instruments.
Physical Gold – Unallocated Gold Accounts	Gold bars – Held by a 3 rd party as deposits. A specific quantity of gold is deposited with a 3 rd party. Depositor has a financial asset, 3 rd party has a liability to provide the deposited quantity of gold on hand (on demand). 3 rd party does not identify the specific bars and may not have enough gold available to fulfill all demand deposits at any point in time.	Yes – contains a contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another.	Yes – held to assist in achieving key objective of price stability as a reserve asset similar to other FIs.	No - Meets the definition of financial instruments, therefore should apply IPSAS 28-30.

Type of Gold	Example	Characteristics of a Financial Instrument (FI)?	Do Monetary Authorities (MAs) use like FIs?	Appropriate to be in Scope for Monetary Gold Standard?
Gold Exchange Traded Funds (ETFs), Exchange Traded Receipts (ETRs)	<p>GLD – SPDR Gold Trust (ETF) – designed to track the spot rate of gold bullion. The shares of the ETF represent a fractional, undivided interest in the trust which holds allocated gold.</p> <p>Royal Canadian Mint – Exchange Traded Receipt (ETR). A security which allows the purchase of an underlying amount of physical gold which the fund custodian stores. ETRs can be redeemed for cash or gold.</p> <p>There are many types of exchange traded products which are linked to gold in some way and traded on exchanges and markets.</p>	<p>Yes – ETFs/ETRs result from a contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another.</p> <p>In some cases, ETF/ETR products may allow for the receipt of the underlying non-financial asset (gold). In such cases, if the receipt of gold is in accordance with the entity's usage requirements, such transaction may be considered outside the scope of financial instruments standards.</p>	<p>Yes - held to assist in achieving key objective of price stability as a reserve asset similar to other FIs.</p> <p>In the scenario where an ETF may allow for delivery of gold, it is thought that the scope exclusion requirement would not apply as MAs would not take delivery for their own usage, consumption.</p>	No - Meet the definition of financial instruments, therefore should apply IPSAS 28-30.

Type of Gold	Example	Characteristics of a Financial Instrument (FI)?	Do Monetary Authorities (MAs) use like FIs?	Appropriate to be in Scope for Monetary Gold Standard?
Gold Forwards/Futures (Derivatives)	A contract for the purchase or sale of a fixed amount of gold at a fixed future date.	<p>Yes - result from a contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another.</p> <p>In some cases, Gold forwards/futures may allow for the receipt of the underlying non-financial asset (gold). In such cases, if the receipt of gold is in accordance with the entity's usage requirements, such a transaction may be considered outside the scope of financial instruments standards.</p>	<p>Yes - held to assist in achieving key objective of price stability as a reserve asset similar to other FIs.</p> <p>In the scenario where a futures/forward contract may allow for delivery of gold, it is thought that the scope exclusion requirement would not apply as MAs would not take delivery for their own usage, consumption.</p>	No - Meet the definition of financial instruments, therefore should apply IPSAS 28-30.
Gold Loans (Debt secured by gold)	Gold loans – loan is made with the borrower posting physical gold as collateral.	Yes - result from a contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another.	Yes - held to assist in achieving key objective of price stability as a reserve asset similar to other FIs.	No - Meet the definition of financial instruments, therefore should apply IPSAS 28-30.

Type of Gold	Example	Characteristics of a Financial Instrument (FI)?	Do Monetary Authorities (MAs) use like FIs?	Appropriate to be in Scope for Monetary Gold Standard?
Gold Options	Option contracts in which the underlying asset is a gold futures contract.	Yes - result from a contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another.	Yes - held to assist in achieving key objective of price stability as a reserve asset similar to other FIs.	No - Meet the definition of financial instruments, therefore should apply IPSAS 28-30.
Gold Shares (investments in gold producing companies)	Equity investment in a company in the exploration, development and/or mining of gold.	Yes - result from a contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another.	Yes - held to assist in achieving key objective of price stability as a reserve asset similar to other FIs.	No - Meet the definition of financial instruments, therefore should apply IPSAS 28-30.
Gold Antiques/Historical Artifacts	Art, statues, jewelry and other cultural, historical items made from gold.	No – antiques or artifacts of historical significance with gold content or made by gold. These are physical in nature, do not contain a contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another.	No	No – other IPSAS standards related to inventory, PPE and/or investment property should be considered.
Gold Coins (legal tender)	Gold coins made with gold, which are legal tender, such as the Kruggerrand (legal tender at the market value of the gold content). American Gold Eagle, Canadian Maple Leaf, China Panda and British Britannica coins all are legal tender, where face value is set at less than the value of the gold content.	Yes – Gold coins which are legal tender are cash as defined in IPSAS, and therefore a financial instrument.	Yes – held to assist in achieving key objective of price stability as a reserve asset similar to other FIs.	No - Meet the definition of financial instruments, therefore should apply IPSAS 28-30.

