



## **Agenda Item 7: Public Sector Specific Financial Instruments**

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## Objective of Agenda Item

Consider and provide directions on key issues

### Materials Presented

- Agenda Item 7.1 Issues Paper
- Agenda Item 7.2 Draft CP: Ch. 1: Introduction and Objective & Ch. 3: Monetary Gold

## Introduction and Objective (paras. 5 – 6)

- Public interest – service delivery objectives
- Central banks importance to public sector
- Consolidation – even if follow non-IPSAS standards

### *Matter for Consideration:*

- *Agree with amendments to paragraphs (paragraph 1.7 – 1.8 in the CP).*

## Definitions and Descriptions (Paras. 7 - 10) 1/2

- Restructured definitions (monetary authority, physical gold)
- Additional descriptions – saleable form

### *Matter for Consideration:*

- *Agree with the revised definitions in the CP, and*
- *Agree with additional descriptions.*

## Definitions and Descriptions (Paras. 7 - 10) 2/2

Defined Term	Definition
Monetary Gold	Physical Gold assets held by monetary authorities as reserve assets.
Physical Gold	Physical gold that has a minimum purity of 995 parts per 1000.
Monetary Authority	The monetary authority is the entity or entities which include the central bank or a department(s) of the central (national) government, which carry out operations usually attributed to the central bank.
Reserve Assets	Assets held by monetary authorities, which are readily available for international payment needs, intervention in the currency markets to affect exchange rates and maintaining confidence in the currency and the economy.

## Scope (Paras. 11 - 13)

### Purity & Purpose

- Does it have the physical attributes?
- Satisfy the definition and used to achieve objectives?

### In scope:

- Physical gold (held directly, in allocated and unallocated accounts)
- Commemorative gold coins & Legal tender gold coins
- Some FI's which allow for settlement on demand in gold

### *Matter for Consideration:*

- *Agree with proposed scope?*

## Measurement (Paras 14 - 17) 1/2

- Objectives for holding gold
- Appropriate measurement bases - Market value in an open and active orderly market & Historical Cost
- Market value – exit value/financial capacity
- Historical cost – entry value/operational capacity

## Measurement (Paras 14 - 17) 2/2

### *Matters for Consideration:*

- *Agree with measurement bases for development of accounting options and those excluded; and*
- *Agree that discussion in CP paragraphs 3.53-3.54 sufficiently links monetary authority objectives in holding gold assets and the measurement bases?*



## Recognition: Option 1 (Paras. 18 - 19) 1/2

Two issues – treatment of transaction costs and changes in market value

Changes in value

- Unrealized gains/losses directly in net financial position until realized
- All changes in the statement of financial performance

Transaction costs

- Capitalization versus expense

## Recognition: Option 1 (Paras 18 - 19) 2/2

### *Matters for Consideration:*

- *Support for options proposed, or suggest amendments; and*
- *Provide preliminary views on location in financial statements of changes in value of monetary gold assets?*

## Recognition: Option 2 (paras. 20 - 22) 1/2

- Monetary authorities objective – service potential, historical cost
- TBG discussion - Transaction costs
  - Conceptual Framework (element) vs. measurement model in IPSAS
- Issue with implications project

## Recognition: Option 2 (paras. 20 - 22) 2/2

### *Matters for Consideration:*

- *Support for historical cost discussion, or suggest amendments; and*
- *Provide views on basing approaches on the Conceptual Framework where requirements/guidance in IPSAS may be inconsistent?*

## Presentation & Disclosure (Para. 23 - 24)

After December feedback

- Presentation objective – chapter objective
- TBG proposal – presentation as placeholder

*Matter for Consideration:*

- *Agree with chapter objective (para 3.4 of CP); and*
- *Views on TBG proposal?*

## Next Chapters (Para. 25 - 31) 1/2

TBG proposal - objective of project

- All reserve assets in scope vs. current scope
- Unique objectives of monetary authorities

## Next Chapters (Para. 25 - 31) 2/2

Approach to future chapters

- Similar to monetary gold

*Matter for Consideration:*

- *Should all reserve assets be in scope of the CP; and*
- *Agree if same approach as that used for monetary gold taken for other chapters addressing reserve assets?*

## Foreign Currency Reserve Assets (Para. A.7 - A.12)

### Recognition of changes in foreign exchange assets

- Changes in value in statement of financial performance vs. net financial position
  - Option 1: Consistent with current IPSAS guidance
  - Option 2: Conceptual Framework approach



# Currency and Coin in Circulation (Para. A.13 – A.29)

1/4

## Issue 1: Recognition of liability for notes and coins

- Is it a liability?
- Consistency of liability for notes and coins
- Consideration of GFS requirements

# Currency and Coin in Circulation (Para. A.13 – A.29)

## 2/4

### Issue 2: Measurement of liability for notes and coins

#### Appropriate measurement bases

- HC – cost of production – not face value
- MV – appropriate?
- Cost of release
- Assumption Price

# Currency and Coin in Circulation (Para. A.13 – A.29)

3/4

## Issue 3: Accounting for cost to produce notes and coins

- Expense as Incurred vs. Useful life

## Issue 4: Seigniorage revenue

## Issue 5: Derecognition of liability for notes and coins

- Derecognize as exchanged vs. not legal tender
- Gain on derecognition directly in net financial position

# Currency and Coin in Circulation (Para. A.13 – A.29)

4/4

## Issue 6: Development costs for notes and coins

- IPSAS 31 for new types of currency/series

### *Matter for Consideration:*

- *Provide directions on the issues for development of future chapters.*



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