

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: New York, USA

Meeting Date: March 8–11, 2016

From: John Stanford, Ross Smith, João Fonseca and Paul Mason

Agenda Item 3

For:

☒ Approval

☐ Discussion

☐ Information

Improvements to IPSASs 2015

Objective of Agenda Item

1. The objectives of this session are to:
 - (a) **Discuss** the responses to ED 58, *Improvements to IPSASs 2015*; and
 - (b) **Approve** the final pronouncement *Improvements to IPSASs 2015*.

Material(s) Presented

Agenda Item 3.1a	Issues Paper, Part I of <i>Improvements to IPSASs 2015</i> : Consequential Amendments Arising from Chapters 1-4 of the Conceptual Framework
Agenda Item 3.1b	Issues Paper, Part II of <i>Improvements to IPSASs 2015</i> : General Improvements to IPSASs
Agenda Item 3.1c	Issues Paper, Part III of <i>Improvements to IPSASs 2015</i> : IPSAS/GFS Alignment
Agenda Item 3.1d	Issues Paper, Part IV of <i>Improvements to IPSASs 2015</i> : IASB Improvements
Agenda Item 3.2	Draft final pronouncement, <i>Improvements to IPSASs 2015</i>
Agenda Item 3.3	Staff summary of responses to Exposure Draft ED 58, <i>Improvements to IPSASs 2015</i>
Agenda Item 3.4	Analysis of Respondents by Region, Function, and Language
Agenda Item 3.5	Responses to Exposure Draft ED 58, <i>Improvements to IPSASs 2015</i>

Background

2. The IPSASB approved ED 58, *Improvements to IPSASs 2015* at the September 2015 meeting. ED 58 was published in October 2015 with a response date of January 15, 2016.

3. The improvements project was last carried out in 2014, when amendments arising from the IASB's annual improvements and narrow scope amendments projects were included. The scope of the improvements project was increased in ED 58, which included amendments arising from the following four areas:
 - (a) Conceptual Framework Improvements to IPSASs;
 - (b) General Improvements to IPSASs;
 - (c) Government Finance Statistics Improvements to IPSASs; and
 - (d) Amendments arising from the IASB's annual improvements and narrow scope amendments projects.
4. Twelve responses were received. These are included as Agenda Item 3.5.
5. Agenda Item 3.3 includes a summary of all the responses, with analysis and comments from staff.

Action(s) Requested

6. The IPSASB is asked to **discuss** the responses to ED 58, **consider** the Matters for Comment presented in Agenda Items 3.1a–3.1d, and to **approve** *Improvements to IPSASs 2015*.

PART I OF IMPROVEMENTS TO IPSASS 2015: CONSEQUENTIAL AMENDMENTS ARISING FROM CHAPTERS 1-4 OF THE CONCEPTUAL FRAMEWORK

Background

1. This Issues Paper discusses the comments made by respondents to Part I of ED 58, *Improvements to IPSASs 2015* (Consequential Amendments to Chapters 1-4 of *Tithe Conceptual Framework for Financial Reporting for Public Sector Entities*) and makes recommendations for changes to be made in the final pronouncement.
2. Part 1 of ED 58 was in two parts. Part 1-1(1a -1i) proposed changes to references to qualitative characteristics, (QCs) accounting policies and the hierarchy of sources used in the selection and application of accounting policies in IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*. Part 1-2 (2a-2s) arose from the adoption of “faithful representation” as a QC, rather than “reliability”. The IPSASB decided not to make piecemeal changes to recognition criteria and guidance on measurement before considering changes to IPSASs arising from Conceptual Framework guidance on recognition and measurement. Part 1-2 proposed inclusion of an explanation of the term “reliability” in a footnote on the first usage of “reliably” or “reliable” in IPSASs containing requirements on recognition and an explanation in the Basis for Conclusions of IPSAS 1, *Presentation of Financial Statements*.

Issues

Overall View and General Comments

3. 12 respondents provided comments on Part 1 of ED 58. Overall respondents were supportive of the changes proposed in both Part 1-1 and Part 1-2. In Part 1-1 nine of the 11 respondents providing comments have been categorized as agreeing with the proposed amendments (Respondents 01,02,03,04,05,09, 10, 11 and 12) while two respondents have been classified as partially agreeing. (Respondents 06 and 07). Respondent 06 raised an issue related to developments in the International Accounting Standard Board's (IASB's) Conceptual Framework project. Respondent 07 raised the issue of the referencing of QCs in light of the fact that the IPSASB Conceptual Framework does not distinguish fundamental and enhancing issues.
4. Seven of the ten respondents to Part 1-2 of ED 58 have been categorized as agreeing with the proposed approach (Respondents 01,02,03,09,10,11 & 12). Three respondents have been categorized as partially agreeing (Respondents 05, 06 & 07). Respondents 05 questioned the approach of including a footnote in each IPSAS with recognition criteria. Respondent 07 questioned the positioning of the explanation for the approach. As for Part 1-1 Respondent 06 raised an issue related to developments in the IASB's Conceptual Framework project.

No Distinction between Fundamental and enhancing QCs

5. Respondent 07 noted that unlike the IASB, IPSASB's Conceptual Framework does not distinguish fundamental and enhancing QCs. As a result, Respondent 07 suggested that IPSASB may want to

consider whether there should also be mention of the other qualitative characteristics as in revised IPSAS 3.12:

“In the absence of an IPSAS that specifically applies to a transaction, other event, or condition, preparers shall use their judgment in developing and applying an accounting policy that results in information that is relevant to the accountability and decision-making needs of users, represents faithfully the financial position, financial performance, and cash flows of the entity, meets the other qualitative characteristics and takes account of the constraints on information included in general purpose financial reports.”

6. Respondent 07 proposed a rewrite of IPSAS 1.44 to refer to the other QCs and constraints on information and highlighted other paragraphs in IPSAS 1 (1.70, 1.73, 1.74, 1.109, and 1.116), IPSAS 20, *Related Party Disclosures* (IPSAS 20.27c and IPSAS 20.32), and IPSAS 30, *Financial Instruments: Presentation* (IPSAS 30.AG7).
7. As Respondent 07 highlights, the IPSASB's Conceptual Framework does not distinguish fundamental and enhancing QCs. Staff notes that Chapter 3 states that each of the QCs is integral to, and works with, the other characteristics to provide in GPFs information useful for achieving the objectives of financial reporting. Staff therefore acknowledges the cogent logic of Respondent 07's point. However, staff does not think that this means that there should be a reference to all QCs and constraints every time a one or more QCs is referenced. On balance, Staff does not advocate a change.

Approach to Explain Reliability in Recognition Criteria

8. As indicated above. Part 1-2 proposed inclusion of an explanation of the term “reliability” in a footnote on the first usage of “reliably” or “reliable” in IPSASs containing requirements on recognition and an explanation in the Basis for Conclusions of IPSAS. Respondents 05 and 07 accepted the view that it not appropriate to make piecemeal changes to recognition criteria and guidance on measurement when further changes are potentially in the pipeline. However both questioned the approach.
9. Respondent 05 suggested that the explanation of reliability should be in a central location such as the Conceptual Framework or the Glossary of Defined Terms.
10. Staff recognizes that the repetition of the footnote in each IPSAS might be tedious for some readers. However, many users are likely to refer to specific IPSASs rather than the whole suite. Staff does not favor modifying the glossary of terms on a temporary basis or inserting a reference to temporary standards-level issues in the Conceptual Framework, which is a non-authoritative document
11. Respondent 07 questioned why the explanation for the footnotes was only given in the Basis for Conclusions of IPSAS 1 and proposed that paragraph BC 15 should be included in all affected IPSASs with the footnote. In commenting on Part 1-1 Respondent 07 suggested that paragraph BC 15 should be deleted on the grounds that it will be confusing because IPSAS 1 does not contain recognition criteria
12. IPSAS 1 sets out overall considerations, minimum requirements and guidance for the presentation, structure and content of financial statements. Staff therefore considers that it is appropriate to include an explanation for the IPSASB's provisional approach in IPSAS 1, although IPSAS 1 does not itself include recognition criteria. Including paragraph BC 15 in the all IPSASs with recognition criteria is obviously repetitive. Staff considers that the footnote is sufficient. Staff acknowledges that there might be a case for inserting a reference to IPSAS 1.BC15 in the footnote.

Additional Paragraph in Basis for Conclusions of IPSAS 3

13. Respondent 07 noted that the proposed additional paragraphs to the Basis for Conclusions of IPSAS 3 explain the amendments in all the bold paragraphs except for paragraph 14. Respondent 07 suggested that to be consistent with the other amendments proposed, an explanation for the amendments to paragraph 14 should be provided. Staff agrees and proposes the insertion of a new paragraph BC14.

Issues Related to IASB's Conceptual Framework Project

14. In commenting on both Part 1-1 and Part 1-2 Respondent 06 considered that, there is a strong possibility that the concept of prudence will be re-inserted alongside neutrality in the IASB' Conceptual Framework and assumed that IPSASB will take these developments into consideration when updating IPSASs. Staff continue to monitor developments in the IASB's Conceptual Framework project. However, there is no current intention to reopen the discussion of prudence in the IPSASB's Conceptual Framework. The changes proposed to IPSAS reflect the IPSASB's Conceptual Framework and not possible future changes to the IASB's Framework. Respondent 10 made similar comments.

Other Comments

15. Staff comments and proposals on other comments raised by respondents together with the proposed action are in Agenda Item 3.3.

Staff notes Matter(s) for Consideration

1. The IPSASB is asked to indicate if it agrees with staff analysis, decisions and amendments in dealing with responses to Part 1-1 and Part 1-2 of ED 58.
2. The IPSASB is asked to provide direction on whether the footnote explaining reliability should be amended to include a reference to BC 15 in IPSAS 1
3. The IPSASB is asked to confirm the insertion of the new; paragraph BC14 to IPSAS 3 or provide alternative directions.

Issues Paper, Part II of *Improvements to IPSASs 2015*: General Improvements to IPSASs

Background

1. This Issues Paper discusses the comments made by respondents to Part II of ED 58, *Improvements to IPSASs 2015* (general Improvements to IPSASs) and makes recommendations regarding changes to be made in the final pronouncement.

Amendments to remove references to the relevant accounting standard dealing with non-current assets held for sale and discontinued operations

2. ED 58 proposed removing references to the international or national accounting standard dealing with non-current assets held for sale and discontinued operations. Existing IPSASs currently deal with non-current assets held for sale inconsistently. Some IPSASs exclude these items from their scope referring users to the relevant national or international standard. Other IPSASs do not exclude these items from their scope, and therefore include requirements for such assets that may differ from those in the relevant international or national standard.
3. ED 58 set out the rationale for removing the references in proposed additions to the Basis for Conclusions of the amended standards. The wording used was as follows:

Stakeholders indicated that IPSASs referred to non-current assets held for sale and disposal groups inconsistently. The IPSASB concluded that IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, was not appropriate for the public sector, for the following reasons:

- (a) Sales of assets in the public sector may not be completed within one year because of the levels of approval required. This raises questions about the relevance and consistency of information provided in accordance with IFRS 5.
- (b) Many assets in the public sector are disposed of through a transfer or distribution for no or nominal consideration. As IFRS 5 deals with sales at fair value, the disclosure requirements may not provide relevant information for these transfers.
- (c) Many discontinued operations in the public sector are operations that previously provided services at no or nominal cost. As IFRS 5 deals with discontinued operations that were either cash-generating units or a group of cash-generating units prior to disposal or being classified as held for sale, the disclosure requirements may not provide relevant information for public sector discontinued operations.

Consequently, the IPSASB agreed to remove references in IPSAS to international or national accounting standards dealing with non-current assets held for sale and discontinued operations.

4. Seven respondents (respondents 01, 03, 04, 07, 09, 10 and 11) support the proposed amendments. Four respondents (respondents 02, 05, 06 and 12) disagree with the proposed amendments. Respondent 08 did not comment on this section of the ED.

5. Those who support the proposals did not provide any reasons for this support beyond those set out in the additional Basis for Conclusions paragraphs.
6. Those who disagree with the proposed amendments provided the following reasons:
 - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* provides appropriate guidance for public sector entities to measure and disclose non-current assets held for sale and discontinued operations.
 - There are numerous examples of public sector entities having non-current assets held for sale.
 - ED 58 provides insufficient conceptual justification is provided for that view that IFRS 5 is not appropriate for the public sector.
 - The proposals have potentially greater consequences than would usually be expected in an annual improvement process. More significant proposals should be subject to a separate consultation process that allows more time for stakeholders to identify and assess the accounting/reporting consequences.
7. These respondents propose either retaining the references or developing an IFRS 5 equivalent for the public sector. This latter approach would be a workable option, but the IPSASB has so far chosen not to go down this route.
8. Staff considers that, while IFRS 5 may include appropriate guidance for cash-generating assets disposed of in an exchange transaction, the guidance is less relevant for other assets. Staff therefore supports the IPSASB's original proposals to remove these references. Staff also considers that conceptual reasons to support this view may emerge from the Measurement project.
9. Staff notes the comment about the scale of the consequences. Whilst only one respondent raised this issue, staff acknowledges that the proposed amendments may have more than an insignificant impact for some entities. Staff does not consider this outweighs the benefits of proceeding with the amendments
10. If the IPSASB disagrees with the approach proposed by staff of retaining the amendments, staff considers it would be appropriate to reconsider the accounting treatment of non-current assets held for sale as part of the Measurement project, as IFRS 5 specifies the measurement requirements such assets.
11. Respondents who disagree with the proposed amendments also question specific elements of the justification provided in the additional Basis for Conclusions paragraphs, as follows:
 - One respondent was of the view that the words 'usual and customary' in IFRS 5 would cover the situation in the public sector where sales of assets take more than one year because of requirements applying to asset sales in the public sector that may take some time to complete. Staff considers that IFRS 5 intended sales that take more than one year to complete to be exceptional cases. Staff also considers that the reporting objectives of IFRS 5 may not be met where assets routinely take more than one year to sell.
 - One respondent was of the view that IFRS 5 also covers situations where assets are to be distributed to owners and therefore can be applied to situations in which a government entity transfers assets through a distribution for no consideration. Staff does not consider that the distribution of an asset at no cost is analogous to a distribution to owners.

12. One respondent comments that the guidance (in IPSAS 19 paragraph 6) on information to be disclosed for discontinued operations to be provided once the reference to IFRS 5 is removed is vague. This respondent considers that it would be useful to provide further details as to what information will be useful to disclose to the users of the financial statements.
13. Staff considers that this paragraph is intended to be principles based rather than setting specific requirements. The information that will be useful to users will depend on the individual circumstances of the discontinued operations. Consequently, staff is not proposing any additional amendments to this paragraph.

Matter(s) for Consideration

1. The IPSASB is asked **to decide** whether it supports the staff proposals to retain the amendments proposed in ED 58 regarding the removal of references to the relevant international or national accounting standard dealing with non-current assets held for sale and discontinued operations.

Amendments to clarify the inconsistency between IPSAS 32, *Service Concession Arrangements: Grantor* and IPSAS 17, *Property, Plant, and Equipment*

14. ED 58 proposed amendments to IPSAS 32, *Service Concession Arrangements: Grantor*, to clarify the inconsistency with IPSAS 17, *Property, Plant and Equipment*, that could result in dissimilar assets being accounted for as a class of assets.
15. These amendments included transitional arrangements for the circumstances in which assets are transferred to a class of assets which has previously been measured using a different model (cost model or revaluation model) to that used for the transferred assets.
16. Ten respondents (respondents 01, 03, 04, 05, 06, 07, 09, 10, 11 and 12) support the proposed amendments (with some suggestions for minor clarifications). One respondent (respondent 02) supports the principle of the amendment but considers changes to the transitional arrangements are required. Respondent 08 did not comment on this section of the ED.
17. Respondent 02 notes that the transitional arrangements deal with changes in accounting policies. This respondent considers that the transitional arrangements should make specific reference to the requirements of IPSAS 3, *Changes in Accounting Policies, Accounting Estimates and Errors* when considering the changes to be made.
18. Staff supports this suggestion, and has incorporated the suggested changes in the draft final pronouncement.
19. Some respondents suggested improvements to the drafting of some paragraphs. In response to these comments, staff has revised the drafting of the amendments to IPSAS 32 as follows:
 - In paragraph 32(c)(iii) the words “as assets” are deleted from the sentence that begins “The carrying amount of service concession assets recognized as assets at the end of the reporting period...”
 - Paragraph 33 has been redrafted to avoid the use of both “group” and “class”. The paragraph previously referred to a group of service concession arrangements of a similar nature being

reported in aggregate. The paragraph now refers to service concession arrangements of a similar nature that are reported in aggregate.

Matter(s) for Consideration

2. The IPSASB is asked **to decide** whether it supports the staff proposals regarding the amendments to IPSAS 32.

Issues Paper, Part III of *Improvements to IPSASs 2015*: Government Finance Statistics Improvements to IPSASs

Background

1. This Issues Paper discusses the comments made by respondents to Part III of ED 58, *Improvements to IPSASs 2015* (Government Finance Statistics (GFS) Improvements to IPSASs) and makes recommendations to the final pronouncement.

Amendments to IPSAS 12, *Inventories*

2. ED 58 proposed replacing the term “ammunition” with GFS term “military inventories” and include a description.
3. Ten respondents (R01, R03, R04, R06, R07, R08, R09, R10, R11 and R12) support the proposed amendment. One respondent (R05) partially agrees with the proposed amendments. R02 did not comment on this section of the ED.
4. Two respondents that support the proposals provided additional comments stating that:
 - (a) “The changes do not affect at all the meaning of the existing requirements” (R04); and
 - (b) “The reframing of military assets terminology in line with the GFS terminology is helpful and provides clearer more informative reporting” (R09).
5. R05, who partially agrees with the proposed amendments, “recommends the IPSASB instead use cross references, rather than paraphrasing the GFS definition (particularly to reduce maintenance effort in the future if/when GFS change)”.
6. Staff considers that it is not appropriate to have cross references to GFS literature because:
 - (a) This would rely on third-party literature and classifications;
 - (b) Future changes to those terms would be outside the control of the IPSASB;
 - (c) Any future major change to those terms might break the link to IPSASB’s literature; and
 - (d) It is not consistent with IPSASB’s due process.
7. Consequently, staff recommends the IPSASB not to cross referencing to GFS literature.

Matter(s) for Consideration

1. The IPSASB is asked **to decide** whether it supports the staff recommendation not to cross referencing to GFS literature.

