

**Meeting:** International Public Sector Accounting  
Standards Board

**Meeting Location:** New York, USA

**Meeting Date:** March 8–11, 2016

## Agenda Item 9

For:

☒ Approval

☐ Discussion

☐ Information

### The Applicability of IPSASs

#### Objectives of Agenda Item

1. The objectives of this agenda item are:
  - (a) **Discuss** the responses to Exposure Draft (ED) 56, *The Applicability of IPSASs*;
  - (b) **Approve** the final pronouncement *The Applicability of IPSASs*; and
  - (c) **Approve** the *Amendments to Preface to International Public Sector Accounting Standards*.

#### Materials Presented

- Agenda Item 9.1 Issues Paper, *The Applicability of IPSASs*
- Agenda Item 9.2 Analysis of Responses to ED 56
- Agenda Item 9.3 List of Respondents and Analyses of Responses by Region, Country, and Language to ED 56
- Agenda Item 9.4 Draft Final Pronouncement, *The Applicability of IPSASs*
- Agenda Item 9.5 Draft *Amendments to Preface to International Public Sector Accounting Standards*

#### Action Requested

2. The IPSASB is asked to:
  - (a) **Discuss** the responses to ED 56, **review** the Issues Paper and **decide** how the Matters for Consideration identified in the Issues Paper should be addressed in the final pronouncement and in the *Amendments to Preface to International Public Sector Accounting Standards*;
  - (b) **Undertake a page-by-page review** of the draft final pronouncement *The Applicability of IPSASs*, the *Amendments to Preface to International Public Sector Accounting Standards* and agree with any amendments that are required; and
  - (c) **Approve** the final pronouncement *The Applicability of IPSASs* and the *Amendments to Preface to International Public Sector Accounting Standards* for publication.

### Issues Paper, *The Applicability of IPSASs*

#### Objectives of this Paper

1. This Issues Paper analyzes the responses to Exposure Draft (ED) 56, *The Applicability of IPSASs*, and provides staff's assessment of the issues arising. It seeks direction for the further development of this project, so that, dependent on decisions, a final pronouncement on *The Applicability of IPSASs* and the *Amendments to Preface to International Public Sector Accounting Standards* (IPSASs) can be approved at this meeting.

#### Background

2. The Consultation Paper (CP), *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*, was issued in August 2014, with a request for comments by December 31, 2014. The IPSASB received 28 responses to the CP.
3. At its March 2015 meeting, the IPSASB reviewed the responses to the CP. An overwhelming majority of respondents supported the IPSASB's preliminary view that its policy on public sector entities for which it is developing accounting standards should be communicated by providing the characteristics of public sector entities for which IPSASs are intended (Approach 1 in the CP). Furthermore, most respondents supported using the IPSASB's current and developing literature to provide the characteristics of entities for which the IPSASB is developing standards and guidance (Option 1a), rather than characteristics drawn from Government Finance Statistics (GFS) (Option 1b).
4. Approach 2 in the CP proposed modifying the current definition of a GBE in IPSAS 1, in order to resolve problems in its application. The CP identified two options: (i) clarifying the current definition of a Government Business Enterprise (GBE) and/or (ii) narrowing the existing definition of a GBE.
5. Taking account of views raised by respondents, the IPSASB developed Option 1a in Approach 1 and published Exposure Draft (ED) 56, *The Applicability of IPSASs* in July 2015. ED 56 proposed the deletion of the definition of a GBE from IPSASB's literature. The IPSASB also decided to use the IPSASB's current and developing literature to describe the characteristics of those entities for which IPSASs are designed.
6. In order to address suggestions from respondents to the CP, the ED had a revised description of characteristics presented in Option 1a of the CP.
7. The ED had one Specific Matter for Comment (SMC) asking whether constituents agree with IPSASB's proposals of deleting the defined term "GBE" and removing all references to the term from the IPSASB's pronouncements, so that the *Preface to International Public Sector Accounting Standards* (Preface to IPSASs) will provide guidance on the applicability of IPSASs and RPGs. In order to facilitate comments, the ED provided a positive description of the characteristics of public sector entities for which IPSASs are designed in its Executive Summary.
8. Most respondents structured their responses around this SMC. Some respondents that supported the IPSASB's approach, did not provide further comments. Other respondents, although supporting IPSASB's approach, provided additional comments with suggestions/concerns/clarifications in one or more areas.

9. Staff has classified responses according to whether they support or oppose the proposals in the CP. Where respondents stated that they agreed with the IPSASB's PV, but then raised one or more substantial concerns and suggested changes in one or more areas, staff classified such responses as "partial support".

## Significant Issues

10. As at January 4, 2016, the IPSASB had received 26 responses to the ED. Eight respondents (R01, R08, R10, R14, R17, R20, R22 and R26) supported IPSASB's approach in the ED.
11. 18 respondents (R02, R03, R04, R05, R06, R07, R09, R11, R12, R13, R15, R16, R18, R19, R21, R23, R24 and R25) partially supported IPSASB's approach and provided suggested amendments to IPSASB's literature as follows:
  - a) 11 respondents (R02, R04, R05, R06, R07, R09, R13, R15, R16, R18 and R25) suggested amendments to the wording on the proposed characteristics of public sector entities;
  - b) 10 respondents (R03, R04, R07, R11, R13, R16, R19, R21, R23 and R24) suggested amendments to the use of the wording "commercial entities" and "commercial public sector entities"; and
  - c) Nine respondents (R03, R04, R11, R12, R13, R15, R18, R23 and R25) suggested other amendments to IPSASB's literature.
12. This Issues Paper asks the IPSASB to consider the following significant issues and then carry out a page-by-page review of the draft final pronouncement *The Applicability of IPSASs*—Agenda Item 9.4. and the *Amendments to Preface to International Public Sector Accounting Standards*—Agenda Item 9.5.
13. The significant issues are:
  - 1) Respondents' suggestions on the characteristics of public sector entities in the Preface to IPSASs;
  - 2) Respondents' suggestions on the use of the wording "commercial entities" and "commercial public sector entities" in IPSASB's literature;
  - 3) Respondents' suggestions on other amendments to IPSASB's literature; and
  - 4) Review and approval of the draft final pronouncement *The Applicability of IPSASs* and the revised Preface to IPSASs.
14. The views in this Issues Paper are those of staff. They do not reflect the views of IPSASB members. Judgment has been applied by staff and, therefore, the analysis in this Issues Paper and the attached collation and summary at Agenda Item 9.2 should be read in conjunction with respondents' detailed responses.

