



Agenda Item 3: Public Sector Specific Financial Instruments

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IPSASB Meeting

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Objective of Agenda Item

Consider and provide directions on key issues

Materials Presented

- Agenda Item 3.1 Issues Paper
- Agenda Item 3.2 Draft Ch. 3: Monetary Gold
- Agenda Item 3.3 Draft Ch. 2: Currency in Circulation

Monetary Gold (Paras 4 – 5)

- Monetary gold definitions and descriptions - June 2015
- Para 3.21 added: FI's resulting in gold, may be in scope.

Matter for Consideration:

- *Confirm amendments to clarify whether FI's resulting in delivery of gold should be in scope*

Monetary Gold – Preliminary View (Paras 6 – 7)

- Inclusion of PV
- PV for definitions: *monetary gold* definition, *tangible gold*, *monetary authority* and *reserve assets*

Matter for Consideration:

- *Agree with including of a PV on the definitions in the chapter.*

Monetary Gold – Specific Matters for Comment (Paras 8 – 9) (1/3)

Specific Matter for Comment – Chapter 3-1

Please provide the reasons for your support of:

- (i) Option 1: Measurement at market value;
- (ii) Option 2: Measurement at historical cost.

Monetary Gold – Specific Matters for Comment (Paras 8 – 9) (2/3)

Specific Matter for Comment – Chapter 3-2

Please provide the reasons for your support of:

- (i) Alternative 1: IPSASB to prescribe accounting requirements based on one of the options; or
- (ii) Alternative 2: Allow preparers to designate an option based on their intentions.

Monetary Gold – Specific Matters for Comment (Paras 8 – 9) (3/3)

Matters for Consideration:

- *Agree with including SMC-Chapter 3-1;*
- *Agree with proposed wording of SMC-Chapter 3-1;*
- *Agree with including SMC-Chapter 3-2;*
- *Agree with proposed wording of SMC-Chapter 3-2;*

Currency in Circulation - Definition (Para 10) (1/2)

- Modifications based on IPSASB June 2015 feedback
 - Domestic currency in circulation;
 - Addition of “authorized” - 3rd parties which produce/distribute currency
 - Consider replacing “economy” with “jurisdiction”
 - Staff view – economy
 - GFS guidance and IPSAS 4 and IPSAS 10

Currency in Circulation - Definition (Para 10) (2/2)

Defined Term	Definition
Domestic Currency in Circulation	Physical notes and coins with fixed and determinable values that are legal tender issued by the monetary authority, or by a third party that is authorized to do so, that is, either that of an individual economy or, in a currency union to which the economy belongs.

Matters for Consideration:

- Confirm if the revised definition of domestic currency in circulation is appropriate or provide amendments;*
- Agree with including a PV for the definition.*

Currency: Financial Liability vs Liability to Maintain (Paras 11 – 13)

- View that financial liability and obligation to maintain liability for notes in circulation approaches interrelated
- Obligation to maintain does not give rise to recognition of liability until notes issued

Matters for Consideration:

- *Agree with staff and TBG view that the approaches are interrelated and therefore one approach;*
- *Agree with the discussion in paragraphs 1.24-1.28 in regards to the obligation to maintain notes, or suggest amendments.*

Currency: Financial Liability (Paras 14 – 18) (1/2)

- Nature - financial liability
 - Substance of transaction is contractual
 - Distribution of notes an exchange between willing parties
 - Rights – Holders can exchange notes for consideration equal to face value
 - Obligations – Monetary authority must issue consideration equal to face value when presented with notes
 - Remedy for non performance enforceable by law
- Accounting treatment consistent with IPSAS 28-30
 - Financial liability fair value through surplus or deficit
 - Currency liabilities at amortized cost inappropriate (no maturity, interest payments)

Currency: Financial Liability (Paras 14 – 18) (2/2)

- IPSAS 29.49 requires subsequent measurement at amortized cost
- IPSAS 29.49 allows under limited circumstances measurement at fair value through surplus or deficit

Matters for Consideration:

- *Agree that cash is a financial instrument and financial liability, or provide alternative directions.*
- *Agree with proposal for consistent treatment to that of IPSAS 28-30 for a financial liability classified as fair value through surplus or deficit, or provide alternative directions.*

Coins – Recognition (Paras 19 – 23) (1/2)

- Variation in accounting for coins
- Different nature of coins vs. notes:
 - No obligation – no legal requirements or past practice
 - Possibility of outflow – not probable because;
 - Value of coins immaterial
 - Coins more durable, residual value of damaged coins limits outflow or resources
- Staff/TBG view when liability recognized for coins, should be consistent with notes
- Coins issued – no obligation to maintain - revenue

Coins – Recognition (Paras 19 – 23) (2/2)

Matters for Consideration:

- *Agree that when a liability for coins is recognized, accounting treatment should be consistent with liability for notes, or provide alternative directions.*
- *Agree with staff view that when no obligation for coins exists, transaction to issue coins results in revenue, or provide alternative directions.*

Currency – Examples (Paras 24 – 26)

Jurisdiction 1 – liability for notes, not coins

- Variation related to currency laws

Jurisdiction 2 – liability for both notes and coins

- Laws require maintenance of notes and coins
- Staff and TBG view to include generic examples consistent with appendix to draft chapter
 - Focus on nature of transactions
 - Conceptual Framework and IPSAS

Matter for Consideration:

- *Agree with view to include current generic examples in the appendix to the CP, or provide alternative directions.*

Currency – SMCs (Paras 27 – 28) (1/3)

Specific Matter for Comment – Chapter 2-1

Do you agree with the following:

- a) The economic nature of transactions to issue currency in circulation are best represented by measuring notes at face value
- b) Use of the CF measurement bases of historical cost and market value results in measurement of currency at face value of currency issued

Currency – SMCs (Paras 27 – 28) (2/3)

Specific Matter for Comment – Chapter 2-2

Do you support consistent accounting for the liabilities for notes and coins in circulation, when a liability exists and is recognized for both?

Specific Matter for Comment – Chapter 2-3

Do you believe when a liability for coins in circulation is not recognized, the substance of the transactions results in the recognition of revenue?

Currency – SMCs (Paras 27 – 28) (3/3)

Matters for Consideration:

- *Agree with including a SMC-Chapter 2-1, and if so, agree with wording or suggest amendments;*
- *Agree with including a SMC-Chapter 2-2, and if so, agree with wording or suggest amendments;*
- *Agree with including a SMC-Chapter 2-3, and if so, agree with wording or suggest amendments.*



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