Amendments to IPSAS 17, *Property, Plant, and Equipment*

8. ED 58 proposed replacing the term “specialist military equipment” with GFS term “weapons systems” and include a description.

9. Eight respondents (R01, R03, R04, R06, R07, R08, R09 and R10) support the proposed amendment. Two respondents (R05 and R11) partially agree with the proposed amendments. R02 did not comment on this section of the ED. R12 does not agree with the proposed amendment.
10. Those who support the proposals provided additional comments that were stated in paragraph 4 of this Issues Paper.
11. R05's rationale for partially agreement is stated in paragraph 5 of this Issues Paper and addressed in the previous matter for consideration.
12. R11 stated that "the inclusion of the last sentence to the description of weapon systems is likely to create confusion when differentiating between weapon systems and military inventories as it appears to suggest that certain items that meet the definition of military inventories may also be weapons systems".
13. The sentence to which R11 is referring to is identified below in bold:
 20. ~~Specialist military equipment~~ Weapons systems will normally meet the definition of property, plant, and equipment, and should be recognized as an asset in accordance with this Standard. Weapons systems include vehicles and other equipment, such as warships, submarines, military aircraft, tanks, missile carriers and launchers that are used continuously in the provision of defense services, even if their peacetime use is simply to provide deterrence. However, some single-use items, such as certain types of ballistic missiles, may provide an ongoing service of deterrence against aggressors and, therefore, can be classified as weapons systems.
14. Staff is of the view that this sentence means that single-use items when providing ongoing defense service (e.g. deterrence) can be classified as weapons systems. In other words, the sentence is clarifying that single-use items that are not providing a defense service on itself (e.g. deterrence) cannot be classified as military inventories.
15. Staff notes that the general criteria to classify a property, plant, and equipment is to be held for use in the production or supply of goods and services and it is expected to be used during more than one reporting period. Staff is of the view that ballistic missiles fulfills both criteria.
16. R12 "believes that the proposed definition of weapon systems is unnecessarily narrow and may exclude some assets that we would regard as useful information to readers of the financial statements. For example, military vehicles specially fitted for military purposes which transfer military personnel but do not carry weapons or directly provide defence capability but are part of the defence infrastructure, would potentially fall outside the weapons systems description and have to be captured in a more general category such as plant & equipment." R12 "supports a wider definition of specialised military equipment that includes assets that are unique to, or specialised for, the defence force of a country, whether they carry weapons or not."
17. Staff is of the view that weapons systems also include the several types of armoured vehicles (e.g. armoured vehicles with weapons, armoured personnel carriers to transport infantry to the battlefield (without weapons) and any hybrid armoured vehicles).

18. Staff notes that the inclusion of armoured vehicles as weapons systems is also consistent with the views of members of the *Task Force on Harmonization of Public Sector Accounting*¹ that lead to the development of the *System of National Accounts, 2008*.
19. On balance, staff recommends that the IPSASB retain the proposed paragraph 20 of IPSAS 17.

Matter(s) for Consideration

2. The IPSASB is asked **to decide** whether it supports the staff recommendation to retain the proposed paragraph 20 of IPSAS 17.

¹ See paragraph 146 of *The General Government and Public Sectors* paper presented at the fifth meeting of the *Task Force on Harmonization of Public Sector Accounting* in 2006. <https://www.imf.org/external/np/sta/tfhpsa/2006/03/pdf/govern.pdf>

PART IV OF IMPROVEMENTS TO IPSASS 2015: IASB IMPROVEMENTS

Background

1. This Issues Paper discusses the comments made by respondents to Part IV of ED 58, *Improvements to IPSASs 2015* (IASB Improvements IPSASs) and makes recommendations regarding changes to be made in the final pronouncement.

Issues

General Comments

2. Overall respondents were supportive of the changes introduced by the improvements in part IV.
3. Some minor editorials comments which have been included in the draft of the final pronouncement. The analysis and discussion of these comments is in Part IV of Agenda Item 3.3.
4. Two respondents strongly thanked the IPSASB for the work to continue to maintain convergence with the IASB. These respondents emphasized the importance of maintaining convergence with IFRSs in their jurisdiction.

Convergence with IFRS

5. Respondents emphasized that the IPSASB should continue to maintain convergence IFRS, the following reasons were provided:
 - (a) There is no public sector specific reason for not adopting the proposed narrow scope amendments to IPSAS 17 and IPSAS 27. The IASB issues many relevant amendments and recommends the IPSASB develop a more robust and more efficient process for prioritizing changes that need to be incorporated into IPSASs (05);
 - (b) Particular supportive in bringing the definitions in Part IV into live with those used by the IASB (08); and
 - (c) Commends the IPSASB's efforts to align the requirements with IASB standards where it is appropriate. The Financial Statements of [our] government consolidates both for-profit entities (who apply IFRS) and not-for-profit entities (who apply IPSAS). As a result there is a cost associated with restating the IFRS financial information to ensure it is IPSAS compliant. We therefore support any alignment between the two accounting frameworks where there is no public sector difference (12).

Staff Analysis

6. The comments raised by constituents are important to consider. Staff responses to the above comments are as follows:
 - (a) The improvements project is normally a biennial project. However, in 2015 the project was initiated to deal with a number of non-IASB improvements. Therefore, even though an IASB

improvements project was last carried out in 2014, a number of recent IASB improvements were incorporated into the 2015 project;

- (b) The IPSASB currently has a number of more substantial project underway or planned to begin in 2016 dealing with some of the more substantial IASB changes (Financial Instruments, Leases and Employee benefits; and
- (c) The plan is to continue to focus efforts on keeping those IPSASs converged with IASB standards up to date. However, these efforts will continue to be balanced with the staffing needs for all projects on IPSASB work plan.

Other Comments

7. Staff notes that some specific points were raised for further modification which have not been included in the draft final pronouncement. The proposed changes are as follows:

- (a) Respondent 03 highlights that the intention of the IPSASB change is to align with the changes introduced by the IASB. However, the respondent believes that the any guidance related to biological assets and therefore should be in scope of IPSAS 27, *Agriculture*.
 - (i) **Staff response:** Staff does not agree with the respondents recommendation that the revisions for 'bearer plants' be included in IPSAS 27 for the following reasons:
 - a. Other than this respondent the changes were strongly supported;
 - b. This is a converged standard and the changes help maintain convergence with IFRS;
 - c. No public sector reason to include the guidance in IPSAS 27 has been identified; and
 - d. Bearer plants – although living, have the characteristics and substance closer to that of property, plant and equipment and therefore accounting requirements are appropriate to be included in IPSAS 17.
- (b) Respondent 06 agreed with the changes, but provided editorial suggestions on the wording for consequential amendments.
 - (i) **Staff response:** Staff recommends maintaining updates consistent with those made in IFRS and not introducing those recommended by the respondent.

Matter(s) for Consideration

- 1. The IPSASB is asked to indicate if it agrees with staff analysis and decisions in dealing with responses from constituents.

**[Draft] Final Pronouncement
[Month] 2016**

International Public Sector Accounting Standard™

Improvements to IPSASs 2015



International Public
Sector Accounting
Standards Board®

This document was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances.

In meeting this objective the IPSASB sets International Public Sector Accounting Standards™ (IPSAS™) and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

The structures and processes that support the operations of the IPSASB® are facilitated by the International Federation of Accountants® (IFAC®).

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IMPROVEMENTS TO IPSASs 2015

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PART I: CONCEPTUAL FRAMEWORK IMPROVEMENTS TO IPSASS

Amendment: Part I-1a

Amendments to IPSAS 1, *Presentation of Financial Statements*

Paragraphs 29, 44, 70, 73, 74, 109 and 116 are amended and paragraph 153E is added. Appendix A is deleted. New text is underlined and deleted text is struck through.

Overall Considerations

Fair Presentation and Compliance with IPSASs

...

29. In virtually all circumstances, a fair presentation is achieved by compliance with applicable IPSASs. A fair presentation also requires an entity:

- (a) To select and apply accounting policies in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*. IPSAS 3 sets out a hierarchy of authoritative guidance that management considers, in the absence of a Standard that specifically applies to an item.
- (b) To present information, including accounting policies, in a manner that provides relevant, ~~reliable,~~ faithfully representative, understandable, timely, comparable, and verifiable ~~understandable~~ information.
- (c) To provide additional disclosures when compliance with the specific requirements in IPSASs is insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the entity's financial position and financial performance.

...

Consistency of Presentation

...

44. An entity changes the presentation of its financial statements only if the changed presentation provides information that is ~~reliable~~ faithfully representative and is more relevant to users of the financial statements, and the revised structure is likely to continue, so that comparability is not impaired. When making such changes in presentation, an entity reclassifies its comparative information in accordance with paragraphs 55 and 56.

Structure and Content

...

Statement of Financial Position

Current/Non-current Distinction

...

70. **An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its statement of financial position in accordance**

with paragraphs 76–87, except when a presentation based on liquidity provides information that is ~~reliable~~ faithfully representative and is more relevant. When that exception applies, all assets and liabilities shall be presented broadly in order of liquidity.

73. For some entities, such as financial institutions, a presentation of assets and liabilities in increasing or decreasing order of liquidity provides information that is ~~reliable~~ faithfully representative and is more relevant than a current/non-current presentation, because the entity does not supply goods or services within a clearly identifiable operating cycle.
74. In applying paragraph 70, an entity is permitted to present some of its assets and liabilities using a current/non-current classification, and others in order of liquidity, when this provides information that is ~~reliable~~ faithfully representative and is more relevant. The need for a mixed basis of presentation might arise when an entity has diverse operations.

Statement of Financial Performance

Information to be Presented either on the Face of the Statement of Financial Performance or in the Notes

...

109. **An entity shall present, either on the face of the statement of financial performance or in the notes, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is ~~reliable~~ faithfully representative and more relevant.**

...

- 116 The choice between the function of expense method and the nature of expense method depends on historical and regulatory factors and the nature of the entity. Both methods provide an indication of those costs that might vary, directly or indirectly, with the outputs of the entity. Because each method of presentation has its merits for different types of entities, this Standard requires management to select the most relevant and ~~reliable~~ faithfully representative presentation. However, because information on the nature of expenses is useful in predicting future cash flows, additional disclosure is required when the function of expense classification is used. In paragraph 115, employee benefits has the same meaning as in IPSAS 25, *Employee Benefits*.

Effective Date

...

- 153E. Paragraphs 29, 44, 70, 73, 74, 109 and 116 were amended, and Appendix A, *Qualitative Characteristics of Financial Reporting*, was deleted by *Improvements to IPSASs 2015* issued in Month 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after ~~MM-DD, YYYY~~ January 1, 2016.

Appendix A

~~Qualitative Characteristics of Financial Reporting~~

~~*This Appendix is an integral part of IPSAS 1.*~~

~~The IPSASB issued Chapter 3, *Qualitative Characteristics of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (the Framework)* in January 2013. Chapter 3~~

~~details the qualitative characteristics (QCs) of information included in general purpose financial reports (GPFs) and the pervasive constraints on information included in GPFs.~~

~~The QCs in this Appendix continue to apply to existing pronouncements unless stated otherwise. The QCs in the Framework will be applied in the development of future pronouncements. Potential changes to pronouncements resulting from the issue of the Framework, including the potential withdrawal of this Appendix, will be considered following completion of the Framework.~~

~~Paragraph 29 of this Standard requires an entity to present information, including accounting policies, in a manner that meets a number of qualitative characteristics. This guidance summarizes the qualitative characteristics of financial reporting.~~

~~Qualitative characteristics are the attributes that make the information provided in financial statements useful to users. The four principal qualitative characteristics are understandability, relevance, reliability, and comparability.~~

Understandability

~~Information is understandable when users might reasonably be expected to comprehend its meaning. For this purpose, users are assumed to have a reasonable knowledge of the entity's activities and the environment in which it operates, and to be willing to study the information.~~

~~Information about complex matters should not be excluded from the financial statements merely on the grounds that it may be too difficult for certain users to understand.~~

Relevance

~~Information is relevant to users if it can be used to assist in evaluating past, present, or future events or in confirming, or correcting, past evaluations. In order to be relevant, information must also be timely.~~

Materiality

~~The relevance of information is affected by its nature and materiality.~~

~~Information is material if its omission or misstatement could influence the decisions of users or assessments made on the basis of the financial statements. Materiality depends on the nature or size of the item or error, judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic that information must have if it is to be useful.~~

Reliability

~~Reliable information is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent.~~

Faithful Representation

~~For information to represent faithfully transactions and other events, it should be presented in accordance with the substance of the transactions and other events, and not merely their legal form.~~

Substance Over Form

~~If information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they be accounted for and presented in accordance with their substance and economic~~

~~reality, and not merely their legal form. The substance of transactions or other events is not always consistent with their legal form.~~

Neutrality

~~Information is neutral if it is free from bias. Financial statements are not neutral if the information they contain has been selected or presented in a manner designed to influence the making of a decision or judgment in order to achieve a predetermined result or outcome.~~

Prudence

~~Prudence is the inclusion of a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets or revenue are not overstated and liabilities or expenses are not understated.~~

~~However, the exercise of prudence does not allow, for example, (a) the creation of hidden reserves or excessive provisions, (b) the deliberate understatement of assets or revenue, or (c) the deliberate overstatement of liabilities or expenses, because the financial statements would not be neutral and, therefore, not have the quality of reliability.~~

Completeness

~~The information in financial statements should be complete within the bounds of materiality and cost.~~

Comparability

~~Information in financial statements is comparable when users are able to identify similarities and differences between that information and information in other reports.~~

~~Comparability applies to the:~~

- ~~(a) Comparison of financial statements of different entities; and~~
- ~~(b) Comparison of the financial statements of the same entity over periods of time.~~

~~An important implication of the characteristic of comparability is that users need to be informed of the policies employed in the preparation of financial statements, changes to those policies, and the effects of those changes.~~

~~Because users wish to compare the performance of an entity over time, it is important that financial statements show corresponding information for preceding periods.~~

Constraints on Relevant and Reliable Information

Timeliness

~~If there is an undue delay in the reporting of information, it may lose its relevance. To provide information on a timely basis, it may often be necessary to report before all aspects of a transaction are known, thus impairing reliability. Conversely, if reporting is delayed until all aspects are known, the information may be highly reliable but of little use to users who have had to make decisions in the interim. In achieving a balance between relevance and reliability, the overriding consideration is how best to satisfy the decision-making needs of users.~~

Balance between Benefit and Cost

~~The balance between benefit and cost is a pervasive constraint. The benefits derived from information should exceed the cost of providing it. The evaluation of benefits and costs is, however, substantially a matter of judgment. Furthermore, the costs do not always fall on those users who enjoy the benefits. Benefits may also be enjoyed by users other than those for whom the information was prepared. For these reasons, it is difficult to apply a benefit-cost test in any particular case. Nevertheless, standard setters, as well as those responsible for the preparation of financial statements and users of financial statements, should be aware of this constraint.~~

Balance between Qualitative Characteristics

~~In practice a balancing, or trade-off, between qualitative characteristics is often necessary. Generally, the aim is to achieve an appropriate balance among the characteristics in order to meet the objectives of financial statements. The relative importance of the characteristics in different cases is a matter of professional judgment.~~

Basis for Conclusions

...

Revision of IPSAS 1 as a result of the first four chapters of the IPASB's Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities

- BC13. Following completion of the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework) the IPSASB initiated a limited scope project to make changes to IPSASs to reflect the first four chapters of the Conceptual Framework. These chapters address role and authority; objectives and users; qualitative characteristics (QCs) and constraints on information in general purpose financial reports; and the reporting entity. The Conceptual Framework adopted the QC of "faithful representation" rather than "reliability".
- BC14. Both the version of IPSAS 1 issued in May 2000 and the revised version of IPSAS 1 issued in December 2006 included an appendix that summarized the QCs and constraints that IPSASB had indirectly adopted. These QCs and constraints were drawn from the former International Accounting Standards Committee's 1989 Conceptual Framework. The IPSASB considered whether this Appendix should be deleted completely or amended to reflect the QCs and constraints in the IPSASB's own Conceptual Framework. The IPSASB decided that it is important that the concepts in the Conceptual Framework are considered directly rather than being mediated through secondary sources. The IPSASB therefore decided to delete Appendix A completely. Consistent with this decision the IPSASB also decided to delete a replication of Appendix A in IPSAS 18, *Segment Reporting*.
- BC15. The IPSASB noted that recognition criteria in IPSASs include the words "reliably" or "reliable". Many other IPSASs do not include explicit recognition criteria, but include references to "reliably" and "reliable" in more general guidance on recognition, estimation, allocation and other issues related to measurement. The IPSASB did not consider it appropriate to make piecemeal changes to recognition criteria in advance of a fuller review of recognition criteria and related guidance. The IPSASB therefore decided to include a footnote explaining the meaning of "reliability" in each IPSAS with recognition criteria or related guidance on aspects of measurement. This footnote states that "information that is reliable is free from material error and bias, and can be depended

on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.”

Amendment: Part I-1b

Amendments to IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*

Paragraphs 7, 10, 12, 13, 14, 15, 17 and 34 are amended and paragraph 59B is added. New text is underlined and deleted text is struck through.

Definitions

7. The following terms are used in this Standard with the meanings specified:

...

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, ~~reliable~~ faithfully representative information that:

- (a) Was available when financial statements for those periods were authorized for issue; and
- (b) Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

...

Accounting Policies

Selection and Application of Accounting Policies

...

10. IPSASs set out accounting policies that the IPSASB has concluded result in financial statements containing relevant and ~~reliable~~ faithfully representative information about the transactions, other events, and conditions to which they apply. Those policies need not be applied when the effect of applying them is immaterial. However, it is inappropriate to make, or leave uncorrected, immaterial departures from IPSASs to achieve a particular presentation of an entity's financial position, financial performance, or cash flows.

...

12. In the absence of an IPSAS that specifically applies to a transaction, other event, or condition, management shall use its judgment in developing and applying an accounting policy that results in information that is relevant to the accountability and decision-making needs of users, faithfully represents the financial position, financial performance, and cash flows of the entity, meets the other qualitative characteristics and takes account of the constraints on information included in general purpose financial reports.