Type of Gold	Example	Characteristics of a Financial Instrument (FI)?	Do Monetary Authorities (MAs) use like FIs?	Appropriate to be in Scope for Monetary Gold Standard?
Commemorative Gold Coins	Coins made of gold which are not legal tender.	No – Gold coins which are not legal tender do not qualify as cash as defined in IPSAS, and therefore are not financial instruments.	Yes – held to assist in achieving key objective of price stability as a reserve asset similar to other FIs.	Yes – do not qualify for financial instruments accounting, but used like financial instruments.
Physical gold ¹² being considered to be equivalent to Cash (simply tangible gold, but analysis focused on if they qualify as cash)	Circumstance where a monetary authority may consider monetary gold assets to be the same as cash.	No – does not meet the definition of cash or cash equivalents in IPSAS.	Yes – held to assist in achieving key objective of price stability as a reserve asset similar to other FIs.	Yes – do not qualify for financial instruments accounting, but used like financial instruments.

¹² The subset of gold is the same as Physical Gold, however, has been considered from the point of view of not having the characteristics of a financial instruments. However, being used in a manner similar to cash by monetary authorities and if it might be appropriate to consider it to be analogous to cash or cash equivalents.

Type of Gold	Example	Characteristics of a Financial Instrument (FI)?	Do Monetary Authorities (MAs) use like FIs?	Appropriate to be in Scope for Monetary Gold Standard?
Contracts for purchase of gold which allow for net settlement in gold	<p>Examples of such financial instruments might be a forward contract which allows for a quantity of gold at a set price at a future date, which permits settlement net in cash or through delivery of the underlying amount of gold.</p> <p>If an entity entered into a contract with the intention of taking delivery of the non-financial item (gold), and continues to have that intention, for its own usage requirements—IPSAS 29.4 allows for a scope exemption from financial instruments accounting for the contract.</p> <p>As monetary authorities use gold in a manner similar to a financial instruments, the scope exemption would not apply.</p>	Yes – but scope exclusion from current FI's.	<p>No – Not thought that such own use contracts would be used by MAs to help achieve the objective of price stability or resilience.</p> <p>Such own use commodity contracts are usually used by manufacturers or generally by companies for use in operations (oil, gas, coal, etc.).</p>	No – Not thought to be in scope as not related to MAs objectives.
Physical gold used for operations/production.	Physical gold purchased with the intent of processing and manufacturing products.	No – physical in nature, does not contain a contract with gives rise to a financial asset of one entity and a financial liability or equity instrument of another.	No – used for the purpose of manufacturing gold products.	No – other IPSAS standards (IPSAS 12, <i>Inventories</i>) considered appropriate given the intent in holding and how assets are used.

Appendix B: Evaluation of Options against the Objectives of Financial Reporting and the QCs

B.1 This Appendix evaluates each of the options identified in chapter 2: monetary gold of the CP against the objectives of financial reporting and the QCs. In preparing an Exposure Draft, the IPSASB will use the information provided by respondents to update this evaluation.

Extract from Conceptual Framework	Monetary Gold – Current Value	Monetary Gold – Historic Cost
<p>2.1 The objectives of financial reporting by public sector entities are to provide information about the entity that is useful to users of GPFs for accountability purposes and for decision-making purposes (hereafter referred to as “useful for accountability and decision-making purposes”).</p> <p>...</p> <p>2.11 For accountability and decision-making purposes, service recipients and resource providers will need information that supports the assessments of such matters as:</p> <ul style="list-style-type: none"> The performance of the entity during the reporting period in, for example: <ul style="list-style-type: none"> Meeting its service delivery and other operating and financial objectives; Managing the resources it is responsible for; and Complying with relevant budgetary, legislative, and other authority regulating the raising and use of resources; 	<p>Monetary authorities are inconsistent in how they measure monetary gold, with some entities accounting for monetary gold asset at historical cost, and other at fair value/current value. For those using fair value, further inconsistency exists in how changes in fair value are recognized. Accounting for monetary gold at current value would allow for greater use in assessing accountability and decision making purposes.</p> <p>Information about realized gains and/or losses recognized in the period and the current value of monetary gold assets exist at the reporting date will relate to the entity's financial capacity and to a lesser extent operational capacity.</p> <p>The prime objective of monetary authorities is to achieve price stability, which results from a stable monetary system. Monetary authorities use a number of different tools to achieve its objectives.</p>	<p>Monetary authorities are inconsistent in how they measure monetary gold, with some entities accounting for monetary gold asset at historical cost, and other at fair value/current value. For those using fair value, further inconsistency exists in how changes in fair value are recognized. Accounting for monetary gold at current value would allow for greater use in assessing accountability and decision making purposes.</p> <p>Measurement of monetary gold at historical cost would provide limited information on the ability of monetary gold to help support the objectives of monetary authorities (contribute to financial capacity).</p>