### Issue 1: Characteristics of public sector entities

#### *Background*

15. The CP identified changes to the description of the entities for which IPSASs are designed. These were further developed for ED 56. The wording in the CP and ED 56 is shown in Table 1 below:

**Table 1 – Paragraph 10 of the Preface to IPSASs**

CP	ED 56
<p>IPSASs are designed to apply to entities that:</p> <ul style="list-style-type: none"> <li>(a) Are responsible for the delivery of services<sup>1</sup> to the public with assets held primarily for their service potential and/or to make transfer payments to redistribute income and wealth;</li> <li>(b) Finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of the investment.</li> </ul> <p><sup>1</sup> Services encompasses goods and services.</p>	<p>The IPSASs are designed to apply to public sector entities<sup>1</sup> that:</p> <ul style="list-style-type: none"> <li>(a) Are responsible for the delivery of services<sup>2</sup> to benefit the public and/or to redistribute income and wealth;</li> <li>(b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of their investment; and,</li> <li>(c) Do not have a primary objective to make profits.</li> </ul> <p><sup>1</sup> Paragraph 1.8 of <i>The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</i> identifies a wide range of public sector entities for which IPSASs are designed.</p> <p><sup>2</sup> Services encompasses goods, services and policy advice.</p>

16. In the ED phase, the IPSASB decided to develop three sub paragraphs into paragraph 10 of the Preface to IPSASs in order to respond to three distinct questions:

**(a) What public sector entities do?—Paragraph 10(a)**

Paragraph 10(a) states the objectives of public sector entities according to their main roles. Public sector entities may not have both a service delivery and a role in the redistribution of income and wealth. This is why there is “and/or” between both activities/objectives.

**(b) How public sector entities finance what they do?—Paragraph 10(b)**

Paragraph 10(b) is divided into two parts. The first part identifies the various ways public sector entities finance their activities. Often public sector entities are financed directly by other levels of government or indirectly through third-party agreements. The second part is related to the provision of capital to public sector entities. When capital is provided to public sector entities, it is to support the objectives of service delivery and/or redistribution of income and wealth, rather than to seek a financial return to the capital provider.

**(c) Why public sector entities are doing it?—Paragraph 10(c)**

Paragraph 10(c) indicates that public sector entities do not have a primary objective to make profits, when they are pursuing service delivery activities of and/or a role in the redistribution of income and wealth, as stated in paragraph 10(a).

17. In the ED phase, the IPSASB decided to add the wording:
- (a) “public sector” in the introduction of paragraph 10—to avoid confusion with private not-for-profit entities that might have the same characteristics identified in the proposed paragraphs 10(a), 10 (b) and 10 (c) of the Preface to IPSASs<sup>1</sup>;
  - (b) “mainly” in paragraph 10(b)—public sector entities may also sell goods and services, although it is not their primary objective;
  - (c) In footnote 1 in the introduction of paragraph 10—the IPSASB added this footnote to complement the description of public sector entities made in the *Conceptual Framework* to which IPSASs are also designed;
  - (d) “policy advice”—in footnote 2 to include services that are not delivered directly to the public but are delivered to other public sector entities (e.g. departments, agencies, etc.); and
  - (e) “benefit”—policy advice is not delivered to the public, rather it is delivered for the benefit of the public.
18. The IPSASB decided to remove the wording:
- (a) “with assets held primarily for their service potential”—because not all public sector entities will have assets held primarily for service potential. Nevertheless, the IPSASB decided to include paragraph BC28<sup>2</sup> in the Basis for Conclusions to IPSAS 1, *Presentation of Financial Statements* to explain the relationship between delivery of services and assets held primarily for service potential; and
  - (b) “transfer payments”—because such payments are a mechanism used for redistribution of income and wealth, rather an activity.
19. The IPSASB acknowledged that paragraph 10 of the Preface to IPSASs must be read with the Conceptual Framework, including its Preface, to provide a more complete view of the public sector entities for which IPSASs are designed. The IPSASB also acknowledged that the three subparagraphs must be considered together when assessing a public sector entity and forming a judgment on the applicability of IPSASs.

#### *Respondents comments*

20. Staff identified three types of suggestions made by respondents:
- (a) Proposals already discussed and rejected by IPSASB;
  - (b) Proposals that IPSASB has not considered previously; and
  - (c) Clarifications of the characteristics.

#### Issue 1A: Proposals already discussed and rejected by IPSASB

21. The following Table 2 provides a summary of suggestions previously discussed and rejected by IPSASB and staff’s comments.

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<sup>1</sup> Staff notes that the term “public sector” already exists in the current paragraph 10 of the Preface to IPSASs.

<sup>2</sup> Paragraph BC28 is now paragraph BC26 of draft final pronouncement *The Applicability of IPSASs*—Agenda Item 9.4.

**Table 2 – Summary of suggestions already discussed and rejected by IPSASB**

Para.	Suggestions	Staff's Comments
<b>10(a)</b>	<ul style="list-style-type: none"> <li>• (...) to redistribute income and wealth, <u>rather than to make profits; and</u>; (R02)</li> <li>• with assets held primarily for their service potential and/or to make transfer payments to redistribute income and wealth.”<sup>3</sup>; (R04)</li> <li>• Include “holding assets, primarily for their service potential”; (R05)</li> <li>• Clarifying in the <i>Preface</i> that holding assets for service potential will be in the scope of IPSASs or include a reference to BC28 of IPSAS 1. (R09)</li> </ul>	<ul style="list-style-type: none"> <li>• Contrary to previous IPSASB's decision (see paragraph 16(a)).</li> <li>• Reference to assets and transfer payments is contrary to previous IPSASB's decisions (see paragraphs 18(a) and 18(a)).</li> <li>• Contrary to previous IPSASB's decisions (see paragraph 18(a)).</li> <li>• Contrary to previous IPSASB's decisions (see paragraph 18(a)) and IPSASs do not cross reference to basis for conclusions.</li> </ul>
<b>10(b)</b>	<ul style="list-style-type: none"> <li>• Replace the term “capital” with the term “equity”; (R02 and R09)</li> <li>• Replace the term “capital providers” with the term “equity capital providers”. (R06)</li> </ul>	<ul style="list-style-type: none"> <li>• Contrary to previous IPSASB's decision (see paragraph 16(b)).</li> <li>• See paragraphs 23 and 27.</li> </ul>
<b>10(c)</b>	<ul style="list-style-type: none"> <li>• Delete paragraph 10(c); (R2 and R13)</li> </ul>	<ul style="list-style-type: none"> <li>• Contrary to previous IPSASB's decision (see paragraph 16(c)).</li> </ul>