~~(a) Relevant to the decision-making needs of users; and~~

~~(b) Reliable, in that the financial statements:~~

- (i) ~~Represent faithfully the financial position, financial performance, and cash flows of the entity;~~
 - (ii) ~~Reflect the economic substance of transactions, other events, and conditions and not merely the legal form;~~
 - (iii) ~~Are neutral, i.e., free from bias;~~
 - (iv) ~~Are prudent; and~~
 - (v) ~~Are complete in all material respects.~~
13. Paragraph 12 requires the development of accounting policies to ensure that the financial statements provide information that meets ~~a number of~~ the qualitative characteristics—relevance, faithful representation, understandability, timeliness, comparability, and verifiability—while taking into account materiality, cost-benefit and the balance between the qualitative characteristics. ~~Appendix A in IPSAS 1 summarizes the qualitative characteristics of financial reporting.~~
14. In making the judgment, described in paragraph 12, management shall refer to, and consider the applicability of, the following sources in ~~descending~~ the following order:
- (a) The requirements in IPSASs dealing with similar and related issues; and
 - (b) The definitions, recognition and measurement criteria for assets, liabilities, revenue and expenses described in ~~other IPSASs~~ the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.
15. In making the judgment described in paragraph 12, ~~management preparers~~ management may also consider (a) the most recent pronouncements of other standard-setting bodies, and (b) accepted public or private sector practices, but only to the extent that these do not conflict with the sources in paragraph 14. Examples of such pronouncements include pronouncements of the IASB, including ~~the Framework for the Preparation and Presentation of Financial Statements~~, IFRSs, and Interpretations issued by the IASB's International Financial Reporting IFRS Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

...

Changes in Accounting Policies

17. An entity shall change an accounting policy only if the change:
- (a) Is required by an IPSAS; or
 - (b) Results in the financial statements providing ~~reliable~~ faithfully representative and more relevant information about the effects of transactions, other events, and conditions on the entity's financial position, financial performance, or cash flows.

...

Limitations on Retrospective Application

...

Disclosure

...

- 34 When a voluntary change in accounting policy (a) has an effect on the current period or any prior period, (b) would have an effect on that period, except that it is impracticable to determine the amount of the adjustment, or (c) might have an effect on future periods, an entity shall disclose:
- (a) The nature of the change in accounting policy;
 - (b) The reasons why applying the new accounting policy provides ~~reliable~~ faithfully representative and more relevant information;
 - (c) For the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected;
 - (d) The amount of the adjustment relating to periods before those presented, to the extent practicable; and
 - (e) If retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

...

Effective Date

...

59B. Paragraphs 7, 10, 12, 13, 14, 15, 17 and 34 were amended by *Improvements to IPSASs 2015* issued in Month 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM-DD, YYYY January 1, 2016. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM-DD, YYYY January 1, 2016 it shall disclose that fact.

Basis for Conclusions

...

Revision of IPSAS 3 as a result of the publication of the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*

- BC8. Following the publication of the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework) the IPSASB initiated a limited scope project to make changes to IPSASs to reflect the first four chapters. These chapters address role and authority; objectives and users; qualitative characteristics (QCs) and constraints on information in general purpose financial reports; and the reporting entity.
- BC9. Paragraph 12 of IPSAS 3 provides the first level requirement for the development of an accounting policy when there is not an IPSAS that specifically applies to a transaction, other event or condition. The 2006 version of IPSAS 1 specified that management should use its judgment in developing and applying an accounting policy that results in information that is relevant and reliable. The IPSASB decided to replace the reference to reliability with faithful representation in order to ensure consistency with the Conceptual Framework. Consistent with its decision not to distinguish fundamental and enhancing QCs the IPSASB decided to acknowledge the other QCs and the constraints on information included in general purpose financial reports in paragraph 12.

- BC10. IPSAS 3 had also listed a number of attributes of reliability, including economic substance, neutrality, prudence, and completeness. The IPSASB considered whether these attributes should be explicitly stated in the revised IPSAS 3. The IPSASB acknowledges the value of these attributes, but noted that whereas they had been specifically referenced and explained in Appendix A to IPSAS 1 they are not specifically identified as QCs in the Conceptual Framework.
- BC11. The Conceptual Framework explains that “faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error”, and further that “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.” Therefore substance over form remains a key quality that information included in GPFRs must possess. It is not identified as a separate or additional qualitative characteristic because it is already embedded in the notion of faithful representation.
- BC12. The IPSASB took the view that the notion of prudence is also reflected in the explanation of neutrality as a component of faithful representation, and the acknowledgement of the need to exercise caution in dealing with uncertainty.
- BC13. Consequently the IPSASB concluded that there is no need to explicitly refer to economic substance, neutrality, prudence, and completeness in paragraph 12.
- BC14. Paragraph 14 provides the sources that management shall refer to, and consider the applicability of, when developing an accounting policy when there is not an IPSAS that specifically applies to a transaction, other event or condition. The IPSASB considered whether management should be directed to the definitions, recognition and measurement criteria for assets, liabilities, revenue and expenses described in other IPSASs or the Conceptual Framework. The IPSASB acknowledged that IPSASs have not yet been updated to reflect definitions, recognition and measurement criteria in the Conceptual Framework. However the Conceptual Framework reflects the IPSASB's most up-to-date thinking and the IPSASB concluded that management should be directed to this source
- BC154. Paragraph 15 permits consideration of the most recent pronouncements of other standard-setting bodies, to the extent that they do not conflict with sources drawn from IPSASs in making judgments on the development and application of an accounting policy. The IPSASB considered whether it should retain the examples of pronouncements of the International Accounting Standards Board (IASB). Noting that the revision of the IASB's Conceptual Framework had not been completed at the time, the IPSASB took the view that there are differences between the IPSASB's *Conceptual Framework* and the IASB's developing revision of its *Conceptual Framework*. Consequently the development and application of accounting policies based on the IASB's Conceptual Framework might not always be appropriate in the public sector. The IPSASB did consider that the other examples of IASB pronouncements in paragraph 15—IFRSs, and Interpretations issued by the IASB's IFRS Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC)—are useful and should be retained.

Amendment: Part I-1c

Amendments to IPSAS 16, *Investment Property*

Paragraph 40 is amended and paragraph 101B is added. New text is underlined and deleted text is struck through.

Measurement after Recognition

Accounting Policy

...

40. IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors* states that a voluntary change in accounting policy shall be made only if the change results in the financial statements providing ~~reliable~~ faithfully representative and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows. It is highly unlikely that a change from the fair value model to the cost model will result in a more relevant presentation.

...

Effective Date

...

101B. Paragraph 40 was amended by *Improvements to IPSASs 2015* issued in Month 2016. An entity shall apply this amendment for annual financial statements covering periods beginning on or after ~~MM-DD, YYYY~~ January 1, 2016. Earlier application is encouraged. If an entity applies the amendment for a period beginning before ~~MM-DD, YYYY~~ January 1, 2016 it shall disclose that fact.

Amendment: Part I-1d

Amendment to IPSAS 18, *Segment Reporting*

Paragraph 69 is amended and paragraph 76A is added. New text is underlined and deleted text is struck through.

Disclosure

...

Other Disclosure Matters

...

69. Changes in accounting policies adopted by the entity are dealt with in IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*. IPSAS 3 requires that changes in accounting policy be made only (a) if required by an IPSAS, or (b) if the change will result in reliable faithfully representative and more relevant information about transactions, other events, and conditions in the financial statements of the entity.

Effective Date

...

- 76A. Paragraph 69 was amended by *Improvements to IPSASs 2015* issued in Month 2016. An entity shall apply this amendment for annual financial statements covering periods beginning on or after MM-DD, YYYY January 1, 2016. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM-DD, YYYY January 1, 2016 it shall disclose that fact.

Implementation Guidance

This guidance accompanies, but is not part of, IPSAS 18.

...

Qualitative Characteristics of Financial Reporting

~~IG1. Paragraph 15 of this Standard requires the development of accounting policies to ensure that the financial statements provide information that meets a number of qualitative characteristics. This guidance summarizes the qualitative characteristics of financial reporting.~~

~~IG2. Qualitative characteristics are the attributes that make the information provided in financial statements useful to users. The four principal qualitative characteristics are understandability, relevance, reliability and comparability.~~

Understandability

~~IG3. Information is understandable when users might reasonably be expected to comprehend its meaning. For this purpose, users are assumed to have a reasonable knowledge of the entity's activities and the environment in which it operates, and to be willing to study the information.~~

~~IG4. Information about complex matters should not be excluded from the financial statements merely on the grounds that it may be too difficult for certain users to understand.~~

Relevance

~~IG5. Information is relevant to users if it can be used to assist in evaluating past, present, or future events or in confirming or correcting past evaluations. In order to be relevant, information must also be timely.~~

Materiality

~~IG6. The relevance of information is affected by its nature and materiality.~~

~~IG7. Information is material if its omission or misstatement could influence the decisions of users or assessments made on the basis of the financial statements. Materiality depends on the nature or size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point, rather than being a primary qualitative characteristic that information must have if it is to be useful.~~

Reliability

~~IG8. Reliable information is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent.~~

Faithful Representation

~~IG9. For information to represent faithfully transactions and other events, it should be presented in accordance with the substance of the transactions and other events, and not merely their legal form.~~

Substance Over Form

~~IG10. If information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they are accounted for and presented in accordance with their substance and economic reality, and not merely their legal form. The substance of transactions or other events is not always consistent with their legal form.~~

Neutrality

~~IG11. Information is neutral if it is free from bias. Financial statements are not neutral if the information they contain has been selected or presented in a manner designed to influence the making of a decision or judgment in order to achieve a predetermined result or outcome.~~

Prudence

~~IG12. Prudence is the inclusion of a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets or revenue are not overstated, and liabilities or expenses are not understated.~~

~~IG13. However, the exercise of prudence does not allow, for example, the creation of hidden reserves or excessive provisions, the deliberate understatement of assets or revenue, or the deliberate overstatement of liabilities or expenses, because the financial statements would not be neutral and, therefore, not have the quality of reliability.~~

Completeness

~~IG14. The information in financial statements should be complete within the bounds of materiality and cost.~~

Comparability

~~IG15. Information in financial statements is comparable when users are able to identify similarities and differences between that information and information in other reports.~~

~~IG16. Comparability applies to the:~~

- ~~(a) comparison of financial statements of different entities; and~~
- ~~(b) comparison of the financial statements of the same entity over periods of time.~~

~~IG17. An important implication of the characteristic of comparability is that users need to be informed of the policies employed in the preparation of financial statements, changes to those policies, and the effects of those changes.~~

~~IG18. Because users wish to compare the performance of an entity over time, it is important that financial statements show corresponding information for preceding periods.~~

Constraints on Relevant and Reliable Information

Timeliness

~~IG19. If there is an undue delay in the reporting of information, it may lose its relevance. To provide information on a timely basis, it may often be necessary to report before all aspects of a transaction are known, thus impairing reliability. Conversely, if reporting is delayed until all aspects are known, the information may be highly reliable but of little use to users who have had to make decisions in the interim. In achieving a balance between relevance and reliability, the overriding consideration is how best to satisfy the decision-making needs of users.~~

Balance between Benefit and Cost

~~IG20. The balance between benefit and cost is a pervasive constraint. The benefits derived from information should exceed the cost of providing it. The evaluation of benefits and costs is, however, substantially a matter of judgment. Furthermore, the costs do not always fall on those users who enjoy the benefits. Benefits may also be enjoyed by users other than those for whom the information was prepared. For these reasons, it is difficult to apply a benefit-cost test in any particular case. Nevertheless, standard setters, as well as those responsible for the preparation of financial statements and users of financial statements, should be aware of this constraint.~~

Balance between Qualitative Characteristics

~~IG21. In practice a balancing, or trade-off, between qualitative characteristics is often necessary. Generally the aim is to achieve an appropriate balance among the characteristics in order to meet the objectives of financial statements. The relative importance of the characteristics in different cases is a matter of professional judgment.~~

Amendment: Part I-1e

Amendments to IPSAS 20, *Related Party Disclosures*

Paragraphs 27 and 32 are amended and paragraph 42A is added. New text is underlined and deleted text is struck through.

Disclosure

...

Disclosure of Related Party Transactions

27 In respect of transactions between related parties, other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favorable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances, the reporting entity shall disclose:

- (a) The nature of the related party relationships;
- (b) The types of transactions that have occurred; and
- (c) The elements of the transactions necessary to clarify the significance of these transactions to its operations and sufficient to enable the financial statements to provide relevant and ~~reliable~~ faithfully representative information for decision making and accountability purposes.

...

32. Items of a similar nature may be disclosed in aggregate, except when separate disclosure is necessary to provide relevant and ~~reliable~~ faithfully representative information for decision-making and accountability purposes.

Effective Date

...

42A. Paragraphs 27 and 32 were amended by *Improvements to IPSASs 2015* issued in Month 2016. An entity shall apply these amendments for annual financial statements covering periods beginning on or after ~~MM-DD, YYYY~~ January 1, 2016. Earlier application is encouraged. If an entity applies these amendments for a period beginning before ~~MM-DD, YYYY~~ January 1, 2016 it shall disclose that fact.

Amendment: Part I-1f

Amendments to IPSAS 22, *Disclosures about the General Government Sector*

Paragraph 13 is amended and paragraph 47A is added. New text is underlined and deleted text is struck through.

Scope

...

Accounting Policies

...

13. This standard requires that when disclosures about the GGS are made in financial statements, those disclosures are to be made in accordance with the requirements prescribed in this Standard. This will ensure that an appropriate representation of the GGS is made in the financial statements, and that disclosures about the GGS satisfy the qualitative characteristics of financial information, including which are understandability, relevance, reliability faithful representation, understandability, timeliness, and comparability, and verifiability.

Effective Date

...

- 47A. Paragraph 13 was amended by *Improvements to IPSASs 2015* issued in Month 2016. An entity shall apply this amendment for annual financial statements covering periods beginning on or after ~~MM-DD, YYYY~~ January 1, 2016. Earlier application is encouraged. If an entity applies the amendment for a period beginning before ~~MM-DD, YYYY~~ January 1, 2016 it shall disclose that fact.

Amendment: Part I-1g

Amendments to IPSAS 24, *Presentation of Budget Information in Financial Statements*

Paragraph 26 is amended and paragraph 54A is added. New text is underlined and deleted text is struck through.

Presentation of a Comparison of Budget and Actual Amounts

...

Level of Aggregation

...

26. IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*, requires financial statements to provide information that meets ~~a number of~~ the qualitative characteristics, including that the information is relevant to the accountability and decision-making needs of users, faithfully represents the financial position, financial performance, and cash flows of the entity, meets the other qualitative characteristics and takes account of the constraints on information included in general purpose financial reports.

~~(a) Relevant to the decision-making needs of users; and~~

~~(b) Reliable in that the financial statements:~~

~~(i) Represent faithfully the financial position, financial performance, and cash flows of the entity;~~

~~(ii) Reflect the economic substance of transactions, other events, and conditions, and not merely the legal form;~~

~~(iii) Are neutral, that is, free from bias;~~

~~(iv) Are prudent; and~~

~~Are complete in all material respect~~

Effective Date

...

- 54A. Paragraph 26 was amended by *Improvements to IPSASs 2015* issued in Month 2016. An entity shall apply this amendment for annual financial statements covering periods beginning on or after ~~MM-DD, YYYY~~ January 1, 2016. Earlier application is encouraged. If an entity applies the amendment for a period beginning before ~~MM-DD, YYYY~~ January 1, 2016 it shall disclose that fact.

Amendment: Part I-1h

Amendment to IPSAS 29, *Financial Instruments: Recognition and Measurement*

Paragraph 127 is added and paragraph AG8 is amended. New text is underlined and deleted text is struck through.

Effective Date

...

127. Paragraph AG8 was amended by *Improvements to IPSASs 2015* issued in Month 2016. An entity shall apply this amendment for annual financial statements covering periods beginning on or after ~~MM-DD, YYYY~~ January 1, 2016. Earlier application is encouraged. If an entity applies the amendment for a period beginning before ~~MM-DD, YYYY~~ January 1, 2016 it shall disclose that fact.

Application Guidance

This Appendix is an integral part of IPSAS 29.

Definitions (paragraphs 9 and 10)

Designation as at Fair Value through Surplus or Deficit

...

AG8 The decision of an entity to designate a financial asset or financial liability as at fair value through surplus or deficit is similar to an accounting policy choice (although, unlike an accounting policy choice, it is not required to be applied consistently to all similar transactions). When an entity has such a choice, paragraph 17(b) of IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors* requires the chosen policy to result in the financial statements providing ~~reliable~~ faithfully representative and more relevant information about the effects of transactions, other events and conditions on the entity's financial position, financial performance or cash flows. In the case of designation as at fair value through surplus or deficit, paragraph 10 sets out the two circumstances when the requirement for more relevant information will be met. Accordingly, to choose such designation in accordance with paragraph 10, the entity needs to demonstrate that it falls within one (or both) of these two circumstances.

Amendment: Part I-1i

Amendment to IPSAS 30, *Financial Instruments: Disclosures*

Paragraph 53A is added and paragraph AG7 is amended. New text is underlined and deleted text is struck through.

Effective Date

...

53A. Paragraph AG7 was amended by *Improvements to IPSASs 2015* issued in Month 2016. An entity shall apply this amendment for annual financial statements covering periods beginning on or after ~~MM-DD, YYYY~~ January 1, 2016. Earlier application is encouraged. If an entity applies the amendment for a period beginning before ~~MM-DD, YYYY~~ January 1, 2016 it shall disclose that fact.

Application Guidance

This appendix is an integral part of IPSAS 30.

Nature and Extent of Risks Arising from Financial Instruments (paragraphs 38–49)

...

Quantitative Disclosures (paragraph 41)

AG7. Paragraph 41(a) requires disclosures of summary quantitative data about an entity's exposure to risks based on the information provided internally to key management personnel of the entity. When an entity uses several methods to manage a risk exposure, the entity shall disclose information using the method or methods that provide the most relevant and ~~reliable~~ faithfully representative information. IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors* discusses relevance and reliability.

Amendment: Part I-2a

Amendment to IPSAS 5, *Borrowing Costs*

A footnote is added to paragraph 19. New text is underlined.

Borrowing Costs—Allowed Alternative Treatment

Recognition

...

19. Under the allowed alternative treatment, borrowing costs that are directly attributable to the acquisition, construction, or production of an asset are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when (a) it is probable that they will result in future economic benefits or service potential to the entity, and (b) the costs can be measured reliably¹. Other borrowing costs are recognized as an expense in the period in which they are incurred.

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

Amendment: Part I-2b

Amendment to IPSAS 7, *Investments in Associates*

A footnote is added to paragraph 3. New text is underlined.

Scope

...

3. This Standard provides the basis for accounting for ownership interests in associates. That is, the investment in the other entity confers on the investor the risks and rewards incidental to an ownership interest. This Standard applies only to investments in the formal equity structure (or its equivalent) of an investee. A formal equity structure means share capital or an equivalent form of unitized capital, such as units in a property trust, but may also include other equity structures in which the investor's interest can be measured reliably¹. Where the equity structure is poorly defined, it may not be possible to obtain a reliable measure of the ownership interest.