Extract from Conceptual Framework	Monetary Gold – Current Value	Monetary Gold – Historic Cost
<ul style="list-style-type: none"> • The liquidity (for example, ability to meet current obligations) and solvency (for example, ability to meet obligations over the long term) of the entity; • The sustainability of the entity's service delivery and other operations over the long term, and changes therein as a result of the activities of the entity during the reporting period ...; • The capacity of the entity to adapt to changing circumstances, whether changes in demographics or changes in domestic or global economic conditions which are likely to impact the nature or composition of the activities it undertakes and the services it provides. 	<p>Monetary Gold – current value measurement of monetary gold provides relevant information for assessing the financial capacity of monetary authorities at the financial reporting date and the ability to support the monetary authority in achieving its objective of price stability.</p>	
<p>3.6 Financial and non-financial information is relevant if it is capable of making a difference in achieving the objectives of financial reporting. Financial and non-financial information is capable of making a difference when it has confirmatory value, predictive value, or both. It may be capable of making a difference, and thus be relevant, even if some users choose not to take advantage of it or are already aware of it.</p>	<p>Current value measurement of monetary gold, provides relevant information for assessing the financial capacity of monetary authorities at the financial reporting date and allows for an assessment of the ability of such assets to assist in achieving the objectives of the entity.</p> <p>Recognition of gains and losses in the statement of operations for unrealized changes in the value of monetary gold, as a result of fluctuations in the price of gold, do not reflect true costs of service for the period until realized and may provide less relevant information in regards to the costs of providing services.</p>	<p>Measurement of monetary gold at historical cost, considering why monetary authorities hold it is not considered to provide relevant information.</p>

Extract from Conceptual Framework	Monetary Gold – Current Value	Monetary Gold – Historic Cost
<p>3.10 To be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error. Information that faithfully represents an economic or other phenomenon depicts the substance of the underlying transaction, other event, activity or circumstance—which is not necessarily always the same as its legal form.</p>	<p>Current value measurement of monetary gold, provide a faithful representation of the financial capacity monetary gold provides to the monetary authority. Because of the global liquid gold trading market, a reliable spot price can be obtained to value monetary gold under a current value measurement basis.</p>	<p>Measurement of monetary gold at historical cost, considering why monetary authorities hold it is not considered to provide relevant information.</p>
<p>3.17 & 3.18 Understandability is the quality of information that enables users to comprehend its meaning. GPFRs of public sector entities should present information in a manner that responds to the needs and knowledge base of users, and to the nature of the information presented.</p> <p>...</p> <p>However, information should not be excluded from GPFRs solely because it may be too complex or difficult for some users to understand without assistance.</p>	<p>A current value measurement basis provides understandability of financial capacity of monetary gold in relation to other assets and liabilities in the statement of financial position. As the global gold market is large and liquid, a transparent and meaningful value for gold is readily available in a manner which is understandable to users. Including monetary assets measured at a current value basis is not considered to be overly complex.</p> <p>Recognition of unrealized gains and losses in the statement of financial performance, might decrease the understandability of the cost of service in the statement of financial performance for current period for some users, as these gains or losses may make it seem like the cost of service has fluctuated greatly from period to period. When such gains and losses are unrealized and only showing the changes in the value of the assets. If users do not appropriately distinguish such fluctuations from other incurred</p>	<p>Measurement of monetary gold at historical cost, only provides information which allows users to understand the cost to acquire (entry value of) monetary gold and not what could be achieved by selling monetary gold.</p>

Extract from Conceptual Framework	Monetary Gold – Current Value	Monetary Gold – Historic Cost
	revenue and expenses overall and recognized actual gains and losses, the understandability may be impacted.	
3.19 Timeliness means having information available for users before it loses its capacity to be useful for accountability and decision-making purposes. Having relevant information available sooner can enhance its usefulness as input to assessments of accountability and its capacity to inform and influence decisions that need to be made. A lack of timeliness can render information less useful.	A current value measurement basis to measure monetary gold would not impact the timeliness. This is because of the large transparent gold market which exists. Information to perform revaluations is readily available and not complex to perform, so would not be considered to be overly time consuming, or an activity which would delay financial reporting.	Measurement of monetary gold at historical cost would achieve the QC of timeliness, as information would be available as soon as acquired.
3.21 Comparability is the quality of information that enables users to identify similarities in, and differences between, two sets of phenomena. Comparability is not a quality of an individual item of information, but rather a quality of the relationship between two or more items of information.	A current value measurement basis to measure monetary gold would increase comparability of monetary authorities as it would allow direct comparison of the contribution to financial capacity which monetary gold assets provide in comparison to other entities. As well, it would allow comparability to a monetary authority's other asset classes and liabilities.	Measurement of monetary gold at historical cost would not provide comparability as the value would be based on the timing of the purchase and not the true economic value.
3.26 Verifiability is the quality of information that helps assure users that information in GPFRs faithfully represents the economic and other phenomena that it purports to represent....	A current value measurement basis represents the financial capacity of monetary gold to the entity.	Measurement of monetary gold at historical cost would be verifiable.