22. Staff notes that suggestions on paragraphs 10(a) and 10(c) have already been considered by the IPSASB and rejected. Staff considers that no new arguments have been raised (see *Agenda Item 9.2— Respondents' Comments to ED 56, The Applicability of IPSASs*).
23. The proposal of R06 on paragraph 10(b) has not been explicitly considered by the IPSASB. However, it is similar to suggestions from R02 and R09 that have already been discussed and rejected by IPSASB (see paragraph 16(b) of this Issues Paper):
- “In our view public sector entities may have debt capital providers but not equity capital providers” (R06);
  - “Public sector entities that issue debt in the capital markets may have debt capital providers who would be seeking a return on their investment or of their investment. Using equity providers is also consistent with the terminology used in the Conceptual Framework Preface” (R02);
  - “(...) recommends IPSASB to clarify “that ‘seeking a return’ in the proposed paragraph 10(b) refers to ‘financial returns’ to avoid excluding public sector entities that provide non-financial returns to the government” (R09)<sup>4</sup>; and
  - “(...) recommends IPSASB clarify that ‘capital’ mentioned in the proposed paragraph 10(b) refers to equity and not debt to avoid confusion” (R09).
24. R12 states that “A large number of public sector entities have capital providers seeking returns on investments in debt issuers” and seeks clarification from IPSASB on whether they are within the

<sup>3</sup> Staff notes that paragraph 10(a) of R04 includes the wording “with assets held primarily for their service potential” and “transfer payments” in its response. Staff also notes that this wording was not included in the ED but was part of the CP. Therefore, staff will consider this wording as an additional suggestion even though it is not underlined.

<sup>4</sup> If the IPSASB decides not to remove the last part of paragraph 10(b), this clarification needs to be added to Table 4 below during the IPSASB meeting.

scope of the IPSASs<sup>5</sup>. R12 also requests clarification on whether “return on their investment” would have the same meaning as “commercial return” in the definition of cash-generating assets in paragraph 2 of IPSAS 21 “Impairment of Non-Cash Generating Assets”. However, R12 does not propose new wording on paragraph 10(b).

25. Staff acknowledges respondents’ arguments that the *Preface to the Conceptual Framework* uses the term “equity” and not “capital” and the use of different wording may create confusion in interpretation of IPSASB’s literature.
26. Staff notes that “equity capital” is not a defined term, in IPSAS, whereas “equity instrument” is defined in IPSAS 28, *Financial Instruments: Presentation*.
27. As noted above, while R06 makes a new proposal it is similar to comments received during the CP phase. Nevertheless, staff also asks the IPSASB to confirm the retention of the term “capital” in paragraph 10(b). Staff notes that in Matter for Consideration 3 after paragraph 37 of this Issues Paper, staff recommends the deletion of the last part of paragraph 10(b).

**Matter for Consideration**

1. The IPSASB is asked to **confirm**:
  - (a) Staff’s analysis in Table 2 on paragraphs 10(a) and 10(c); and
  - (b) That it wants to retain the term “capital” in paragraph 10(b); or **provide** alternative directions.

Issue 1B: Proposals that IPSASB has not considered previously

28. The following Table 3 provides a summary of proposals that IPSASB has not considered previously:

**Table 3 – Summary of proposals not considered previously by IPSASB**

Para.	Respondents’ Suggestions	Respondents’ Rationale
10(a)	<ul style="list-style-type: none"> <li>Have a primary objective to deliver Are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth; (R02)</li> <li>“...Are responsible for the delivery of services to the public, or to other public sector entities.” (...); (R04)</li> </ul>	<ul style="list-style-type: none"> <li>Improve consistency with paragraph 2 of the <i>Preface to the Conceptual Framework</i>.</li> <li>There are other “services such as information technology and building maintenance to other government departments and agencies, and do not provide services directly to the public”.</li> </ul>

<sup>5</sup> Idem

Para.	Respondents' Suggestions	Respondents' Rationale
10(b)	<ul style="list-style-type: none"> <li>Non-inclusion of the last part of paragraph 10(b) on "return on capital"; (R13)</li> <li>Separate paragraph 10(b) into two sub paragraphs: the finance section and the capital providers section; (R06, R09 and R16)</li> <li>other levels of government, social contributions, debt or fees <u>rather than by means of resources from</u> capital providers that are seeking a return on their investment or a return of their investment; (R18)</li> </ul>	<ul style="list-style-type: none"> <li>"(...)" might add unnecessary confusion if retained in the Preface, particularly if qualified with the terms "mainly"(...); (R13)</li> <li>They are two distinct characteristics (R06) and equally important (R16). The wording in the finance section "is not a distinctive characteristic of an entity for which IPSASs are intended. It is too broad and captures both commercial and non-commercial public sector entities. For example, commercial entities are likely to finance their activities through fees from rendering services and debt." The wording in the capital providers section "is not dependent on the first component and is a differentiating characteristic that determines whether an entity is in scope." (R09)</li> <li>"reference to '<i>capital providers that are seeking a return on their investment or a return of their investment</i>' under new paragraph (b) should not be used as an excuse to put an entity out of the scope of IPSASs when it has a minor portion of its resources coming from such capital providers." (R18)</li> </ul>

29. Staff is of the view that the proposal of R02 on paragraph 10(a) increases consistency with the *Preface to the Conceptual Framework*. Therefore, staff recommends that it is accepted.
30. The IPSASB included the wording "policy advice" in footnote 2 of ED 56 (see paragraph 17(d) of this Issues Paper) to acknowledge that such advice might be provided to other public sector entities rather than to the public. R04's response extends this rationale to information technology and building maintenance.
31. It is not the objective of this project to describe the types of services that public sector entities provide. Therefore, staff recommends that the IPSASB adopt a more generic and principles-based approach by removing the wording "policy advice" in footnote 2 and add the wording "or to other public sector entities" in paragraph 10(a).
32. Respondents provided several proposals for revisions of the wording in the last section of paragraph 10(b). This issue is related to use of the terms "equity" and "capital", as discussed in paragraphs 23-27.
33. R25 also expressed the following concern with paragraph 10(b):
  - "Structures may be created with a small proportion of financing from return-seeking capital in order to keep them outside the scope of IPSASs".
34. Staff thinks that the reservations raised by R06, R09 and R16 have merit and could be addressed by deleting the last part of paragraph 10(b). It would also increase consistency with the *Conceptual Framework*. Staff is of the view that deleting the last part of paragraph 10(b) would increase consistency with the *Conceptual Framework* and focus paragraph 10 on the essential characteristics of public sector entities for which IPSASs are designed.
35. Therefore, staff recommends the deletion of the last part of paragraph 10(b) ("and do not have capital providers that are seeking a return on their investment or a return of their investment").