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

Amendment: Part I-2c

Amendment to IPSAS 9, *Revenue From Exchange Transactions*

A footnote is added to paragraph 19. New text is underlined.

Rendering of Services

19. When the outcome of a transaction involving the rendering of services can be estimated reliably¹, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- (a) The amount of revenue can be measured reliably;
 - (b) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
 - (c) The stage of completion of the transaction at the reporting date can be measured reliably; and
 - (d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

Amendment: Part I-2d

Amendment to IPSAS 11, *Construction Contracts*

A footnote is added to paragraph 30. New text is underlined.

Recognition of Contract Revenue and Expenses

30. When the outcome of a construction contract can be estimated reliably¹, contract revenue and contract costs associated with the construction contract shall be recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. An expected deficit on a construction contract to which paragraph 44 applies shall be recognized as an expense immediately in accordance with paragraph 44.

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

Amendment: Part I-2e

Amendment to IPSAS 13, *Leases*

A footnote is added to paragraph 21. New text is underlined.

Classification of Leases

...

21. Whenever necessary in order to classify and account for a lease of land and buildings, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception of the lease. If the lease payments cannot be allocated reliably¹ between these two elements, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

Amendment: Part I-2f

Amendment to IPSAS 16, *Investment Property*

A footnote is added to paragraph 20. New text is underlined.

Recognition

20. **Investment property shall be recognized as an asset when, and only when:**

- (a) **It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and**
- (b) **The cost or fair value of the investment property can be measured reliably¹.**

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

Amendment: Part I-2g

Amendment to IPSAS 17, *Property, Plant, and Equipment*

A footnote is added to paragraph 14. New text is underlined.

Recognition

14. **The cost of an item of property, plant, and equipment shall be recognized as an asset if, and only if:**
- (a) **It is probable that future economic benefits or service potential associated with the item will flow to the entity; and**
 - (b) **The cost or fair value of the item can be measured reliably¹.**

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

Amendment: Part I-2h

Amendment to IPSAS 18, *Segment Reporting*

A footnote is added to paragraph 38. New text is underlined.

Definitions of Segment Revenue, Expense, Assets, Liabilities, and Accounting Policies

...

Segment Assets, Liabilities, Revenue, and Expense

...

38. In some jurisdictions, a government or government entity may control a GBE or other entity that operates on a commercial basis and is subject to income tax or income tax equivalents. These entities may be required to apply accounting standards such as IAS 12, *Income Taxes*, which prescribe the accounting treatment of income taxes or income tax equivalents. Such standards may require the recognition of income tax assets and liabilities in respect of income tax expenses, or income tax-equivalent expenses, which are recognized in the current period and are recoverable or repayable in future periods. These assets and liabilities are not included in segment assets or segment liabilities because they arise as a result of all the activities of the entity as a whole and the tax arrangements in place in respect of the entity. However, assets representing taxation revenue receivable that is controlled by a taxing authority will be included in segment assets of the authority if they can be directly attributed to that segment or allocated to it on a reliable¹ basis.

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

Amendment: Part I-2i

Amendment to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*

A footnote is added to paragraph 22. New text is underlined.

Recognition

Provisions

22. **A provision shall be recognized when:**

- (a) **An entity has a present obligation (legal or constructive) as a result of a past event;**
- (b) **It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and**
- (c) **A reliable¹ estimate can be made of the amount of the obligation.**

If these conditions are not met, no provision shall be recognized.

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

Amendment: Part I-2j

Amendment to IPSAS 21, *Impairment of Non-Cash-Generating Assets*

A footnote is added to paragraph 37. New text is underlined.

Measuring Recoverable Service Amount

...

37. It may be possible to determine fair value less costs to sell, even if an asset is not traded in an active market. Paragraph 42 sets out possible alternative bases for estimating fair value less costs to sell when an active market for the asset does not exist. However, sometimes it will not be possible to determine fair value less costs to sell, because there is no basis for making a reliable¹ estimate of the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In this case, the entity may use the asset's value in use as its recoverable service amount.

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

Amendment: Part I-2k

Amendment to IPSAS 23, *Revenue From Non-exchange Transactions (Taxes and Transfers)*

A footnote is added to paragraph 31. New text is underlined.

Recognition of Assets

...

31. **An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset shall be recognized as an asset when, and only when:**
- (a) **It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and**
 - (b) **The fair value of the asset can be measured reliably¹.**

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

Amendment: Part I-2I

Amendment to IPSAS 25, *Employee Benefits*

A footnote is added to paragraph 20. New text is underlined.

Recognition and Measurement

Bonus Payments and Profit-Sharing Payments

20. **An entity shall recognize the expected cost of bonus payments and profit-sharing payments under paragraph 13 when, and only when:**

- (a) **The entity has a present legal or constructive obligation to make such payments as a result of past events; and**
- (b) **A reliable¹ estimate of the obligation can be made.**

A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

Amendment: Part I-2m

Amendment to IPSAS 26, *Impairment of Cash-Generating Assets*

A footnote is added to paragraph 33. New text is underlined.

Measuring Recoverable Amount

...

33. It may be possible to determine fair value less costs to sell, even if an asset is not traded in an active market. However, sometimes it will not be possible to determine fair value less costs to sell because there is no basis for making a reliable¹ estimate of the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In this case, the entity may use the asset's value in use as its recoverable amount.

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

Amendment: Part I-2n

Amendment to IPSAS 27, *Agriculture*

A footnote is added to paragraph 13. New text is underlined.

Recognition and Measurement

13. **An entity shall recognize a biological asset or agricultural produce when and only when:**

- (a) **The entity controls the asset as a result of past events;**
- (b) **It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and**
- (c) **The fair value or cost of the asset can be measured reliably¹.**

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

Amendment: Part I-2o

Amendment to IPSAS 31, *Intangible Assets*

A footnote is added to paragraph 28. New text is underlined.

Recognition and Measurement

28. **An intangible asset shall be recognized if, and only if:**
- (a) **It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and**
 - (b) **The cost or fair value of the asset can be measured reliably¹.**

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

Amendment: Part I-2p

Amendment to IPSAS 32, *Service Concession Assets*

A footnote is added to paragraph AG20. New text is underlined.

Recognition and Initial Measurement of a Service Concession Asset (see paragraphs 9–13)

Constructed or Developed Asset

AG20. Where a constructed or developed asset meets the conditions in paragraph 9 (or paragraph 10 for a whole-of-life asset) the grantor recognizes and measures the asset in accordance with this Standard. IPSAS 17 or IPSAS 31, as appropriate, set out the criteria for when a service concession asset should be recognized. Both IPSAS 17 and IPSAS 31 require that an asset shall be recognized if, and only if:

- (a) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- (b) The cost or fair value of the item can be measured reliably¹.

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

Amendment: Part I-2q

Amendment to IPSAS 33, *First-Time Adoption of Accrual Basis International Public Sector Accounting Standards*

A footnote is added to paragraph 39. New text is underlined.

Exemptions that Affect Fair Presentation and Compliance with Accrual Basis IPSASs During the Period of Transition

...

Three Year Transitional Relief Period for the Recognition and/or Measurement of Assets and/or Liabilities

Recognition and/or Measurement of Assets and/or Liabilities

...

39. Subject to paragraphs 36 and 38, a first-time adopter is not required to change its accounting policy(ies) in respect of the recognition and/or measurement of assets and/or liabilities for reporting periods beginning on a date within three years following the date of adoption of IPSASs. The transitional exemptions in paragraphs 36 and 38 are intended to allow a first-time adopter a period to develop reliable¹ models for recognizing and/or measuring its assets and/or liabilities during the period of transition. The first-time adopter may apply accounting policies for the recognition and/or measurement of such assets and/or liabilities that do not comply with the provisions of other IPSASs.

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

Amendment: Part I-2r

Amendment to IPSAS 34, *Separate Financial Statements*

A footnote is added to paragraph BC6. New text is underlined.

Use of the Equity Method in Separate Statements

...

BC6. The IPSASB decided to continue to permit the use of the equity method in separate financial statements for the following reasons:

- (a) The equity method is a well-established method of accounting for certain investments in the public sector. In many circumstances where investments are held by public sector entities, the equity method can provide information that is reliable¹ and useful, and possibly at a lower cost than either the cost method or the fair value method. In the public sector, investment entities are often used more as “instruments” to enable service provision, rather than as a holding for investment purposes, as might generally be the case in the private sector. The equity method may therefore, in some circumstances, be better suited to meeting user needs in the public sector, as it allows the financial statements to portray the fluctuations in the equity of, and performance by, an investment over time, in a cost effective and easily understood manner.

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

Amendment: Part I-2s

Amendment to IPSAS 36, *Investments in Associates and Joint Ventures*

A footnote is added to paragraph 4. New text is underlined.

Scope

...

4. This Standard provides the basis for accounting for ownership interests in associates and joint ventures. That is, the investment in the other entity confers on the entity the risks and rewards incidental to an ownership interest. This Standard applies only to quantifiable ownership interests. This includes ownership interests arising from investments in the formal equity structure of another entity. A formal equity structure means share capital or an equivalent form of capital, such as units in a property trust. Quantifiable ownership interests may also include ownership interests arising from other investments in which the entity's ownership interest can be measured reliably¹ (for example, interests in a partnership). Where the equity structure of the other entity is poorly defined, it may not be possible to obtain a reliable measure of the ownership interest.

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

PART II: GENERAL IMPROVEMENTS TO IPSASS

Amendment: Part II-1a

Amendments to IPSAS 14, *Events after the Reporting Date*

Paragraph 31 is amended and paragraph 33B is added as follows. New text is underlined and deleted text is struck through.

Disclosure of Non-adjusting Events after the Reporting Date

31. The following are examples of non-adjusting events after the reporting date that would generally result in disclosure:

...

- (d) Announcing a plan to discontinue an operation or major program, disposing of assets, or settling liabilities attributable to a discontinued operation or major program, or entering into binding agreements to sell such assets or settle such liabilities ~~(guidance on the treatment and disclosure of discontinued operations can be found in the relevant international or national accounting standard dealing with discontinued operations);~~

Effective Date

...

- 33B. Paragraph 31 was amended by *Improvements to IPSASs 2015*, issued in Month 2016. An entity shall apply that amendment for annual financial statements covering periods beginning on or after ~~MM-DD, YYYY~~ January 1, 2016. Earlier application is encouraged. If an entity applies the amendment for a period beginning before ~~MM-DD, YYYY~~ January 1, 2016, it shall disclose that fact.

Basis for Conclusions

...

Revision of IPSAS 14 as a result of Part II of *Improvements to IPSASs 2015*: issues raised by stakeholders

- BC8. Stakeholders indicated that IPSASs referred to non-current assets held for sale and disposal groups inconsistently. The IPSASB concluded that IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, was not appropriate for the public sector, for the following reasons:

- (a) Sales of assets in the public sector may not be completed within one year because of the levels of approval required. This raises questions about the relevance and consistency of information provided in accordance with IFRS 5.
- (b) Many assets in the public sector are disposed of through a transfer or distribution for no or nominal consideration. As IFRS 5 deals with sales at fair value, the disclosure requirements may not provide relevant information for these transfers.
- (c) Many discontinued operations in the public sector are operations that previously provided services at no or nominal cost. As IFRS 5 deals with discontinued operations that were either cash-generating units or a group of cash-generating units prior to disposal or being

classified as held for sale, the disclosure requirements may not provide relevant information for public sector discontinued operations.

Consequently, the IPSASB agreed to remove references in IPSAS to international or national accounting standards dealing with non-current assets held for sale and discontinued operations.

Amendment: Part II-1b

Amendments to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*

Paragraph 6 is amended and paragraph 112B is added as follows. New text is underlined and deleted text is struck through.

Scope

6. This Standard applies to provisions for restructuring (including operations being discontinued operations). ~~In some cases, a restructuring may meet the definition of a discontinued operation. An entity shall disclose information that enables users of its financial statements to evaluate the financial effects of a restructuring. Guidance on disclosing information about discontinued operations can be found in IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.~~

Effective Date

...

112B. Paragraph 6 was amended by *Improvements to IPSASs 2015*, issued in Month 2016. An entity shall apply that amendment for annual financial statements covering periods beginning on or after MM-DD, YYYY January 1, 2016. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM-DD, YYYY January 1, 2016, it shall disclose that fact.

Basis for Conclusions

...

Revision of IPSAS 19 as a result of Part II of *Improvements to IPSASs 2015*: issues raised by stakeholders

BC1. Stakeholders indicated that IPSASs referred to non-current assets held for sale and disposal groups inconsistently. The IPSASB concluded that IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, was not appropriate for the public sector, for the following reasons:

- (a) Sales of assets in the public sector may not be completed within one year because of the levels of approval required. This raises questions about the relevance and consistency of information provided in accordance with IFRS 5.
- (b) Many assets in the public sector are disposed of through a transfer or distribution for no or nominal consideration. As IFRS 5 deals with sales at fair value, the disclosure requirements may not provide relevant information for these transfers.
- (c) Many discontinued operations in the public sector are operations that previously provided services at no or nominal cost. As IFRS 5 deals with discontinued operations that were either cash-generating units or a group of cash-generating units prior to disposal or being classified as held for sale, the disclosure requirements may not provide relevant information for public sector discontinued operations.

Consequently, the IPSASB agreed to remove references in IPSAS to international or national accounting standards dealing with non-current assets held for sale and discontinued operations.

Amendment: Part II-1c

Amendments to IPSAS 26, *Impairment of Cash-Generating Assets*

Paragraphs 2 and 8 are amended and paragraph 126E is added as follows. New text is underlined and deleted text is struck through.

Scope

2. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for the impairment of cash-generating assets, except for:

...

(k) Deferred acquisition costs, and intangible assets, arising from an insurer's contractual rights under insurance contracts within the scope of the relevant international or national accounting standard dealing with insurance contracts; and

~~(l) Non-current assets (or disposal groups) classified as held for sale that are measured at the lower of carrying amount and fair value, less costs to sell, in accordance with the relevant international or national accounting standard dealing with non-current assets held for sale and discontinued operations; and~~

...

8. This Standard does not apply to inventories and cash-generating assets arising from construction contracts, because existing standards applicable to these assets contain requirements for recognizing and measuring such assets. This Standard does not apply to deferred tax assets, assets related to employee benefits, or deferred acquisition costs and intangible assets arising from an insurer's contractual rights under insurance contracts. The impairment of such assets is addressed in the relevant international or national accounting standards. In addition, this Standard does not apply to ~~(a) biological assets related to agricultural activity that are measured at fair value less costs to sell, and (b) non-current assets (or disposal groups) classified as held for sale that are measured at the lower of carrying amount and fair value less costs to sell.~~ IPSAS 27 dealing with biological assets related to agricultural activity, and the relevant international or national accounting standards dealing with non-current assets (or disposal groups) classified as held for sale, contains measurement requirements.

Effective Date

...

126E. Paragraphs 2 and 8 were amended by *Improvements to IPSASs 2015*, issued in Month 2016.

An entity shall apply those amendments for annual financial statements covering periods beginning on or after ~~MM-DD, YYYY~~January 1, 2016. Earlier application is encouraged. If an entity applies the amendments for a period beginning before ~~MM-DD, YYYY~~January 1, 2016, it shall disclose that fact.

Basis for Conclusions

...

Revision of IPSAS 26 as a result of Part II of *Improvements to IPSASs 2015*: issues raised by stakeholders

BC19. Stakeholders indicated that IPSASs referred to non-current assets held for sale and disposal groups inconsistently. The IPSASB concluded that IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, was not appropriate for the public sector, for the following reasons:

- (a) Sales of assets in the public sector may not be completed within one year because of the levels of approval required. This raises questions about the relevance and consistency of information provided in accordance with IFRS 5.
- (b) Many assets in the public sector are disposed of through a transfer or distribution for no or nominal consideration. As IFRS 5 deals with sales at fair value, the disclosure requirements may not provide relevant information for these transfers.
- (c) Many discontinued operations in the public sector are operations that previously provided services at no or nominal cost. As IFRS 5 deals with discontinued operations that were either cash-generating units or a group of cash-generating units prior to disposal or being classified as held for sale, the disclosure requirements may not provide relevant information for public sector discontinued operations.

Consequently, the IPSASB agreed to remove references in IPSAS to international or national accounting standards dealing with non-current assets held for sale and discontinued operations.

Amendment: Part II-1d

Amendments to IPSAS 27, *Agriculture*

Paragraphs 34 and 48 are amended and paragraph 57B is added as follows. New text is underlined and deleted text is struck through.

Inability to Measure Fair Value Reliably

34. There is a presumption that fair value can be measured reliably for a biological asset. However, that presumption can be rebutted only on initial recognition for a biological asset for which market-determined prices or values are not available, and for which alternative estimates of fair value are determined to be clearly unreliable. In such a case, that biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a biological asset becomes reliably measurable, an entity shall measure it at its fair value less costs to sell. ~~Once a non-current biological asset meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale) in accordance with the relevant international or national accounting standard dealing with non-current assets held for sale and discontinued operations, it is presumed that fair value can be measured reliably.~~

Disclosure

General

...

48. An entity shall present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. The reconciliation shall include:

...

- (d) ~~Decreases attributable to sales and biological assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with the relevant international or national standard dealing with non-current assets held for sale and discontinued operations;~~

...

Effective Date

...

- 57B. Paragraphs 34 and 48 were amended by *Improvements to IPSASs 2015*, issued in Month 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM-DD, YYYY January 1, 2016. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM-DD, YYYY January 1, 2016, it shall disclose that fact.

Basis for Conclusions

...

Revision of IPSAS 27 as a result of Part II of *Improvements to IPSASs 2015*: issues raised by stakeholders

BC15. Stakeholders indicated that IPSASs referred to non-current assets held for sale and disposal groups inconsistently. The IPSASB concluded that IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, was not appropriate for the public sector, for the following reasons:

- (a) Sales of assets in the public sector may not be completed within one year because of the levels of approval required. This raises questions about the relevance and consistency of information provided in accordance with IFRS 5.
- (b) Many assets in the public sector are disposed of through a transfer or distribution for no or nominal consideration. As IFRS 5 deals with sales at fair value, the disclosure requirements may not provide relevant information for these transfers.
- (c) Many discontinued operations in the public sector are operations that previously provided services at no or nominal cost. As IFRS 5 deals with discontinued operations that were either cash-generating units or a group of cash-generating units prior to disposal or being classified as held for sale, the disclosure requirements may not provide relevant information for public sector discontinued operations.

Consequently, the IPSASB agreed to remove references in IPSAS to international or national accounting standards dealing with non-current assets held for sale and discontinued operations.

Amendment: Part II-1e

Amendments to IPSAS 31, *Intangible Assets*

Paragraphs 3, 96, 116 and 117 are amended and paragraph 133D is added as follows. New text is underlined and deleted text is struck through.

Scope

...

3 This Standard shall be applied in accounting for intangible assets, except:

...

- (i) Deferred acquisition costs, and intangible assets, arising from an insurer's contractual rights under insurance contracts within the scope of the relevant international or national accounting standard dealing with insurance contracts. In cases where the relevant international or national accounting standard does not set out specific disclosure requirements for those intangible assets, the disclosure requirements in this Standard apply to those intangible assets; and
- ~~(j) Non-current intangible assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with the relevant international or national accounting standard dealing with non-current assets held for sale and discontinued operations; and~~

...

Intangible Assets with Finite Useful Lives

Amortization Period and Amortization Method

96. The depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. Amortization shall begin when the asset is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortization shall cease ~~at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with the relevant international or national accounting standard dealing with non-current assets held for sale and discontinued operations and~~ the date that the asset is derecognized. The amortization method used shall reflect the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight-line method shall be used. The amortization charge for each period shall be recognized in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another asset.

Retirements and Disposals

...

116. Amortization of an intangible asset with a finite useful life does not cease when the intangible asset is no longer used, unless the asset has been fully depreciated, ~~or is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with the relevant~~

~~international or national accounting standard dealing with non-current assets held for sale and discontinued operations.~~

Disclosure

General

117. An entity shall disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets:

...

- (e) A reconciliation of the carrying amount at the beginning and end of the period showing:
 - (i) Additions, indicating separately those from internal development and those acquired separately;
 - (ii) ~~Assets classified as held for sale or included in a disposal group classified as held for sale in accordance with the relevant international or national accounting standard dealing with non-current assets held for sale and discontinued operations and other d~~Disposals;

Effective Date

...

133D. Paragraphs 3, 96, 116 and 117 were amended by *Improvements to IPSASs 2015*, issued in Month 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM-DD, YYYYJanuary 1, 2016. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM-DD, YYYYJanuary 1, 2016, it shall disclose that fact.

Basis for Conclusions

...

Revision of IPSAS 31 as a result of Part II of *Improvements to IPSASs 2015*: issues raised by stakeholders

BC11. Stakeholders indicated that IPSASs referred to non-current assets held for sale and disposal groups inconsistently. The IPSASB concluded that IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, was not appropriate for the public sector, for the following reasons:

- (a) Sales of assets in the public sector may not be completed within one year because of the levels of approval required. This raises questions about the relevance and consistency of information provided in accordance with IFRS 5.
- (b) Many assets in the public sector are disposed of through a transfer or distribution for no or nominal consideration. As IFRS 5 deals with sales at fair value, the disclosure requirements may not provide relevant information for these transfers.
- (c) Many discontinued operations in the public sector are operations that previously provided services at no or nominal cost. As IFRS 5 deals with discontinued operations that were either cash-generating units or a group of cash-generating units prior to disposal or being

classified as held for sale, the disclosure requirements may not provide relevant information for public sector discontinued operations.

Consequently, the IPSASB agreed to remove references in IPSAS to international or national accounting standards dealing with non-current assets held for sale and discontinued operations.

Amendment: Part II-2

Amendments to IPSAS 32, *Service Concession Arrangements*

Paragraphs 13, 32, 33 and AG35 are amended and paragraphs 35A, 35B and 37B are added as follows. New text is underlined and deleted text is struck through.

Recognition and Measurement of a Service Concession Asset (see paragraphs AG5–AG35)

...

13. After initial recognition or reclassification, service concession assets shall be accounted for ~~as a separate class of assets~~ in accordance with IPSAS 17 or IPSAS 31, as appropriate.

Presentation and Disclosure (see paragraphs AG65–AG67)

...

32. All aspects of a service concession arrangement shall be considered in determining the appropriate disclosures in the notes. A grantor shall disclose the following information in respect of service concession arrangements in each reporting period:

...

- (c) The nature and extent (e.g., quantity, time period, or amount, as appropriate) of:
 - (i) Rights to use specified assets;
 - (ii) Rights to expect the operator to provide specified services in relation to the service concession arrangement;
 - (iii) The carrying amount of service concession assets recognized as assets at the end of the reporting period, including existing assets of the grantor reclassified as service concession assets;

...

33. The disclosures required in accordance with paragraph 32 are provided individually for each material service concession arrangement or in aggregate for ~~each class~~ group of service concession arrangements. ~~A class is a grouping of service concession arrangements involving services of a similar nature (e.g., toll collections, telecommunications or water treatment services). This disclosure by class~~ group of service concession arrangement asset is in addition to the disclosures required in IPSAS 17 and/or IPSAS 31 that required in paragraph 13 by class of asset. Service concession assets within a group of service concession arrangements of a similar nature that are reported in aggregate may form a subset of a class of assets disclosed in accordance with IPSAS 17 and/or IPSAS 31 or may be included in more than one class of assets disclosed in accordance with IPSAS 17 and/or IPSAS 31. For example, for the purposes of IPSAS 17 paragraph 13 a toll bridge may be grouped with included in the same class as other bridges. For the purposes of this paragraph, the toll bridge may be grouped with included in the same group of with service concession arrangements reported in aggregate as toll roads.

Transition (see paragraphs AG68–AG73)

...

35A. Paragraphs 13, 32, 33 and AG35 were amended by *Improvements to IPSASs 2015* issued in Month 2016. An entity that has previously applied IPSAS 32 shall reassess the classification of service concession assets in accordance with paragraph 13. The entity shall present service concession assets in the revised classification retrospectively in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.

35B. Where service concessions assets are reclassified in accordance with paragraph 35A, an entity shall account for the service concession assets as follows:

- (a) If the service concession assets have previously been measured using the cost model, and the class of assets to which those service concession assets have been reclassified is measured using the cost model, the entity shall continue to apply the cost model. The entity shall carry forward the cost of the service concession assets, along with any accumulated depreciation or amortization and any accumulated impairment losses.
- (b) If the service concession assets have previously been measured using the cost model, and the class of assets to which those service concession assets have been reclassified is measured using the revaluation model, the entity shall either:
 - (i) Revalue the service concession assets; or
 - (ii) *Subject to the requirements in IPSAS 3 dealing with changes in accounting policies,* ~~R~~retrospectively apply the cost model to the remaining assets in the class of asset to which those service concession assets have been reclassified. Where information regarding the cost of the assets is not available, the entity may use the carrying amount of the assets as the deemed cost.
- (c) If the service concession assets have previously been measured using the revaluation model, and the class of assets to which those service concession assets have been reclassified is measured using the cost model, the entity shall either:
 - (i) Retrospectively apply the cost model to the service concession assets. Where information regarding the cost of the assets is not available, the entity may use the carrying amount of the service concession assets as the deemed cost; or
 - (ii) *Subject to the requirements in IPSAS 3 dealing with changes in accounting policies,* ~~R~~revalue the remaining assets in the class of asset to which those service concession assets have been reclassified.
- (d) If the service concession assets have previously been measured using the revaluation model, and the class of assets to which those service concession assets have been reclassified is measured using the revaluation model, the entity shall adjust the revaluation surplus in respect of each class of asset. Where previous revaluation decreases have been recognized in respect of either a service concession asset or one or more assets in the class to which the service concession asset is transferred, the entity shall consider whether transfers between revaluation surplus and accumulated surpluses or deficits are required.

Effective Date

...

37B. Paragraphs 13, 32, 33 and AG35 were amended and paragraphs 35A and 35B added by Improvements to IPSASs 2015 issued in Month 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM-DD, YYYY January 1, 2016. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM-DD, YYYY January 1, 2016 it shall disclose that fact.

Application Guidance

This Appendix is an integral part of IPSAS 32.

...

Subsequent Measurement

AG35. After initial recognition, a grantor applies IPSAS 17 and IPSAS 31 to the subsequent measurement and derecognition of a service concession asset. ~~For the purposes of applying IPSAS 17 and IPSAS 31, service concession assets should be treated as a separate class of assets.~~ IPSAS 21 and IPSAS 26 are also applied in considering whether there is any indication that a service concession asset is impaired. These requirements in these Standards are applied to all assets recognized or classified as service concession assets in accordance with this Standard.

Basis for Conclusions

...

Revision of IPSAS 32 as a result of Part II of *Improvements to IPSASs 2015*: issues raised by stakeholders

BC49. The IPSASB had its attention drawn to a possible inconsistency between the requirements in IPSAS 32 and the requirements in IPSAS 17 and IPSAS 31. The requirements in IPSAS 32 could be seen as requiring service concession assets to be presented as a single class of assets, even if they were of a dissimilar nature and function. As it is not the intention of the IPSASB to require that dissimilar assets be reported as if they were similar, the IPSASB decided to propose clarifications to IPSAS 32 to make its intentions clear. The IPSASB considered whether these changes would reduce the information available to users, but is satisfied that the current disclosure requirements, in particular those in paragraph 32, ensure high quality disclosures about assets subject to service concession arrangements.

BC50. The IPSASB noted that the reclassification of service concessions assets could require a change in measurement basis for some entities. For example, some service concession assets measured using the revaluation model, might be reclassified into a class of assets measured using the cost model. Equally, some service concession assets measured using the cost model, might be reclassified into a class of assets measured using the revaluation model. Because the balance between the service concession assets and the other assets in a class will vary from entity to entity, the IPSASB agreed to permit entities to select the measurement basis to be applied at the point of reclassification. The IPSASB also noted that the information required to retrospectively apply the cost model might not be readily available. Consequently, the IPSASB agreed to permit entities to use the carrying amounts determined under the revaluation model as deemed cost at the point of reclassification where an entity elects to measure a class of assets using the cost model.

PART III: GOVERNMENT FINANCE STATISTICS IMPROVEMENTS TO IPSASS

Amendment: Part III-1

Amendments to IPSAS 12, *Inventories*

Paragraph 12 is amended and paragraphs 14A and 51B are added as follows. New text is underlined and deleted text is struck through.

Inventories

...

12. Inventories in the public sector may include:

- (a) ~~Ammunition~~ Military inventories;

...

14A. Military inventories consist of single-use items, such as ammunition, missiles, rockets and bombs delivered by weapons or weapons systems. However, some types of missiles may be accounted for in accordance with IPSAS 17, *Property, Plant, and Equipment*, if they satisfy the criteria to be classified in that standard.

Effective Date

...

51B. Paragraph 12 was amended and paragraph 14A was added by *Improvements to IPSASs 2015*, issued in Month 2016. An entity shall apply that amendment for annual financial statements covering periods beginning on or after ~~MM-DD, YYYY~~ January 1, 2016. Earlier application is encouraged. If an entity applies the amendment for a period beginning before ~~MM-DD, YYYY~~ January 1, 2016, it shall disclose that fact.

Basis for Conclusions

...

Revision of IPSAS 12 as a result of Part III of *Improvements to IPSASs 2015*: issues raised by stakeholders

BC7. Government Finance Statistics (GFS) reporting guidelines use the term “military inventories” to comprise all single-use items, including ammunition. The IPSASB concluded that replacing the IPSAS term “ammunition” with the GFS term “military inventories” and including a description will clarify the types of military assets that are to be classified as inventories, while increasing consistency with GFS reporting guidelines.

Amendment: Part III-2

Amendments to IPSAS 17, *Property, Plant, and Equipment*

Paragraphs 5, 20 and 52 are amended and paragraph 107F is added as follows. New text is underlined and deleted text is struck through.

Scope

5. This Standard applies to property, plant, and equipment including:

- (a) ~~Specialist military equipment~~ Weapons systems;

...

20. ~~Specialist military equipment~~ Weapons systems will normally meet the definition of property, plant, and equipment, and should be recognized as an asset in accordance with this Standard. Weapons systems include vehicles and other equipment, such as warships, submarines, military aircraft, tanks, missile carriers and launchers that are used continuously in the provision of defense services, even if their peacetime use is simply to provide deterrence. However, some single-use items, such as certain types of ballistic missiles, may provide an ongoing service of deterrence against aggressors and, therefore, can be classified as weapons systems.

Revaluation Model

...

52. A class of property, plant, and equipment is a grouping of assets of a similar nature or function in an entity's operations. The following are examples of separate classes:

...

- (h) ~~Specialist military equipment~~ Weapons systems;

...

Effective Date

...

107F. Paragraphs 5, 20 and 52 were amended by *Improvements to IPSASs 2015*, issued in Month 2016. An entity shall apply that amendment for annual financial statements covering periods beginning on or after MM-DD, YYYYJanuary 1, 2016. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM-DD, YYYYJanuary 1, 2016, it shall disclose that fact.

Basis for Conclusions

...

Revision of IPSAS 17 as a result of Part III of *Improvements to IPSASs 2015*: issues raised by stakeholders

BC9. Government Finance Statistics (GFS) reporting guidelines use the term "weapons systems" to comprise items that are used continuously in the provision of defense services, even if their peacetime use is simply to provide deterrence. The IPSASB concluded that replacing the IPSAS

term “specialist military equipment” with the GFS term “weapons systems” and including a description would clarify the applicability of IPSAS 17, *Property, Plant, and Equipment*, while increasing consistency with GFS reporting guidelines.

PART IV: IASB IMPROVEMENTS TO IPSASS

Amendment–Part IV-1a

Amendments to IPSAS 17, *Property, Plant, and Equipment*

Paragraphs 6, 13, and 52 are amended and paragraphs 36A, 107G, 107H and 107I are added as follows. New text is underlined and deleted text is struck through.

Scope

...

6. This Standard does not apply to:

- (a) Biological assets related to agricultural activity other than bearer plants (see IPSAS 27, *Agriculture*). This Standard applies to bearer plants but does not apply to the produce on bearer plants; or
- (b) Mineral rights and mineral reserves such as oil, natural gas, and similar non-regenerative resources (see the relevant international or national accounting standard dealing with mineral rights, mineral reserves, and similar non-regenerative resources).

However, this Standard applies to property, plant, and equipment used to develop or maintain the assets described in 6(a) or 6(b).

Definitions

13. The following terms are used in this Standard with the meanings specified:

A bearer plant is a living plant that:

- (a) Is used in the production or supply of agricultural produce:
- (b) Is expected to bear produce for more than one period: and
- (c) Has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

(Paragraphs 9A–9C of IPSAS 27 elaborate on this definition of a bearer plant.)

Elements of cost

...

36A. Bearer plants are accounted for in the same way as self-constructed items of property, plant, and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by management. Consequently, references to ‘construction’ in this Standard should be read as covering activities that are necessary to cultivate bearer plants before they are in the location and condition necessary to be capable of operating in the manner intended by management.

Revaluation Model

...

52. A class of property, plant, and equipment is a grouping of assets of a similar nature or function in an entity's operations. The following are examples of separate classes:

- (a) ...
- (k) Office equipment; ~~and~~
- (l) Oil rigs; and
- (m) Bearer plants.

Effective Date

...

107G. Paragraphs 6, 13 and 52 were amended and paragraph 36A added by *Improvements to IPSASs 2015* issued in Month 2016. An entity shall apply those amendments ~~prospectively~~ for annual financial statements covering periods beginning on or after ~~MM-DD, YYYY~~ January 1, 2016. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2016 ~~MM-DD, YYYY~~, it shall disclose that fact. An entity shall apply those amendments retrospectively, in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*, except as specified in paragraph ~~107G~~ 107I.

107H. In the reporting period when the amendments to IPSAS 17 and IPSAS 27 from part IV of *Improvements to IPSASs 2015* is first applied an entity need not disclose the quantitative information required by paragraph 33(f) of IPSAS 3 for the current period. However, an entity shall present the quantitative information required by paragraph 33(f) of IPSAS 3 for each prior period presented.

107I. An entity may elect to measure an item of bearer plants at its fair value at the beginning of the earliest period presented in the financial statements for the reporting period in which the entity first applies the amendments to IPSAS 17 and IPSAS 27 from part IV of *Improvements to IPSASs 2015* and use that fair value as its deemed cost at that date. Any differences between the previous carrying amount and fair value shall be recognized in opening accumulated surpluses/deficits at the beginning of the earliest period presented.

Basis for Conclusions

...

Revision of IPSAS 17 as a result of IASB's *Narrow Scope Amendments* issued in June 2014

BC10. The IPSASB reviewed the revisions to IAS 16 included in the narrow scope amendments titled *Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 41) issued by the IASB in June 2014 and generally concurred that there was no public sector specific reason for not adopting the amendments.

Amendment: Part IV-1b

Amendments to IPSAS 27, *Agriculture*

Paragraphs 2, 3, 5, 6, 9, 28 and 40 are amended and paragraphs 9A, 9B, 9C, 56C and 56D are added as follows. New text is underlined and deleted text is struck through.

Scope

2. **An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard for the following when they relate to agricultural activity:**
 - (a) **Biological assets, except for bearer plants; and**
 - (b) **Agricultural produce at the point of harvest.**
3. This Standard does not apply to:
 - (a) Land related to agricultural activity (see IPSAS 16, *Investment Property* and IPSAS 17, *Property, Plant, and Equipment*);
 - (b) Bearer plants related to agricultural activity (see IPSAS 17). However, this Standard applies to the produce on those bearer plants.
 - ~~(b)~~(c) Intangible assets related to agricultural activity (see IPSAS 31, *Intangible Assets*); and
 - ~~(c)~~(d) Biological assets held for the provision or supply of services.
5. This Standard is applied to agricultural produce, which is the harvested ~~product~~ produce of the entity's biological assets, ~~only~~ at the point of harvest. Thereafter, IPSAS 12, or another applicable Standard, is applied. Accordingly, this Standard does not deal with the processing of agricultural produce after harvest; for example, the processing of grapes into wine by a vintner who has grown the grapes. While such processing may be a logical and natural extension of agricultural activity, and the events taking place may bear some similarity to biological transformation, such processing is not included within the definition of agricultural activity in this Standard.
6. The table below provides examples of biological assets, agricultural produce, and products that are the result of processing after harvest:

Biological assets	Agricultural produce	Products that are the result of processing after harvest
Sheep	Wool	Yarn, carpet
Trees in a <u>timber plantation forest</u>	Felled trees	Logs, lumber
<u>Plants</u>	<u>Cotton</u>	<u>Thread, clothing</u>
	<u>Harvested cane</u>	<u>Sugar</u>
Dairy cattle	Milk	Cheese
Pigs	Carcass	Sausages, cured hams
<u>Cotton plants</u>	<u>Harvested cotton</u>	<u>Thread, clothing</u>
<u>Sugarcane</u>	<u>Harvested cane</u>	<u>Sugar</u>
<u>Tobacco plants</u> Bushes	<u>Picked leaves</u> Leaf	<u>Tea, e</u> C ured tobacco
<u>Tea bushes</u>	<u>Picked leaves</u>	<u>Tea</u>
<u>Grape V</u> v ines	<u>Picked G</u> G rapes	Wine
Fruit trees	Picked fruit	Processed fruit
<u>Oil Palms</u>	<u>Picked fruit</u>	<u>Palm Oil</u>
<u>Rubber trees</u>	<u>Harvested latex</u>	<u>Rubber products</u>
<u>Some plants, for example, tea bushes, grape vines, oil palms and rubber trees, usually meet the definition of a bearer plant and are within the scope of IPSAS 17. However, the produce growing on bearer plants, for example, tea leaves, grapes, oil palm fruit and latex, is within the scope of IPSAS 27.</u>		

Definitions

Agriculture-related Definitions

9. The following terms are used in this Standard with the meanings specified:

...