36. As an alternative, a TBG member suggested replacing the last section of paragraph 10(b) with “do not generate their funds primarily or substantially from commercial activities”. This suggestion would be consistent with paragraph 3 of IPSAS 22, *Disclosure of Financial Information about the General Government Sector* which states:

“Governments raise funds from taxes, transfers and a range of nonmarket and market activities to fund their service delivery activities. They operate through a variety of entities to provide goods and services to their constituents. Some entities rely primarily on appropriations or allocations from taxes or other government revenues to fund their service delivery activities, but may also undertake additional revenue generating activities including commercial activities in some cases. **Other entities may generate their funds primarily or substantially from commercial activities.** [emphasis added] ~~These include government business enterprises (GBEs) as defined in paragraph 15 of this Standard.~~” [this sentence is proposed to be deleted in the draft final pronouncement *The Applicability of IPSASs*—Agenda Item 9.4.]

37. As a consequence of this suggestion, the TBG member is of the view that paragraph 10(c) is redundant.

#### Matter for Consideration

2. The IPSASB is asked whether it **agrees** with staff’s recommendation to amend the wording of paragraph 10(a) or **provide** alternative directions:

*The IPSASs are designed to apply to public sector entities<sup>1</sup> that:*

- (a) ~~Are responsible for the delivery of~~ Have a primary objective to deliver services<sup>2</sup> to benefit the public, or to other public sector entities, and/or to redistribute income and wealth;

(...)

<sup>1</sup> Paragraph 1.8 of *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* identifies a wide range of public sector entities for which IPSASs are designed.

<sup>2</sup> Services encompasses goods, and services ~~and policy advice.~~

3. The IPSASB is asked whether it **wants** to:

- (a) Remove the following wording struck through in paragraph 10(b):

*Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees ~~and do not have capital providers that are seeking a return on their investment or a return of their investment;~~ and,*

- (b) Replace the following wording struck through with the wording underlined in paragraph 10(b) and remove paragraph 10(c):

*Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees ~~and do not have capital providers that are seeking a return on their investment or a return of their investment~~ do not generate their funds primarily or substantially from commercial activities;*

or **provide** alternative directions

Issue 1C: Clarifications of the characteristics

38. Some respondents suggested clarifications of specific wording in paragraph 10 of the Preface to IPSASs or of the characteristics. Table 4 provides a summary of those suggested clarifications:

**Table 4 – Summary of clarifications suggested by respondents**

Para.	Clarifications
<b>10(b)</b>	<ul style="list-style-type: none"> <li>• Define “directly” or “indirectly” or use examples to illustrate their meaning (R07);</li> <li>• Clarification of “mainly” (R15);</li> <li>• Financing assessed historically or in the future (R15);</li> <li>• Does the term “a return of their investment” in (b) of the proposed changes to paragraph 10 of the Preface include the gain on sales, in addition to the return of the investment principal? (R12)</li> </ul>
<b>All</b>	<ul style="list-style-type: none"> <li>• Criteria are to be fulfilled cumulatively or not (R07 and R25);</li> <li>• Change of circumstances may imply change of the applicability of IPSAS<sup>6</sup> (R12 and R15);</li> <li>• Transition requirements (R12);</li> <li>• Applicability of IPSAS to entities that aim to recover the total costs (R12);</li> </ul>

39. Staff considers that some of the clarifications requested may be too rules-based and, therefore, contrary to the approach of providing high-level characteristics in a principles-based manner that draws from the *Conceptual Framework*. This approach was supported by respondents to the ED and, therefore, staff does not recommend any change to the proposed revision to the Preface to IPSASs, except the one proposed in Matter for Consideration 2.
40. However, staff recommends that, in order to clarify the meaning of the characteristics in paragraph 10, additional explanations of the IPSASB’s approach should be include in the Basis for Conclusions to IPSAS 1. The Basis for Conclusions to IPSAS 1 should also include the rationale for IPSASB’s decisions at the March 2016 meeting.
41. Staff have included additional draft paragraphs BC27, BC 29 and BC31-BC41<sup>7</sup> in IPSAS 1 in the draft final pronouncement *The Applicability of IPSASs—Agenda Item 9.4*.

**Matter for Consideration**

4. The IPSASB is asked whether it **agrees** with staff’s recommendation to:
- Expand the Basis for Conclusions in IPSAS 1; and
  - If so, whether the IPSASB agrees with the draft paragraphs BC27, BC29 and BC30-BC41 of IPSAS 1 in Agenda Item 9.4 or **provide** alternative directions.

<sup>6</sup> For further details, see Category 7 of Appendix A of this Issues Paper.

<sup>7</sup> Paragraphs BC24-BC28 of IPSAS 1 included in the ED corresponds to paragraphs BC22-BC26 of IPSAS 1 in the draft final pronouncement *The Applicability of IPSASs—Agenda Item 9.4*. The remaining draft paragraphs in Basis for Conclusion to IPSAS 1 of draft final pronouncement *The Applicability of IPSASs—Agenda Item 9.4* were already in the ED.

## Issue 2: “Commercial entities” versus “commercial public sector entities”

### *Background*

42. At the June 2015 meeting, the IPSASB decided to replace the term “GBE” “with the terms “commercial entities” or “commercial public sector entities” to distinguish such entities, when appropriate, from other public sector entities for which IPSASs are intended and from commercial private sector entities.”<sup>8</sup> Two terms were used to avoid the repetition of “public sector” in the same sentence where only public sector entities are discussed. However, in some cases it could be misunderstood because there can be both public sector and private sector commercial entities (see paragraph 45(a) of IPSAS 11, *Construction Contracts*)<sup>9</sup>.
43. The IPSASB also decided not to define or describe the term “commercial entities” because it wanted this term to be interpreted by regulators in each jurisdiction according to their own criteria.