Agricultural produce is the harvested ~~product~~ produce of the entity's biological assets.

A bearer plant is a living plant that:

- (a) Is used in the production and supply of agricultural produce;
- (b) Is expected to bear produce for more than one period; and
- (c) Has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

...

9A. The following are not bearer plants:

- (a) Plants cultivated to be harvested as agricultural produce (for example, trees grown for use as lumber);

- (b) Plants cultivated to produce agricultural produce when there is more than a remote likelihood that the entity will also harvest and sell the plant as agricultural produce, other than as incidental scrap sales (for example, trees that are cultivated for their fruit and their lumber); and
- (c) Annual crops (for example, maize and wheat).
- 9B. When bearer plants are no longer used to bear produce they might be cut down and sold as scrap, for example, for use as firewood. Such incidental scrap sales would not prevent the plant from satisfying the definition of a bearer plant.
- 9C. Produce growing on bearer plants is a biological asset.

...

Recognition and Measurement

...

- 28. Cost may sometimes approximate fair value, particularly when:
 - (a) Little biological transformation has taken place since initial cost incurrence (for example, for ~~fruit tree~~ seedlings planted immediately prior to reporting date or newly acquired livestock); or
 - (b) The impact of the biological transformation on price is not expected to be material (for example, for the initial growth in a 30-year pine plantation production cycle).

Disclosure

General

...

- 40. Consumable biological assets are those that are held for harvest as agricultural produce or for sale or distribution at no charge or for a nominal charge as biological assets. Examples of consumable biological assets are animals and plants for one-time use, such as livestock intended for the production of meat, livestock held for sale, fish in farms, crops such as maize and wheat, produce on a bearer plant and trees being grown for lumber. Bearer biological assets are those biological assets that are used repeatedly or continuously for more than one year in an agricultural activity. Bearer biological assets are not agricultural produce but, rather, are held to bear produce self-regenerating. Examples of types of animals that are bearer biological assets include breeding stocks (including fish and poultry), livestock from which milk is produced, and sheep or other animals used for wool production. Examples of types of plants that are bearer biological assets include trees from which fruit is harvested, vines and shrubs cultivated for the harvest of fruits, nuts, sap, resin, bark and leaf products ~~and trees from which firewood is harvested while the tree remains~~.

Effective Date

...

- 56C. Paragraphs 2, 3, 5, 6, 9, 28 and 40 were amended and paragraphs 9A, 9B and 9C added by Improvements to IPSASs 2015 issued in Month 2016. An entity shall apply those amendments for annual periods beginning on or after MM-DD, YYYYJanuary 1, 2016. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that

fact. An entity shall apply those amendments retrospectively, in accordance with IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors.

56D. In the reporting period when the amendments to IPSAS 17 and IPSAS 27 from part IV of Improvements to IPSASs 2015 is first applied an entity need not disclose the quantitative information required by paragraph 33(f) of IPSAS 3 for the current period. However, an entity shall present the quantitative information required by paragraph 33(f) of IPSAS 3 for each prior period presented.

Revision of IPSAS 27 as a result of IASB's *Narrow Scope Amendments* issued in June 2014

BC16. The IPSASB reviewed the revisions to IAS 41 included in the narrow scope amendments titled *Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 41) issued by the IASB in June 2014 and generally concurred that there was no public sector specific reason for not adopting the amendments.

Amendments to Other IPSASs

The following amendments to IPSAS 13, IPSAS 16 and IPSAS 26 are as a result of the amendments proposed to IPSAS 27.

IPSAS 13, *Leases*

Paragraph 2 is amended as follows:

Scope

2. ...

However, this Standard shall not be applied as the basis of measurement for:

- (a) ...
- (c) Biological assets within the scope of IPSAS 27, *Agriculture* held by lessees under finance leases (~~see IPSAS 27, *Agriculture*~~); or
- (d) Biological assets within the scope of IPSAS 27 provided by lessors under operating leases (~~see IPSAS 27~~).

IPSAS 16, *Investment Property*

Paragraph 6 is amended as follows:

Scope

...

6. This Standard does not apply to:
- (a) Biological assets related to agricultural activity (see IPSAS 27, *Agriculture* and IPSAS 17, *Property, Plant, and Equipment*); and
 - (b) ...

IPSAS 26, *Impairment of Cash-Generating Assets*

Paragraph 2 is amended as follows:

Scope

2. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for the impairment of cash-generating assets, except for:

(a) ...

(j) Biological assets related to agricultural activity within the scope of IPSAS 27, *Agriculture* that are measured at fair value less costs to sell (~~see IPSAS 27, *Agriculture*~~);

...

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ISBN: _____

**STAFF SUMMARY OF RESPONSES TO EXPOSURE DRAFT
ED 58 IMPROVEMENTS TO IPSASS 2015**

Note: This paper includes extracts from each response received to the ED, which have been grouped to identify respondents' views on the ED as well as the key issues identified by staff. In some cases, an extract may not do justice to the full response. This analysis should therefore be read in conjunction with the submissions themselves.

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List of Respondents

Response #	Respondent Name	Country	Function
01	Conseil de Normalisation des Comptes Publics (CNOCP)	France	Standard Setter/Standards Advisory Body
02	New Zealand Accounting Standards Board	New Zealand	Standard Setter/Standards Advisory Body
03	KPMG	International	Accountancy Firm
04	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	Switzerland	Standard Setter/Standards Advisory Body
05	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)	Australia	Preparer
06	ICAEW	UK	Member or Regional Body
07	Public Sector Accounting Board (PSAB, from staff)	Canada	Standard Setter/Standards Advisory Body
08	ICGFM	USA	Other
09	Chartered Institute of Public Finance and Accountancy (CIPFA)	UK	Member or Regional Body
10	Denise Silva Ferreira Juvenal	Brazil	Other
11	Secretariat of the Accounting Standards Board	South Africa	Standard Setter/Standards Advisory Body
12	New Zealand Treasury	New Zealand	Preparer

General Comments on the ED

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
01	<p>We are of the view that <i>Improvements to IPSASs</i> are an efficient and effective means of maintaining a high quality set of standards. In terms of process, we commend the IPSASB for presenting the proposed changes using four categories (consequential amendments from the Conceptual Framework for consistency purposes, improvements arising from comments received from stakeholders, Government finance statistics improvements and IASB improvements to IPSASs): the sources of the changes are therefore well identified. Accordingly, the proposed improvements can be followed through easily.</p> <p>We agree on all the changes proposed in the ED and we do not intend to respond in more details.</p>	
02	<p>We are particularly pleased with:</p> <ul style="list-style-type: none"> (a) the IPSASB's prompt response in addressing what constitutes a class of assets in IPSAS 32 <i>Service Concession Arrangements: Grantor</i>, as this was an issue that was raised by [our] constituents; (b) the proposed amendments to IPSAS 17 <i>Property, Plant and Equipment</i> and IPSAS 27 <i>Agriculture</i> to incorporate the IASB's recent amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i> into the equivalent IPSASs; and (c) the improvements to International Public Sector Accounting Standards (IPSASs) to take into account amendments for consistency with the <i>Conceptual Framework for Financial Reporting in the Public Sector</i>. <p>However, we disagree with:</p> <ul style="list-style-type: none"> (a) the proposal to remove the references to the international or national accounting standard dealing with non-current assets held for sale and discontinued operations; and (b) one aspect of the proposed transition requirements for the amendments to IPSAS 32 <i>Service Concession Arrangements: Grantor</i>. 	<p>Staff comments on the areas of disagreement are provided in relevant section of the detailed responses below.</p>
03	<p>Overall, we are supportive of the IPSASB's proposed improvements to IPSASs. Minor issues were however identified in some of the Parts. These issues, along with our proposals, are reflected in the responses for comment.</p>	
04	<p><i>No general comments identified.</i></p>	

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
05	<p>[Respondent 5] commends the IPSASB's efforts in reviewing and updating IPSASs to improve the broad application of IPSASs, and is generally supportive of the proposed changes in Parts I to IV of ED 58. However, [Respondent 5] believes certain of the proposed amendments are more significant than what would usually be effected through an annual improvement process.</p> <p>As the IASB is in the process of revising its <i>Conceptual Framework</i>, the IPSASB will need to review the implications for its own <i>Conceptual Framework</i> (in line with the IPSASB's policy). Any further implications for individual IPSAS (arising from further revisions of the IPSASB's <i>Conceptual Framework</i>) will then also need to be progressed for constituent feedback. Having said that, [Respondent 5] notes that under the IPSASB's policy document "Process for Reviewing and Modifying IASB Documents", the IPSASB adopts IFRS without modification where this is possible.</p>	<p>Staff comments on the areas of disagreement are provided in relevant section of the detailed responses below.</p>
06	<p>We have reviewed the proposed amendments to the IPSASs in part I, II, III and IV of the exposure draft (ED). While we agree with the draft amendments in part II-2, III and IV, we have some reservations about parts I and II-1. Our detailed comments are set out below.</p>	<p>Staff comments on the areas of disagreement are provided in relevant section of the detailed responses below.</p>
07	<p>Overall, [Respondent 7] is in support of the proposals in the Exposure Draft (ED).</p>	
08	<p>These are mainly technical changes consequent on other IPSAS revisions. We are particularly supportive to note the move, in Parts III and IV, to bring definitions into line with those used by GFS and IASB.</p>	
09	<p>[Respondent 9] supports all of the proposed amendments and improvements. Comments on the exposure drafts are provided in the attached annex.</p>	
10	<p>I agree with this Exposure Draft and I consider extremely importance these modifications in the Conceptual Framework, as, I understand that are serious issues for this moment, so, I suggest for the Board's if agrees, that observes the results of Agenda Consultation and <i>Conceptual Framework</i> of IASB's in relation the new topics of research that can improve this Conceptual Framework of IPSASB by IFAC to matters correlate.</p>	
11	<p>We support the periodic revision of the IPSASs, and also commend the IPSASB for extending the scope of the improvements identified in 2015.</p>	

Staff Summary of Responses to Exposure Draft 58
IPSASB Meeting (March 2016)

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	Our general comments on the amendments proposed to various IPSASs are set out in Annexure A to this letter.	
12	We commend the IPSASB issuing a single exposure draft that combines a number of minor improvements and clarifications with the view of improving the application of IPSASs. We are also generally supportive of all the amendments in ED 58.	Staff comments on the areas of disagreement are provided in relevant section of the detailed responses below.

Part I Amendment 1

Consequential amendments related to Chapters 1–4 of the Conceptual Framework for Financial Reporting in the Public Sector. These relate to the Qualitative Characteristics, accounting policies and the hierarchy of sources used in the selection and application of accounting policies.

Summary of Responses to Specific Matter for Comment

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
A – AGREE	01, 02, 03, 04, 05, 09, 10, 11, 12	9
B – PARTIALLY AGREE	06, 07	2
C – DISAGREE		0
SUB-TOTAL OF THOSE PROVIDING COMMENTS		11
D – DID NOT COMMENT	08	1
TOTAL RESPONDENTS		12

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
01	A	We agree on all the changes proposed in the ED and we do not intend to respond in more details.	
02	A	[From General Comments:] We are particularly pleased with: ... (c) the improvements to International Public Sector Accounting Standards (IPSASs) to take into account amendments for consistency with the <i>Conceptual Framework for Financial Reporting in the Public Sector</i> .	
03	A	We agree with the proposed changes. We also noticed inconsistencies in the Exposure Draft. These are highlighted below:	Staff acknowledges these

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<ol style="list-style-type: none"> 1. Inconsistencies in the amendments to wording in IPSAS 3.13 “financial statements provide information that meets a number of the qualitative characteristics” (Page 13) AND IPSAS 24.26 “financial statements to provide information that meets a number of qualitative characteristics” (Page 22). 2. IPSAS 3.15 is inconsistent with IPSAS 3.12 and .14 in the use of “management” and “preparers”. Management makes judgment in developing and applying accounting policies and thus “management” should also consider the requirements of .15 (Page 13). 	<p>inconsistencies. IPSAS 24.26 directly refers to IPSAS 3.13, so the wording should be the same. Amended in Agenda Item 3.2. The reference to “preparers” in paragraph 3.15 of IPSAS 3 should be to “management” in accordance with decisions at the September 2015 meeting</p>
04	A	[Respondent 4] notes that the proposed amendments to standards 1 <i>Presentation of Financial Statements</i> , 3 <i>Accounting Policies. Changes in Accounting Estimates and Errors</i> , 16 <i>Investment Property</i> , 18 <i>Segment Reporting</i> , 20 <i>Related Party Disclosures</i> , 22 <i>Disclosures about the General Government Sector</i> , 24 <i>Presentation of Budget Information in Financial Statements</i> , 29 <i>Financial Instruments: Recognition and Measurement</i> and 30 <i>Financial Instruments: Disclosure</i> are consistent with the Conceptual Framework. Therefore [Respondent 4] considers these amendments appropriate and supports them.	
05	A	[Respondent 5] is generally supportive of the various proposed amendments to Chapters 1-4 of the <i>Conceptual Framework</i> . [Respondent 5] supports the use of “faithful representation” as a qualitative characteristic, rather than “reliability”, in individual IPSASs. [Respondent 5] notes this is consistent with the qualitative characteristics adopted in the draft IASB <i>Conceptual Framework</i> .	

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
06	B	<p>We agree in principle with the need to update the standards to reflect the provisions of the <i>Conceptual Framework</i> (CF) and to align the terminology of the standards with the framework.</p> <p>The CF issued by IPSASB in October 2014 has replaced reliability with faithful representation as one of the qualitative characteristics. Previously, reliability included prudence as a sub-category. Faithful representation in the current CF is defined as being attained when the depiction of the phenomenon is complete, neutral and free from material error. The ED states (p15, BC12) that prudence is reflected in the explanation of neutrality as a component of faithful representation, and in the acknowledgement of the need to exercise caution in dealing with uncertainty. In finalising IASB's update to their CF (for [our] response to IASB's exposure draft on '<i>Conceptual Framework for Financial Reporting</i>' follow this link), there is a strong possibility that the concept of prudence will be re-inserted alongside neutrality. We assume that IPSASB will take these developments into consideration when updating the standards.</p>	See paragraph 14 of Agenda Item 3.1a
07	B	<p>Overall Comment</p> <p>In reviewing this part of the ED, it was noticed that in most cases only two qualitative characteristics are noted, relevance and faithful representation. IPSASB should consider the context of where the original wording came from. If the original wording is due to IASB convergence, it is important to note that the IASB considers relevance and faithful representation as “fundamental” qualitative characteristics. However, IPSASB does not have a similar hierarchy for the qualitative characteristics. As a result, IPSASB may want to consider whether there should also be mention of the other qualitative characteristics as noted in revised IPSAS 3 paragraph 12 which states:</p> <p style="padding-left: 40px;">“In the absence of an IPSAS that specifically applies to a transaction, other event, or condition, preparers shall use their judgment in developing and applying an accounting policy that results in information that is relevant to the accountability and decision-making needs of users, represents faithfully the financial position, financial performance, and cash flows of the entity, meets the other qualitative characteristics and takes account of the constraints on information included in general purpose financial reports.”</p> <p>For example, paragraph 44 or IPSAS 1 could be rewritten as follows:</p> <p style="padding-left: 40px;">“An entity changes the presentation of its financial statements only if the changed presentation provides information that is faithfully representative, is more relevant to users, meets the other</p>	See paragraphs 5–7 of Agenda Item 3.1a

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>qualitative characteristics and takes account of the constraints on information, and the revised structure is likely to continue, so that comparability is not impaired. When making such changes in presentation, an entity reclassifies its comparative information in accordance with paragraphs 55 and 56.”</p> <p>Other paragraphs to consider include the following:</p> <ul style="list-style-type: none"> • IPSAS 1 – 70, 73, 74, 109, 116; • IPSAS 20 – 27(c), 32; • IPSAS 30 – AG7. <p>Amendments to IPSAS 1, Presentation of Financial Statements</p> <p>Paragraph BC 15 discusses the Board’s conclusion not to make changes to the recognition criteria in advance of a more general review. However, based on a review of the amendments made to IPSAS 1, there does not appear to be any amendments pertaining to this. As a result, it is suggested that this paragraph be removed to help avoid any confusions that may arise with retaining it.</p> <p>Amendments to IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors</p> <p>It was noted that the Basis for Conclusions explains the amendments in all the bold paragraphs except for paragraph 14. To be consistent with the other amendments proposed, an explanation for the amendments to paragraph 14 should be provided.</p> <p>Amendments to IPSAS 18, Segment Reporting</p> <p>In this IPSAS, a discussion of the Qualitative Characteristics which covered just over two pages was deleted. Although the explanation for the removal appears in “Basis for Conclusions” for IPSAS 1, it may be worthwhile to repeat the explanation for the deletion in the Basis for Conclusions for this IPSAS as they are two separate IPSASs.</p>	<p>See paragraph 11 of Agenda Item 3.1a</p> <p>See paragraph 13 of Agenda Item 3.1a</p> <p>The summary of the previous QCs and constraints on relevant and reliable information in IPSAS 18 is Implementation Guidance and</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
			therefore non-authoritative. Staff does not think that it is appropriate to include a Basis for Conclusions paragraph in IPSAS 18. There is a reference to the deletion of the Implementation Guidance in IPSAS 18 in paragraph BC15 of IPSAS 18
08	D	<i>No comments identified.</i>	
09	A	[Respondent 9] agrees with the main amendments made to align IPSAS terminology with the conceptual framework.	
10	A	[From General Comments:] I agree with this Exposure Draft and I consider extremely importance these modifications in the <i>Conceptual Framework</i> , as, I understand that are serious issues for this moment, so, I suggest for the Board's if agrees, that observes the results of Agenda Consultation and <i>Conceptual Framework</i> of IASB's in relation the new topics of research that can improve this Conceptual Framework of IPSASB by IFAC to matters correlate.	See paragraph 14 of Agenda Item 3.1a
11	A	We agree with all the proposed improvements in Parts I...	
12	A	[Respondent 12] supports the IPSASB's limited scope project to make changes to IPSASs to reflect the first four chapters of the Conceptual Framework (covering role and authority; objectives and users; qualitative characteristics; and constraints on information in general purpose financial reports; and the reporting entity).	

Part I Amendment 2

The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities was published in October 2014. Chapter 3 addresses the qualitative characteristics of information and constraints on information in general purpose financial reports. The Conceptual Framework adopted “faithful representation” as a qualitative characteristic, rather than “reliability”. The IPSASB decided not to make piecemeal changes to recognition criteria and guidance on measurement before considering changes to IPSASs arising from Chapter 5, Elements and Chapter 6, Recognition of the Conceptual Framework. Therefore an explanation of the term “reliability” will be included in a footnote on the first usage of “reliably” or “reliable” in IPSASs containing requirements on recognition.

Summary of Responses to Specific Matter for Comment

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
A – AGREE	01, 02, 03, 09, 10, 11, 12	7
B – PARTIALLY AGREE	05, 06, 07	3
C – DISAGREE		0
SUB-TOTAL OF THOSE PROVIDING COMMENTS		10
D – DID NOT COMMENT	04, 08	2
TOTAL RESPONDENTS		12

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
01	A	We agree on all the changes proposed in the ED and we do not intend to respond in more details.	
02	A	[From General Comments:] We are particularly pleased with: ...	

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		(c) the improvements to International Public Sector Accounting Standards (IPSASs) to take into account amendments for consistency with the Conceptual Framework for Financial Reporting in the Public Sector.	
03	A	We agree with the proposed changes.	
04	D	<i>No comments identified.</i>	
05	B	<p>[Respondent 5] is generally supportive of the various proposed amendments to Chapters 1-4 of the <i>Conceptual Framework</i>....</p> <p>Regarding other references to “reliability” in individual IPSASs, [Respondent 5] questions the appropriateness of including a footnote explaining the meaning of “reliability” in each affected IPSAS. Instead, [Respondent 5] prefers the explanation of “reliability” be in a central location (i.e. in the <i>Conceptual Framework</i> or a Glossary of Defined Terms), subject to a broader review of the concept of “reliability” and implications for other chapters of the Conceptual Framework (e.g. recognition and/or measurement).</p>	See paragraphs 8–10 of Agenda Item 3.1a
06	B	<p>We agree in principle with the need to update the standards to reflect the provisions of the <i>Conceptual Framework</i> (CF) and to align the terminology of the standards with the framework.</p> <p>The CF issued by IPSASB in October 2014 has replaced reliability with faithful representation as one of the qualitative characteristics. Previously, reliability included prudence as a sub-category. Faithful representation in the current CF is defined as being attained when the depiction of the phenomenon is complete, neutral and free from material error. The ED states (p15, BC12) that prudence is reflected in the explanation of neutrality as a component of faithful representation, and in the acknowledgement of the need to exercise caution in dealing with uncertainty. In finalising IASB’s update to their CF (for [our] response to IASB’s exposure draft on ‘<i>Conceptual Framework for Financial Reporting</i>’ follow this link), there is a strong possibility that the concept of prudence will be re-inserted alongside neutrality. We assume that IPSASB will take these developments into consideration when updating the standards.</p>	
07	B	It was noted that the explanation for the amendment (i.e. the footnote) does not appear in any of the affected IPSASs. The explanation of the amendment only appears in the Basis for Conclusion for IPSAS 1 (paragraph BC15). As each IPSAS is a stand-alone standard, it is suggested that the paragraph that appears in IPSAS 1 (paragraph BC 15) be replicated in all the affected IPSASs.	See paragraph 11 of Agenda Item 3.1a
08	D	<i>No comments identified.</i>	

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
09	A	[Respondent 9] agrees that in the specific context of recognition and measurement, it is more difficult to reframe the material currently articulated in terms of reliability. We also agree with BC15 which explains that a piecemeal approach would not be beneficial in advance of a fuller review of recognition criteria and related guidance. We therefore agree with the drafting approach proposed.	
10	A	[From General Comments:] I agree with this Exposure Draft and I consider extremely importance these modifications in the <i>Conceptual Framework</i> , as, I understand that are serious issues for this moment, so, I suggest for the Board's if agrees, that observes the results of Agenda Consultation and <i>Conceptual Framework</i> of IASB's in relation the new topics of research that can improve this Conceptual Framework of IPSASB by IFAC to matters correlate.	
11	A	We agree with all the proposed improvements in Parts I...	
12	A	[Respondent 12] supports the IPSASB's limited scope project to make changes to IPSASs to reflect the first four chapters of the <i>Conceptual Framework</i> (covering role and authority; objectives and users; qualitative characteristics; and constraints on information in general purpose financial reports; and the reporting entity). In particular, we agree that it is not appropriate to make piecemeal changes to recognition criteria, which includes the words "reliably" or "reliable", in advance of a fuller review of recognition criteria and related guidance. However, we agree that it is helpful that a footnote explaining the meaning of reliability from the <i>Conceptual Framework</i> is added in each IPSAS with recognition criteria or related guidance on aspects of measurement.	

Part II Amendment 1

Amendments to remove references to the relevant international or national accounting standard dealing with non-current assets held for sale and discontinued operations.

Summary of Responses to Specific Matter for Comment

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
A – AGREE	01, 03, 04, 07, 09, 10,11	7
B – PARTIALLY AGREE		0
C – DISAGREE	02, 05, 06, 12	4
SUB-TOTAL OF THOSE PROVIDING COMMENTS		11
D – DID NOT COMMENT	08	1
TOTAL RESPONDENTS		12

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
01	A	We agree on all the changes proposed in the ED and we do not intend to respond in more details.	
02	C	<p>We disagree with the proposal to remove from IPSASs references to the international or national accounting standard dealing with discontinued operations or non-current assets held for sale.</p> <p>We are of the view that IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> provides appropriate guidance for public sector entities to measure and disclose non-current assets held for sale and discontinued operations. IFRS 5 forms part of [the local standards] that are applied by public sector entities and not-for-profit entities.</p> <p>We note the reasons for proposing to remove references to the international or national accounting standard dealing with discontinued operations or non-current assets held for sale.</p>	<p>Staff notes these comments.</p> <p>Staff considers that, while IFRS 5 may include appropriate guidance for cash-generating assets</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>We acknowledge that the sale of non-current assets in the public sector may not be completed within one year. However, paragraph 7 of IFRS 5 requires the asset to be "...available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets ..." (emphasis added). Therefore, IFRS 5 is focused on an entity's intention and commitment to sell an asset. We are of the view that the words 'usual and customary' would cover the situation in the public sector where sales of assets take more than one year because of requirements applying to asset sales in the public sector that may take some time to complete. In addition, paragraph 9 of IFRS 5 notes that events or circumstances beyond the entity's control may extend the period to complete a sale beyond one year.</p> <p>We also acknowledge that many of the non-current assets in the public sector that are disposed of are not sold, and many discontinued operations are not cash-generating units. However, there are instances where public sector entities sell non-current assets, or discontinue cash-generating operations. We are of the view that the guidance in IFRS 5 is appropriate for those instances. In addition, IFRS 5 also covers situations where assets are to be distributed to owners and therefore can be applied to situations in which a government entity transfers assets through a distribution for no consideration.</p> <p>Therefore, we recommend that the IPSASB does not proceed with the proposed amendment to remove from IPSASs the references to the relevant international or national accounting standard dealing with discontinued operations or non-current assets held for sale.</p>	<p>disposed of in an exchange transaction, the guidance is less relevant for other assets.</p> <p>Regarding a sale extending beyond one year, IFRS envisages this being an exception circumstance.</p> <p>Staff does not consider that the distribution of an asset at no cost is analogous to a distribution to owners.</p>
03	A	<p>We agree with the proposed changes <i>except for the following</i>:</p> <p>Part II-1b IPSAS 19.6: Guidance on information to be disclosed for discontinued operations to be provided since reference to IFRS 5 has been removed. This paragraph is vague as to what will be useful to disclose to the users of the financial statements.</p>	<p>Staff considers that this paragraph was intended to be principles based rather than setting specific requirements, as the information that would be useful</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
			will depend on circumstances.
04	A	[Respondent 4] notes that the proposed amendments to the standards 14 <i>Events after the Reporting Date</i> , 19 <i>Provisions, Contingent Liabilities and Contingent Assets</i> , 26 <i>Impairment of Cash-Generating Assets</i> , 27 <i>Agriculture</i> , 31 <i>Intangible Assets</i> ... are only minor changes. These changes do not affect at all the meaning of the existing requirements. These amendments are also consistent with the [our] public entities existing practices. Therefore [Respondent 4] considers the proposal appropriate and supports it.	
05	C	<p>The proposed Basis for Conclusions (refer to paragraph BC8) asserts that IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> may not be appropriate for the public sector in all circumstances. [Respondent 5] considers that insufficient conceptual justification is provided for that view. Based on [our] experience (where public sector entities are effectively required to comply with IFRS 5), the scope and criteria in IFRS 5 can be applied by public sector entities. Therefore, [Respondent 5] strongly recommends that the IPSASB retain the cross-reference to IFRS 5 (or equivalent national accounting standard). [Respondent 5] also urges the IPSASB to undertake an assessment of broader consequences of its proposal.</p> <p>For those reasons, [Respondent 5] considers these particular proposals to have potentially greater consequences than would usually be expected in an annual improvement process. [Respondent 5] understands the annual improvement process is intended to be restricted to clarifications and minor amendments. More significant proposals should be subject to a separate consultation process that allows more time for stakeholders to identify and assess the accounting/reporting consequences.</p>	<p>Staff considers that paragraph BC 8 provides sufficient justification for the approach. Additional conceptual reasons may emerge from the Measurement project.</p> <p>Staff notes the comment about the scale of the consequences.</p>
06	C	The ED proposes to remove references to IFRS 5, <i>Non-Current Assets Held for Sale and Discontinued Operations</i> since IPSASB took the view that this standard was not appropriate for the public sector, for various reasons. We are not convinced by the arguments put forward in support of this in the ED, as there are numerous examples of public sector entities having non-current assets held for sale and indeed major disposal programmes are often carried out. Examples in [our jurisdiction] include the Ministry of Defence and Department of Health, which have assets held for sale in their 2014-15 accounts [for significant amounts]. [Other countries']	Staff considers that, while IFRS 5 may include appropriate guidance for cash-generating assets

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>whole of government accounts make reference to assets held for sale too, albeit without providing a specific disclosure note.</p> <p>We therefore believe it entirely feasible that many governments have both non-current assets held for sale and discontinued operations. We appreciate that in many cases, operations move from one government body to another without ever being properly discontinued. But there will be cases where there is a genuine discontinuation of a service.</p> <p>Given that disposals and discontinuances of services do occur in practice, there is a risk of removing references to IFRS 5 in that preparers will be able to choose to follow other standards (as per IPSAS 3, paragraph 15), resulting in a non-uniform accounting treatment of non-current assets held for sale and discontinued operations, which in turn will reduce comparability. Therefore, rather than removing all references to IFRS 5, we believe that preparers of financial statements using IPSASs would be better served by IPSASB tailoring IFRS 5 for the public sector.</p>	<p>disposed of in an exchange transaction, the guidance is less relevant for other assets.</p> <p>Staff acknowledges that tailoring IFRS 5 for the public sector would be an option, but notes that the IPSASB has so far chosen not to go down this route.</p>
07	A	<p>[From General Comments:]</p> <p>Overall, [Respondent 7] is in support of the proposals in the Exposure Draft (ED).</p>	
08	D	<i>No comments identified.</i>	
09	A	[Respondent 9] agrees with the proposed amendments.	
10	A	<p>[From General Comments:]</p> <p>I agree with this Exposure Draft....</p>	
11	A	We agree with all the proposed improvements in Parts ... II ...	
12	C	[Respondent 12] understands why the IPSASB proposes removing reference to “the relevant international or national accounting standard with non-current assets held for sale and discontinued operations” in the relevant	Staff considers that, while IFRS 5 may include appropriate

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>four IPSASs because IPSAS 3 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> covers the judgments that are to be used to develop an accounting policy in the absence of an IPSAS standard.</p> <p>However we disagree with IPSASB's view expressed in the basis of conclusion that IFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>, is not appropriate for the public sector.</p> <p>An equivalent of IFRS 5 had been part of [our] suite of standards for public sector entities since 2004 and in our experience, the scope and criteria in IFRS 5 can be applied successfully by public sector entities. We believe there is a gap in the IPSASB literature in relation to this topic and encourage the IPSASB to consider developing guidance on this in the future.</p>	<p>guidance for cash-generating assets disposed of in an exchange transaction, the guidance is less relevant for other assets.</p> <p>Staff acknowledges that developing an IPSAS on this topic would be an option, but notes that the IPSASB has so far chosen not to go down this route.</p>

Part II Amendment 2

Amendments to clarify the inconsistency between IPSAS 32 and IPSAS 17, *Property, Plant, and Equipment*, over dissimilar assets being accounted for as a class of assets.

Summary of Responses to Specific Matter for Comment

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
A – AGREE	01, 03, 04, 05, 06, 07, 09, 10, 11, 12	10
B – PARTIALLY AGREE	02	1
C – DISAGREE		0
SUB-TOTAL OF THOSE PROVIDING COMMENTS		11
D – DID NOT COMMENT	08	1
TOTAL RESPONDENTS		12

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
01	A	We agree on all the changes proposed in the ED and we do not intend to respond in more details.	
02	B	<p>[From General Comments:]</p> <p>We are particularly pleased with:</p> <p>(a) the IPSASB's prompt response in addressing what constitutes a class of assets in IPSAS 32 <i>Service Concession Arrangements: Grantor</i>, as this was an issue that was raised by [our] constituents;</p> <p>...</p> <p>The transition requirements as proposed permit an entity to voluntarily change an accounting policy when the measurement basis (that is, cost or revaluation model) of the service concession assets reclassified is not the same as the measurement basis of the class of assets to which those service concession assets are reclassified</p>	Staff supports the inclusion of a reference to IPSAS 3 and has included these suggestions in the draft final pronouncement.

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>and the entity elects to change the measurement basis of that class of assets (see proposed paragraphs 35B(b)(ii) and (c)(ii)). However, no reference is made to the requirements in IPSAS 3 <i>Changes in Accounting Policies, Accounting Estimates and Errors</i> regarding changes in accounting policies.</p> <p>We recommend the following amendments to paragraphs 35B(b)(ii) and (c)(ii) to remind entities of the requirements in IPSAS 3:</p> <p>35B. Where service concessions assets are reclassified in accordance with paragraph 35A, an entity shall account for the service concession assets as follows:</p> <p>(a) ...</p> <p>(b) If the service concession assets have previously been measured using the cost model, and the class of assets to which those service concession assets have been reclassified is measured using the revaluation model, the entity shall either:</p> <p>(i) Revalue the service concessions assets; or</p> <p>(ii) <u>Subject to the requirements in IPSAS 3 dealing with changes in accounting policies, R</u>etroactively apply the cost model to the remaining assets in the class of asset to which those service concession assets have been reclassified.</p> <p>...</p> <p>(c) If the service concession assets have previously been measured using the revaluation model, and the class of assets to which those service concession assets have been reclassified is measured using the cost model, the entity shall either</p> <p>(i) Retrospectively apply the cost model to the service concession assets. ...</p> <p>(ii) <u>Subject to the requirements in IPSAS 3 dealing with changes in accounting policies, R</u>evalue the remaining assets in the class of assets to which those service concession assets have been reclassified.</p> <p>...</p>	
03	A	<p>We agree with the proposed changes.</p> <p>We also noticed inconsistencies in the Exposure Draft. These are highlighted below:</p> <p>...</p>	Staff considers the reference to service concession

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		3. IPSAS 32.32(c)(iii) should read “service concession assets arrangements recognized as assets” (Page 55).	assets is correct. However, the words “as assets” are superfluous and staff proposes their deletion.
04	A	[Respondent 4] notes that the proposed amendments to the standards ... 32 <i>Service Concession Arrangements</i> are only minor changes. These changes do not affect at all the meaning of the existing requirements. These amendments are also consistent with the [our] public entities existing practices. Therefore [Respondent 4] considers the proposal appropriate and supports it.	
05	A	[Respondent 5] considers paragraph 33 is confusing to follow in explaining the distinction between “arrangements”, “groups” and “classes”, so revision of the terminology in that paragraph is recommended.	Staff is proposing amended wording to avoid this confusion.
06	A	We agree with the proposed amendments to IPSAS 32.	
07	A	[From General Comments:] Overall, [Respondent 7] is in support of the proposals in the Exposure Draft (ED).	
08	D	<i>No comments identified.</i>	
09	A	[Respondent 9] agrees with the proposed amendments.	
10	A	[From General Comments:] I agree with this Exposure Draft ...	
11	A	We agree with all the proposed improvements in Parts ... II ...	
12	A	[Respondent 12] thanks the IPSASB for clarifying its intention in IPSAS 32 <i>Service Concession Arrangements</i> that service concession assets are to be classified in accordance with IPSAS 17 <i>Property Plant and Equipment</i> and IPSAS 31 <i>Intangible Assets</i> based on classes of assets that are similar in nature and function.	

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		[Respondent 12] supports the amendment and believes it will remove any inconsistency in relation to the classification of service concession assets between these three standards that has arisen in practice in [our jurisdiction].	

Part III Amendment 1

Amendments to replace the term “ammunition” with Government Finance Statistics term “military inventories” and include a description.