### *Respondents Comments*

44. 10 respondents (R03, R04, R07, R11, R13, R16, R19, R21, R23 and R24) provided comments on the replacement of the term “GBEs” with the terms “commercial entities” and “commercial public sector entities”.
45. R03 suggests using the GFS term “public corporation” to replace the term “GBE”.
46. Nine respondents (R04, R07, R11, R13, R16, R19, R21, R23 and R24) commented on the approach identified in paragraph 42 above:
- a) R04 is of the view that “an explanation of “commercial public sector entity” is required to ensure the guidance is comprehensive”. R04 suggests “that clarification is provided, either in the Preface or in IPSAS 1, to state that the term “commercial public sector entity” refers to a public sector entity that does not apply IPSASs”;
  - b) R07 states that only one of these two expressions should be used to avoid confusion and R11 and R21 suggests that the term ‘commercial public sector entities’ should be used in all IPSASs to maintain consistency;
  - c) While R13 and R19 suggest defining “commercial entity”, R16 and R23 suggest that IPSASB should provide a description of “commercial public sector entities” rather than a definition of “commercial entities” and leave interpretation to regulators;
  - d) The use of the terms “commercial entities” and “commercial public sector entities” “Does not seem to be clearly stated the change from one term to another” (R24) and “does not appear to be any rationale” (R21);
  - e) R19 agrees “with the manner in which the expressions “commercial public sector entities” and “commercial entities” were used within the various sections amended”, but is of the view that “it may be necessary for IPSASB to document its rationale for using both expressions to replace the same expression in different circumstances”; and

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<sup>8</sup> Minutes of IPSASB’s June 2015 meeting.

<sup>9</sup> This situation happened in a number of IPSASs.

- f) R24 recommends “the IPSASB to add a paragraph to the Basis for Conclusions in IPSAS 1 “to clarify that the change is from ‘GBE’ to ‘commercial entity/commercial public sector entity’”.
47. R04 states that “The scope sections of certain IPSASs make references to the requirement that “public sector entities other than commercial (public sector) entities...” apply the standard. However, we believe there should be a presumption in the guidance that IPSASs are applied only by those entities for which they are intended. Therefore, we suggest removing “...other than commercial (public sector) entities”, as this scope restriction is not relevant to those entities that are applying the standards.”
48. R13 raises a different issue:
- “it is not appropriate to rewrite the past by merely replacing the term “GBE” with “commercial entity” within text explaining the IPSASB’s past decisions, e.g. within the BCs accompanying individual pronouncements and specifically IPSAS 24 BC 10; IPSAS 26, BC 10; IPSAS 28, BC 25; IPSAS 35, BC 8; RPG 1, BC 10; and RPG 3, BCs 8 and 9. Instead, the explanation of the original decision which remains a past event should not be changed but instead be supplemented by an explanation of the impact of the IPSASB’s subsequent decision reached in 2015.”
49. R16 has doubts whether “is a commercial public sector entity an entity that is described in paragraph BC27 of the Amendments to IPSAS 1 which provides that “The IPSASB acknowledges that the public sector also includes other entities that seek a return on equity to investors” or is it an entity that does not have a primary objective to make profits based on the characteristics of a public sector entity.”

*Staff comments*

50. On R03’s proposal [see paragraph 45], staff notes that the IPSASB has previously considered replacing the term “GBE” with the term “public corporation”. The IPSASB rejected this because the term “public corporation” is dependent on the further GFS term of “economically significant prices”. “Economically significant prices” is not a defined term the IPSASB’s literature. This proposal is inconsistent with Option 1a, which underpinned ED 56 and was supported by respondents. Therefore, staff recommends that the IPSASB does not adopt the term “public corporation” to replace the term “GBE”.
51. Staff is of the view that the suggestions of R04, R13, R16, R19 and R23 of providing an explanation, description or definition of “commercial public sector entities” is contrary to the IPSASB’s decision, as explained in paragraph 43 of this Issues Paper.
52. Staff understands the concerns raised by R04, R07 and R21 that using different terms to mean the same thing may create confusion and lack of consistency. Staff notes that this confusion may be amplified by the IPSASB’s decision not to provide an explanation, description or definition of public sector entities.
53. Staff agrees with R04’s suggestion of removing the reference to “other than a commercial public sector entity”, which was proposed in the ED, from the IPSASB’s literature<sup>10</sup>. Staff believes that an

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<sup>10</sup> The current IPSASB’s literature states “other than a GBE”. See paragraph 9 of IPSAS 16, *Investment Property*, paragraphs 6, 20 and 21 of IPSAS 21, *Impairment of Non-Cash Generating Assets*, paragraph BC10 of IPSAS 24, *Presentation of Budget Information in Financial Statements*, paragraphs 5 and 18 of IPSAS 26, *Impairment of Cash-Generating Assets*.

implicit presumption is made in the IPSASB's literature with the proposed amendments that IPSASs are applied only by those entities for which they are designed. However, the terms "other than"<sup>11</sup> and "commercial public sector entity" should be used when describing the various types of public sector entities<sup>12</sup>.

54. On balance, staff is of the view that is preferable to repeat the term "public sector" in the same sentence or paragraph, rather than to create unintended confusion as to intended meanings. Therefore, staff recommends that the IPSASB:
- (a) Adopt a single term "commercial public sector entities" throughout IPSASB's literature;
  - (b) Remove the reference to "other than a GBE" from the IPSASB literature<sup>13</sup>;
  - (c) Not to provide an explanation, description or definition of "commercial public sector entities" and, therefore, leaving interpretation of this term to regulators who can take jurisdictional requirements into account; and
  - (d) Include an explanation for the replacement of the term "GBE" with the term "commercial public sector entities" in the Basis for Conclusions to IPSAS 1. (see proposed draft paragraphs BC38 and BC39 of IPSAS 1 in the draft final pronouncement *The Applicability of IPSASs*—Agenda Item 9.4)
55. Staff acknowledges R13's argument in paragraph 48 above regarding the "rewrite of the past". R13's approach to the Basis for Conclusions can be addressed by including in the Basis for Conclusions to all IPSAS a standard paragraph about the final pronouncement *The Applicability of IPSASs* and update the wording in some paragraphs of those Basis for Conclusions.
56. However, staff is of the view that including "an explanation of the impact of the IPSASB's subsequent decision" in the IPSASs and RPGs identified by R13 can be addressed by a cross-reference to the Basis for Conclusions to IPSAS 1.
57. Therefore, staff recommends IPSASB to include a standard paragraph about the final pronouncement *The Applicability of IPSASs* in the Basis for Conclusion to all IPSASs and RPGs<sup>14</sup>.
58. Staff also notes that the *Preface to the Conceptual Framework* highlights the characteristics of the public sector that the IPSASB has considered in the development of the *Conceptual Framework*. The *Preface to the Conceptual Framework* also discusses the primary objective of most public sector entities<sup>15</sup>.
59. The IPSASB's proposed approach to paragraph 10 of the Preface to IPSASs is consistent with the *Preface to the Conceptual Framework* in providing a positive description of public sector entities for which IPSAS are designed.

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<sup>11</sup> See for example paragraph BC8 of RPG 3, *Reporting Service Performance Information*.

<sup>12</sup> See for example paragraph 97 of IPSAS 1, *Presentation of Financial Statements*.

<sup>13</sup> See paragraph 9 of IPSAS 16, *Investment Property*, paragraphs 6, 20 and 21 of IPSAS 21, *Impairment of Non-Cash Generating Assets*, paragraph BC10 of IPSAS 24, *Presentation of Budget Information in Financial Statements*, paragraphs 5 and 18 of IPSAS 26, *Impairment of Cash-Generating Assets*.

<sup>14</sup> The draft final pronouncement includes a draft paragraph in the Basis for Conclusions to all IPSASs and RPGs.

<sup>15</sup> According to paragraph 2 of the Preface to the Conceptual Framework "The primary objective of most public sector entities is to deliver services to the public, rather than to make profits and generate a return on equity to investors".

**Matter for Consideration**

5. The IPSASB is asked whether it **agrees** with staff's recommendation to:
- (a) Not to use the term "public corporation";
  - (b) Not to provide an explanation, description or definition of "commercial entities/commercial public sector entities";
  - (c) Adopt a single term "commercial public sector entity" to replace the term "GBE";
  - (d) Explain the reason for replacing the term "GBE" with the term "commercial public sector entity" in the Basis for Conclusions to IPSAS 1 (see draft paragraphs BC27, BC38 and BC39); and
  - (e) Include a standard paragraph about the final pronouncement *Applicability of IPSASs* in the Basis for Conclusion to all IPSASs and RPGs or **provide** alternative directions.

**Issue 3: Other suggested amendments to IPSASB's literature**

60. Nine respondents (R03, R04, R11, R12, R13, R15, R18, R23 and R25) proposed other amendments to IPSASB's literature.
61. Because of their detail and diversity, staff has summarized these proposals in *Appendix A—Summary of other suggested amendments to IPSASB's literature*.
62. Staff have summarized respondents' proposals into nine categories. Staff recommends acceptance of three categories of proposals and not the other six.
63. Staff recommends acceptance of the three types of proposals related to the reinforcement of ED's approach of emphasizing the public sector entities for which IPSASs are designed and removing from the scope section of each standard the paragraphs and wording about the applicability of IPSASs, where appropriate<sup>16</sup> (Types 1, 2 and 5).
64. Staff does not recommend that the IPSASB adopt the other six proposals because they are related to issues already discussed and rejected by IPSASB (and no persuasive new arguments have been made to justify modifying the IPSASB's position (Types 3, 6, 7, and 9) or the suggestion goes beyond the purpose of this project (Types 4 and 8).

**Matter for Consideration**

6. The IPSASB is asked to:
- (a) **Review** *Appendix A—Summary of other suggested amendments to IPSASB's literature*; and
  - (b) **Confirm** agreement with staff's recommendations in Appendix A or provide alternative directions.

<sup>16</sup> Staff retained the wording about the applicability of some IPSAS in the scope section of IPSAS 21, *Impairment of Non-Cash Generating Assets* (paragraph 6), IPSAS 21, *Impairment of Non-Cash Generating Assets* (paragraph 5), IPSAS 35, *Consolidated Financial Statements* (paragraph 8), RPG 1, *Reporting on the Long-Term Sustainability of an Entity's Finances* (paragraph 6) and RPG 3, *Reporting Service Performance Information* (paragraph 3).

**Issue 4: Review and approval the draft final pronouncement *The Applicability of IPSASs* and the *Amendments to Preface to International Public Sector Accounting Standards***

- 65. Staff revised the paragraphs in the Basis for Conclusions to IPSAS 1. Staff notes that this revision is subject to changes according to IPSASB's decisions at the IPSASB's meeting.
- 66. Staff proposes that the draft final pronouncement *The Applicability of IPSAS* should have an effective date of January 1, 2018.
- 67. Staff proposes that amendments to the *Preface to International Public Sector Accounting Standards* are published in a separate document *Amendments to the Preface to International Public Sector Accounting Standards*—Agenda Item 9.5 and that a full clean version of the *Preface to International Public Sector Accounting Standards* is made available on the IPSASB website.

**Matter for Consideration**

- 7. The IPSASB is asked to **review** and **approve** the final pronouncement *The Applicability of IPSASs* and *Amendments to Preface to International Public Sector Accounting Standards*.

## APPENDIX A—SUMMARY OF OTHER SUGGESTED AMENDMENTS TO IPSASB'S LITERATURE

Category	Respondents' Suggestions	Staff's Recommendations	
		Accept?	Reason(s)
1	<ul style="list-style-type: none"> <li>• "The scope sections of certain IPSASs make references to the requirement that "public sector entities other than commercial (public sector) entities..." apply the standard. However, we believe there should be a presumption in the guidance that IPSASs are applied only by those entities for which they are intended. Therefore, we suggest removing "...other than commercial (public sector) entities" as applicable, as this scope restriction is not relevant to those entities that are applying the standards. Leaving these references in the scope sections may cause misinterpretation of which policies should be applied when conforming the accounting policies of commercial public sector entities to those of the group reporting entity for the preparation of consolidated financial statements." (R04);</li> <li>• "The text in brackets within the second sentence of paragraph 9 of IPSAS 16 could be deleted." (R13);</li> <li>• "As the IPSASB no longer wishes to adhere to its former position that commercial public sector entities do not apply IPSASs, the words "other than commercial entities" could be deleted in the second sentence of paragraph 6 of IPSAS 21." (R13);</li> <li>• "Paragraph 3 of IPSAS 24 could be clearer, particularly for translation purposes. It might be more helpful to reword it along the following lines: This Standards applies to those public sector entities that present financial statements in accordance with IPSASs and are required or elect to make their approved budgets publically available. This would obviate the need to mention commercial entities specifically." (R13);</li> <li>• "References to GBEs within IPSAS 26 concerning the non-applicability of IPSASs to GBEs are largely redundant. For example, the phrase "other than commercial entities" could be deleted in both sentences of paragraph 5 of IPSAS 26." (R13);</li> </ul>	Yes	<p>Staff notes that the ED proposed deleting the paragraphs in the scope section of each IPSAS that refer to GBEs.</p> <p>Staff is of the view that these suggestions would reinforce the IPSASB's approach proposed in the ED of focusing the IPSASB's literature on the public sector entities for which IPSASs are designed. This approach was supported by all respondents.</p> <p>The scope section of each standard should deal only with the transactions and other events within the scope of the standard and should not deal with the applicability of IPSASs.</p> <p>Staff also recommends the IPSASB delete the wording "other than a GBE" in other parts of IPSASs for consistency. Staff is also of the view that the revised paragraph 10 of the Preface to IPSASs implies that IPSASs are applied only by those entities for which they are designed.</p>