Summary of Responses to Specific Matter for Comment

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
A – AGREE	01, 03, 04, 06, 07, 08, 09, 10, 11, 12	10
B – PARTIALLY AGREE	05	1
C – DISAGREE		0
SUB-TOTAL OF THOSE PROVIDING COMMENTS		11
D – DID NOT COMMENT	02	1
TOTAL RESPONDENTS		12

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
01	A	We agree on all the changes proposed in the ED and we do not intend to respond in more details.	Supported
02	D	<i>No comments identified.</i>	
03	A	We agree with the proposed changes.	Supported

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
04	A	[Respondent 4] notes that the proposed amendments to the standards 12 <i>Inventories</i> ... are only minor changes. These changes do not affect at all the meaning of the existing requirements. Therefore [Respondent 4] considers the proposal appropriate and supports it.	Supported
05	B	In principle, [Respondent 5] supports the proposed amendments to IPSAS 12 ... to facilitate a closer alignment with the Government Finance Statistics (GFS) reporting guidelines. However, [Respondent 5] recommends the IPSASB instead use cross references, rather than paraphrasing the GFS definition (particularly to reduce maintenance effort in the future if/when GFS changes). The IPSASB's consultation paper in October 2012 tabulated the existing differences between IPSASs and GFS reporting guidelines and solicited comments to identify further differences. This was followed-up with a policy paper in February 2014 that set out a process for considering such differences. It proposed a 'Table of Differences' be maintained along with the resolution mechanism. [Respondent 5] believes that 'Table of Differences' should be updated (to reflect the progress made) and then published.	Staff notes that the IPSAS/GFS Tracking Table is posted at every meeting.
06	A	We agree with the proposed amendments to IPSAS 12.	Supported
07	A	[From General Comments:] Overall, [Respondent 7] is in support of the proposals in the Exposure Draft (ED).	Supported
08	B	On the assumption that ED56 becomes an IPSAS, we would advocate replacing the term 'Government Business Enterprise' with 'Public Corporation' (as defined in GFS) throughout the IPSAS. Furthermore, we would advocate the future adoption of all GFS terminology and definitions unless there is a strong reason to use some different term and/or definition, e.g. budgetary entities, extra-budgetary entities.	
09	A	[Respondent 9] agrees that the reframing of military assets terminology in line with the GFS terminology is helpful and provides clearer more informative reporting.	Supported
10	A	[From General Comments:] I agree with this Exposure Draft ...	Supported
11	A	We agree with all the proposed improvements in Parts ..., III ... except for the improvement proposed in Part III-2 below:	Supported

Staff Summary of Responses to Exposure Draft 58
IPSASB Meeting (March 2016)

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
12	A	[Respondent 12] generally supports alignment with GFS where appropriate.	Supported

Part III Amendment 2

Amendments to replace the term “specialist military equipment” with Government Finance Statistics term “weapons systems” and include a description.

Summary of Responses to Specific Matter for Comment

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
A – AGREE	01, 03, 04, 06, 07, 08, 09, 10	8
B – PARTIALLY AGREE	05, 11	2
C – DISAGREE	12	1
SUB-TOTAL OF THOSE PROVIDING COMMENTS		11
D – DID NOT COMMENT	02	1
TOTAL RESPONDENTS		12

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
01	A	We agree on all the changes proposed in the ED and we do not intend to respond in more details.	Supported
02	D	<i>No comments identified.</i>	
03	A	We agree with the proposed changes.	Supported
04	A	[Respondent 4] notes that the proposed amendments to the standards ... 17 <i>Property, Plant and Equipment</i> are only minor changes. These changes do not affect at all the meaning of the existing requirements. Therefore [Respondent 4] considers the proposal appropriate and supports it.	Supported
05	B	In principle, [Respondent 5] supports the proposed amendments to ... IPSAS 17 to facilitate a closer alignment with the Government Finance Statistics (GFS) reporting guidelines. However, [Respondent 5] recommends the	

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		<p>IPSASB instead use cross references, rather than paraphrasing the GFS definition (particularly to reduce maintenance effort in the future if/when GFS changes).</p> <p>The IPSASB's consultation paper in October 2012 tabulated the existing differences between IPSASs and GFS reporting guidelines and solicited comments to identify further differences. This was followed-up with a policy paper in February 2014 that set out a process for considering such differences. It proposed a 'Table of Differences' be maintained along with the resolution mechanism. [Respondent 5] believes that 'Table of Differences' should be updated (to reflect the progress made) and then published.</p>	
06	A	We agree with the proposed amendments to IPSAS 17.	Supported
07	A	<p>[From General Comments:]</p> <p>Overall, [Respondent 7] is in support of the proposals in the Exposure Draft (ED).</p>	Supported
08	B	On the assumption that ED56 becomes an IPSAS, we would advocate replacing the term 'Government Business Enterprise' with 'Public Corporation' (as defined in GFS) throughout the IPSAS. Furthermore, we would advocate the future adoption of all GFS terminology and definitions unless there is a strong reason to use some different term and/or definition, e.g. budgetary entities, extra-budgetary entities.	
09	A	[Respondent 9] agrees that the reframing of military assets terminology in line with the GFS terminology is helpful and provides clearer more informative reporting.	Supported
10	A	<p>[From General Comments:]</p> <p>I agree with this Exposure Draft ...</p>	Supported
11	B	<p>We agree with all the proposed improvements in Parts ..., III ... except for the improvement proposed in Part III-2 below:</p> <p>Reference: Part III-2, Paragraph 20</p> <p>Our stakeholders indicated that the inclusion of the last sentence to the description of weapon systems is likely to create confusion when differentiating between weapon systems and military inventories as it appears to suggest that certain items that meet the definition of military inventories may also be weapons systems.</p> <p>It is therefore suggested that the IPSASB removes the last sentence of paragraph 20.</p>	

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
12	C	[Respondent 12] generally supports alignment with GFS where appropriate. However, [Respondent 12] believes that the proposed definition of weapon systems is unnecessarily narrow and may exclude some assets that we would regard as useful information to readers of the financial statements. For example, military vehicles specially fitted for military purposes which transfer military personnel but do not carry weapons or directly provide defence capability but are part of the defence infrastructure, would potentially fall outside the weapons systems description and have to be captured in a more general category such as plant & equipment. While any delineation will be arbitrary, [Respondent 12] supports a wider definition of specialised military equipment that includes assets that are unique to, or specialised for, the defence force of a county, whether they carry weapons or not.	

Part IV

Amendments to define a bearer plant and include bearer plants within the scope of IPSAS 17. A bearer plant is defined as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agriculture produce, except for incidental scrap sales. Previously, bearer plants were not defined and bearer plants related to agriculture were included within the scope of IPSAS 27. Bearer plants meet the definition of property, plant, and equipment in IPSAS 17 and their operation is similar to that of manufacturing. Accordingly, the amendments require bearer plants to be included within the scope of IPSAS 17, instead of IPSAS 27. The produce growing on bearer plants will remain within the scope of IPSAS 27.

Summary of Responses to Specific Matter for Comment

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
A – AGREE	01, 02, 05, 06, 08, 09, 10, 11, 12	9
B – PARTIALLY AGREE	07	1
C – DISAGREE	03	1
SUB-TOTAL OF THOSE PROVIDING COMMENTS		11
D – DID NOT COMMENT	04	1
TOTAL RESPONDENTS		12

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
01	A	We agree on all the changes proposed in the ED and we do not intend to respond in more details.	Supported
02	A	[From General Comments:] We are particularly pleased with: ...	Supported

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		(b) the proposed amendments to IPSAS 17 <i>Property, Plant and Equipment</i> and IPSAS 27 <i>Agriculture</i> to incorporate the IASB's recent amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i> into the equivalent IPSASs; and ...	
03	C	<p>We agree with the proposed changes <i>except for the following</i>:</p> <p>Part IV-1a IPSAS 17: We acknowledge that the IPSASB intends to align its standards to those of the IASB. However, including "bearer plant" in the scope of IPSAS 17 defeats the point of having a separate standard for biological assets. Although "bearer plant" was not previously defined, it does not deter it from being a "living" thing and thus fall within the scope of IPSAS 27.</p> <p>Further, it is not ideal or feasible to include the supposed "bearer plants" in the table for biological assets under IPSAS 27 and to account for them on the cost model using IPSAS 17, a standard for non-living tangible items.</p> <p>We propose that an additional section be included in IPSAS 27 where measurement and recognition for "bearer plant" is discussed and guidance provided, rather than include it in IPSAS 17. Although "bearer plant" meets the definition of "property, plant and equipment", IPSAS 27 was created to account for such biological assets.</p> <p>Part IV-1a IPSAS 16.6: Following from the above, the proposed inclusion of the reference to IPSAS 17 should not be made.</p>	<p>Comment noted, issue to be raised for discussion with the IPSASB.</p> <p>Staff view is that the intention is to update for the changes introduced by the IASB. Other than this comment, strong support has been expressed for making the changes. No public sector reason has been raised that supports not introducing the IASB changes.</p>
04	D	<i>No comments identified.</i>	
05	A	[Respondent 5] concurs with the IPSASB's view in the Basis for Conclusions paragraphs that there is no public sector specific reason for not adopting the proposed narrow scope amendments to IPSAS 17 and IPSAS 27.	<p>Supported</p> <p>Staff notes that respondent</p>

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		Given the IASB also issues other amending standards on various subjects, many of which may also be relevant to IPSASs, [Respondent 5] recommends the IPSASB develop a robust and more efficient process for priority changes to IFRSs that need to be incorporated into IPSASs.	highlights importance of timely updates of IPSASs converged with IASB standards.
06	A	<p>We agree with the proposed amendments to IPSAS 17, 27, 13, 16 and 26, but have some minor drafting recommendations, set out below.</p> <p>IPSAS 13, paragraphs 2 (c) and (d) are no longer in the same style as paragraphs (a) and (b). We recommend IPSASB rewords 2 (c) and (d) as follows:</p> <p style="padding-left: 40px;">2 (c): Biological assets, except bearer plants, held by lessees under finance leases (see IPSAS 27, <i>Agriculture</i>)</p> <p style="padding-left: 40px;">2 (d): Biological assets, except bearer plants, provided by lessors under operating leases (see IPSAS 27, <i>Agriculture</i>)</p> <p>IPSAS 26, paragraph 2 (j) is no longer in the same style as the rest of that paragraph. We recommend IPSASB rewords 2 (j) as follows:</p> <p style="padding-left: 40px;">2 (j): Biological assets, except bearer plants, related to agricultural activity that are measured at fair value less costs to sell (see IPSAS 27, <i>Agriculture</i>)</p>	<p>Agreement noted with proposed edits included.</p> <p>Staff notes the drafting suggestion, however recommends making the changes consistent with those introduced by the IASB.</p>
07	B	<p>The second half of paragraph 107G states “An entity shall apply those amendments retrospectively, in accordance with IPSAS 3, ...except as specified in paragraph 107G.” However, the first half of the same paragraph indicates that “An entity shall apply those amendments prospectively...” As a result two questions arise:</p> <ol style="list-style-type: none"> 1. How should an entity apply the amendments, prospectively or retrospectively? 2. Should the paragraph be referencing itself? 	<p>Supported</p> <p>Staff notes that the reference should be 107I and has updated and the amendments should be applied retrospectively. Changes have been incorporated</p>

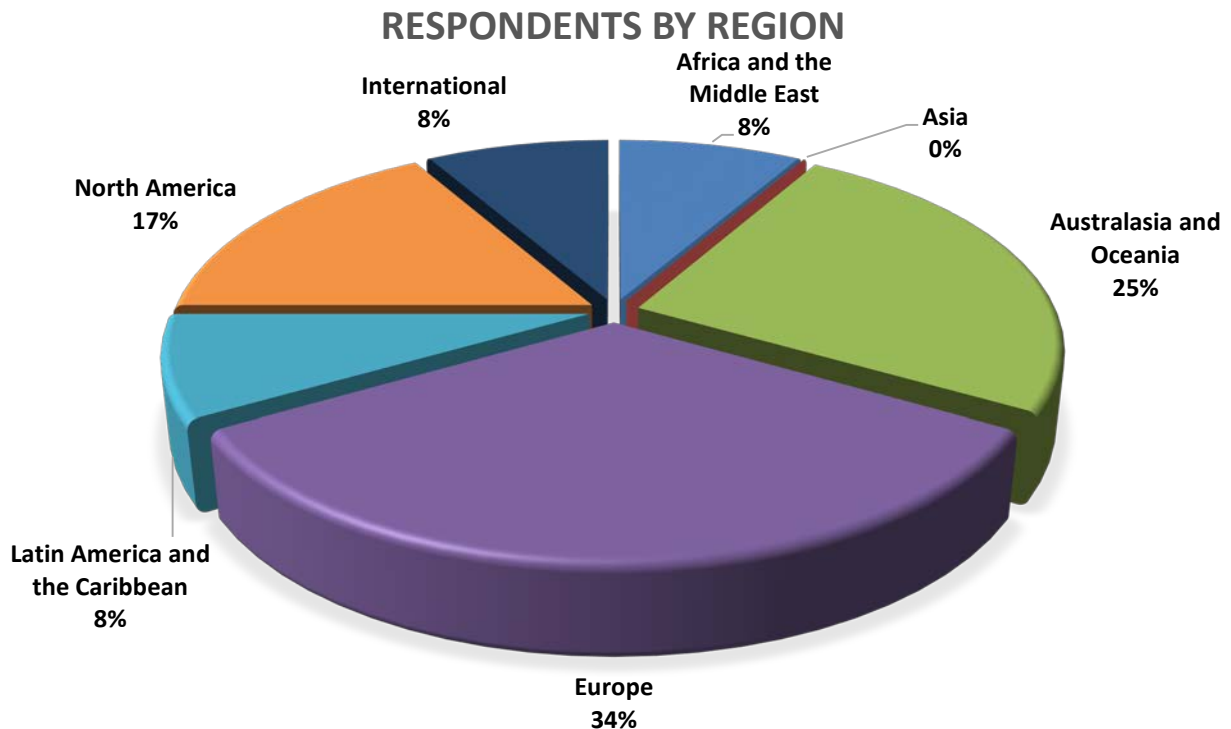
R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
			into the final draft pronouncement.
08	A	[From General Comments:] We are particularly supportive to note the move, in Part ... IV, to bring definitions into line with those used by ... IASB.	Supported
09	A	[Respondent 9] agrees with the proposed amendments. As observed by IASB when amending its directly related standards, the economic characteristics of 'bearer plants' are more similar to property, plant and equipment than those biological assets for which the agriculture standard was developed.	Supported
10	A	[From General Comments:] I agree with this Exposure Draft ...	Supported
11	A	We agree with all the proposed improvements in Parts ... IV ...	Supported
12	A	[Respondent 12] agrees with the IPSASB's amendments to define bearer plants and include bearer plants within the scope of IPSAS 17 <i>Plant, Property and Equipment</i> , while the produce growing on bearer plants will remain within the scope of IPSAS 27 <i>Agriculture</i> We concur with the IPSASB's view that there is no public sector specific reason for not adopting the IASB narrow scope amendments. [Respondent 12] commends the IPSASB's efforts to align the requirements with IASB standards where it is appropriate. The Financial Statements of [our] government consolidates both for-profit entities (who apply IFRS) and not-for-profit entities (who apply IPSAS). As a result there is a cost associated with restating the IFRS financial information to ensure it is IPSAS compliant. We therefore support any alignment between the two accounting frameworks where there is no public sector difference.	Supported. Staff notes that respondent highlights importance of timely updates of IPSASs converged with IASB standards.

IMPROVEMENTS TO IPSASS 2015

Analysis of Respondents by Region, Function, and Language

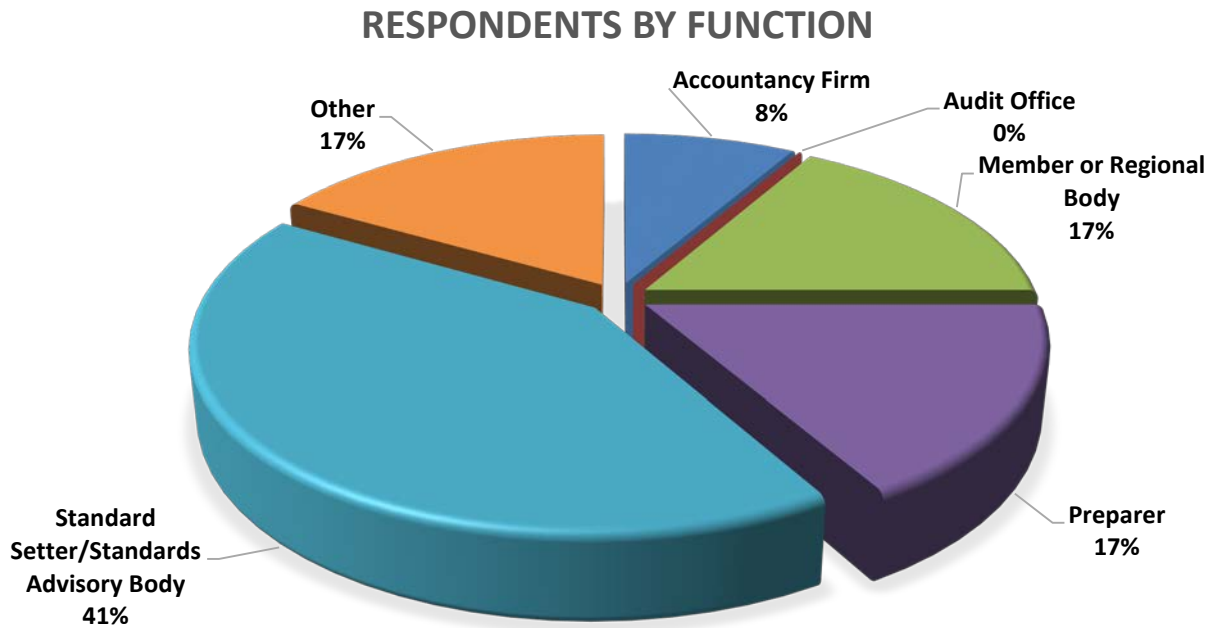
Geographic Breakdown

Region	Respondents	Total
Africa and the Middle East	11	1
Asia		0
Australasia and Oceania	02, 05, 12	3
Europe	01, 04, 06, 09	4
Latin America and the Caribbean	10	1
North America	07, 08	2
International	03	1
Total		12



Functional Breakdown

Function	Respondents	Total
Accountancy Firm	03	1
Audit Office		0
Member or Regional Body	06, 09	2
Preparer	05, 12	2
Standard Setter/Standards Advisory Body	01, 02, 04, 07, 11	5
Other	08, 10	2
Total		12



Linguistic Breakdown:

Language	Respondents	Total
English-Speaking	02, 05, 06, 08, 09, 12	6
Non-English Speaking	01, 04, 10	3
Combination of English and Other	03, 07, 11	3
Total		12

RESPONDENTS BY LANGUAGE