Category	Respondents' Suggestions	Staff's Recommendations	
		Accept?	Reason(s)
2	Term "GBEs" used in IPSASs and RPGs not covered by ED 56 or other editorials. (R4, R11, R13, R19 and R21)	Yes	Editorial amendment
3	<ul style="list-style-type: none"> <li>Coverage of IPSAS is specifically included in paragraph 5 of IPSAS 1 as well as in the Preface to the standards. (R03);</li> <li>"We agree with the view of the IPSAS Board in respect of defining the term 'public sector entities' in the 'Preface to the International Public Sector Accounting Standards'. However, it is suggested that the reference of the 'Preface to the International Public Sector Accounting Standards' in regard to the above definition may be provided in each IPSAS for more clarification." (R11)</li> </ul>	No	<p>The IPSASB has already decided to remove all references related to the Preface to IPSASs from the scope section of IPSASs and RPGs, where appropriate (see paragraph 63 of this Issues Paper).</p> <p>The Preface to IPSASs is not subject to the same due process as IPSASs. Staff notes that this reason is related to IPSASB's decision to change the name of the Exposure Draft to "The Applicability of IPSASs" and include the description in its Executive Summary.</p>
4	"The wording of the second sentence of paragraph 24 of IPSAS 18 would be clearer as: "However ... or which distinguishes budget-dependent activities from other activities, as may be the case for commercial public sector entities." (R13)	No	Staff is of the view that this part of the sentence only applies to entities and not to activities. Therefore, staff recommends that the IPSASB retain the wording in ED 56.
5	"Paragraph 13 of IPSAS 35 appears to need further consideration, given the change in stance as to applicability of IPSASs. There should not be reference to a requirement to comply with IPSAS 35 if IPSASB is not the party determining such requirements." (R13)	Yes	Staff is of the view that paragraph 13 of IPSAS 35 should be deleted for the same reason as Category 1.
6	"Paragraph 6 of RPG 1 and paragraph 3 of RPG 3 could read "Although <u>the IPSASB does not envisage</u> this RPG <del>does not</del> will apply ...". It is possible that a commercial public sector entity may be required to apply RPGs despite the IPSASB not having intended such use – i.e., the Board no longer precludes application for any public sector entity." (R13)	No	<p>The IPSASB has acknowledged that it is not a regulator that can require or preclude the application of RPG 1 and 3 to any public sector entity.</p> <p>Staff also notes that what RPG 1 and 3 are saying is that the inflows, outflows and services of commercial public sector entities within an economic entity (which is a public sector entity for which IPSASs are designed) are within the scope of the RPG.</p>

7	<ul style="list-style-type: none"> <li>• “In some cases, a government business enterprise (GBE) that had initially intended to adopt the IFRSs (that is, a GBE whose objective is to obtain profit or recover the total cost) but that suffers a deterioration in its operations may arbitrarily choose to change its objective to that of delivering services to the public and accordingly adopt the IPSASs to avoid any impairment under the IFRS. Such application of the IPSASs will certainly be undesirable. We believe that the IPSASB should require the public sector entities to pay attention to this issue by including in the Preface, for example, the following: “Public sector entities within the scope of the IPSASs should not change their objectives according to any changes in external environments without any justifying rationale.” (We made a similar comment in our comment letter on the Consultation Paper “The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities.”) (R12);</li> <li>• “The proposed changes to paragraph 10 of the Preface would result in the determination of public sector entity “characteristics” within the scope of the IPSASs. The IPSASB should consider, however, that the entities which have already adopted the IFRSs, thereby not specifically required to adopt the IPSASs, would not be forced to automatically apply them when they have those characteristics. For example, it would be possible to include in the Preface the following requirement: “Notwithstanding the requirements of paragraph 10, entities that have already adopted the IFRSs are excluded from the scope of the IPSASs.” (R12)</li> <li>• “(...) we suggest that it would be helpful if the Preface provided more indication of what IPSASB sees as an appropriate approach to reporting by entities which are on the borderline between “pure” public sector entities and “pure” profit seeking entities. For example, It might be helpful to suggest that for entities that have more commercial focus than implied by the high level characteristics (but still fall short of what could be construed as a “profit seeking entity”) in para 10, regulators might choose to apply IPSAS, IFRS, or locally developed standards for financial reporting by profit seeking entities.” (R25)</li> <li>• “it would be helpful to explain that while some of the principles in IPSAS may be relevant, particularly those relating to service potential, IPSASs are not specifically designed for use by private sector non-profit</li> </ul>	No	Consistent with the principles-based approach in ED 56 these are issues for regulators in individual jurisdictions.
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Category	Respondents' Suggestions	Staff's Recommendations	
		Accept?	Reason(s)
	entities, even when these are substantially funded by the public sector." (R25)		
8	<ul style="list-style-type: none"> <li>• "We suggest that the IPSASB considers having one comprehensive paragraph including both the characteristics and the range of public sector entities for which IPSASs are designed, or alternatively, make reference in each of the above mentioned paragraphs, to the other paragraph that needs to be considered in order to have a comprehensive view of the public sector entities for which IPSASs are designed." (R15);</li> <li>• "we suggest that the IPSASB discusses further in the preface, or at least in the Basis for Conclusions to IPSAS 1, the rationale for IPSASs to be applied to a wide range of public sector entities, and not only limited to government entities." (R23)</li> </ul>	No	<p>Regarding the first suggestion of R15, staff notes that the proposed paragraph 10 of the Preface to IPSASs already has a cross-reference to the <i>Conceptual Framework</i>. Therefore, staff is of the view that there is no need to apply the suggested amendment.</p> <p>Regarding the second suggestion of R15, staff notes that, although both the Preface to IPSASs and the <i>Conceptual Framework</i> do not establish authoritative requirements, the <i>Preface to IPSAS</i> and the <i>Conceptual Framework</i> have different due process requirements. The <i>Preface to IPSAS</i> only needs to be approved by IPSASB and is not subject to a formal due process. Staff also notes that the IPSASB only published the proposed amendments to the Preface to IPSASs in the ED's Executive Summary for clarification purposes. Therefore, staff is of the view that the <i>Conceptual Framework</i> should not have a cross-reference to the Preface to IPSASs.</p> <p>Regarding R23's suggestion, staff notes that draft proposed paragraph BC30 of IPSAS 1 in the draft final pronouncement <i>The Applicability of IPSASs</i>—Agenda Item 9.4 already provides an explanation about the relationship between the Preface to IPSASs and the <i>Conceptual Framework</i>.</p>
9	"Paragraphs 2.1 and 2.2 of the Consultation Paper and the 'At a glance' document (on page 2) published by the IPSASB with the Exposure Draft refer to a spectrum along which controlled entities in the public sector could be classified. We recommend that the general description of the characteristics of the organisations to which IPSASs should apply still refer to that spectrum and be accompanied by illustrative examples, which would clarify those circumstances in which application of IPSASs would be appropriate along the spectrum. Application of the principles requires judgment but illustrative examples should in our view at least aim at eliminating inconsistencies in application for entities that are far from each other along the spectrum." (R18)	No	The IPSASB adopted a principles-based approach which recognizes that regulators in each jurisdiction decide which entities should apply IPSASs. The IPSASB has provided a principles-based approach for their guidance. Staff considers that providing more detailed guidance and illustrative examples are inconsistent with a principles-based approach.

**RESPONDENTS' COMMENTS TO ED 56, *THE APPLICABILITY OF IPSASs***

Response #	Respondent Comments	Staff Comments
<b>Overall Comments</b>		
01	<p>The Swedish National Audit Office (Swedish NAO) would like to thank for the opportunity to comment on the ED 56 – the applicability of IPSASs.</p> <p>The Swedish NAO used the opportunity to respond to IPSASB Consultation Paper <i>The Applicability of IPSASs to Government Business Enterprises (GBEs) and Other Public Sector Entities</i>. Our position was to support the IPSASB suggestions (option 1a).</p> <p>The suggested revisions in the ED are coherent with our position and we do not have any further comments.</p>	
02	<p>The External Reporting Board (XRB) of New Zealand is pleased to have the opportunity to comment on the International Public Sector Accounting Standards Board's (IPSASB) ED 56 The Applicability of IPSASs.</p> <p>The XRB is an independent Crown Entity responsible for financial reporting strategy and the development and issue of accounting and auditing &amp; assurance standards in New Zealand.</p>	
03	<ol style="list-style-type: none"> <li>1. The International Consortium on Governmental Financial Management (ICGFM) welcomes the opportunity to respond to IPSAS ED56 on "The Applicability of IPSASs".</li> <li>2. At the discussion stage we welcomed the move to defining the coverage of IPSASs in positive rather than negative - what is included rather than what is excluded. We continue to support this change and therefore the Exposure draft.</li> <li>3. We are also supportive of the description used for entities that should follow IPSAS. We consider this description is consistent with the definitions used in statistical systems including the IMF Government Finance Statistics Manual 2014. We also welcome the fact that the term Government Business Enterprises will no longer be used.</li> </ol>	
04	Thank you for the opportunity to comment on the Exposure Draft – <i>The Applicability of IPSASs</i> issued in July 2015.	

Respondents' Comments on SMC in ED 56, *The Applicability of IPSASs*  
IPSASB Meeting (March 2016)

Response #	Respondent Comments	Staff Comments
<b>Overall Comments</b>		
	The Government of Canada bases its accounting policies on the accounting standards issued by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). Our government is not required to follow the International Public Sector Accounting Standards (IPSAS), however, IPSAS are regarded as an important secondary source of GAAP.	
05	<p>This exposure draft (hereinafter mentioned as ED) is the second step of an in-depth reflection about the IPSAS's scope, after the CP on the "<i>applicability of IPSASs to Government Business Enterprises (GBEs) and other public sector entities</i>" issued in august 2014 (hereinafter mentioned as CP).</p> <p>Currently, IPSAS's scope is not directly discussed: IPSAS 1<sup>1</sup> defines the term GBE but this definition does not enable to address all types of public entities commonly named GBEs across national jurisdictions. At the same time, each IPSAS specifically excludes GBEs of its scope.</p> <p>This ED, by providing a description of public sector entities for which IPSAS are intended, takes into account the responses to the CP.</p> <p>As previously stated<sup>2</sup>, the DGFIP welcomes the global analysis emerging from the IPSASB's process on the applicability of IPSAS. Therefore, our comments concern only a few points.</p> <p><sup>1</sup> IPSAS 1, « <i>Presentation of Financial Statements</i> ».</p> <p><sup>2</sup> DGFIP response on the CP "<i>applicability of IPSASs to Government Business Enterprises (GBEs) and other public sector entities</i>" in December 2014.</p>	
06	<p>CPA Australia welcomes the opportunity to respond to the above Exposure Draft. CPA Australia represents the diverse interests of more than 150,000 members in 120 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.</p> <p>CPA Australia supports the proposed deletion of the definition and references to Government Business Enterprise (GBE) within the International Public Sector Accounting Standards (IPSAS) and moving to a more principles based</p>	

Response #	Respondent Comments	Staff Comments
<b>Overall Comments</b>		
	approach that requires application of IPSAS by public sector entities that possess characteristics as set out. Accordingly, we support the introduction of the updated paragraph 10 in the Preface, which sets out the characteristics of public sector entities for which IPSASs are intended.	
07	<p>With reference to the request for comments on the proposed Consultation Paper, we are pleased to present the Swiss Comments to Exposure Draft The Applicability of IPSASs. We thank you for giving us the opportunity to put forward our views and suggestions. You will find our comments to the Exposure Draft in the attached document.</p> <p><b>1. Introduction</b></p> <p>The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) was established in 2008 by the Swiss Federal Ministry of Finance together with the cantonal Ministers of Finance. One of its aims is to provide the IPSAS Board with a consolidated statement for all three Swiss levels of government (municipalities, cantons and Confederation).</p> <p>The SRS-CSPCP has discussed the Exposure Draft The Applicability of IPSASs and comments as follows.</p> <p><b>2. General Remarks</b></p> <p>The SRS-CSPCP notes with satisfaction that its comments on the Consultation Paper (CP) have been considered in this ED. As mentioned, it is particularly important that a positive approach is used to identify which entity must apply IPSAS. The SRS-CSPCP also welcomes the fact that the concept of General Business Enterprises (GBE) is no longer defined</p>	
08	Thank you for the opportunity to provide input on the Exposure Draft, The Applicability of IPSASs. The views provided in this comment letter represent the views of the PSAB staff and not those of the Public Sector Accounting Board (PSAB).	
09	The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the International Public Sector Accounting Standards Board (IPSASB) on IPSASB Exposure Draft (ED) 56 – The Applicability of IPSASs.	

Respondents' Comments on SMC in ED 56, *The Applicability of IPSASs*  
IPSASB Meeting (March 2016)

Response #	Respondent Comments	Staff Comments
<b>Overall Comments</b>		
	<p>HoTARAC is an intergovernmental committee that advises Australian Heads of Treasuries on accounting and reporting issues. The Committee comprises the senior accounting policy representatives from all Australian States, Territories and the Australian Government.</p> <p>Australia adopts a transaction-neutral approach in developing accounting standards. Australian equivalents to International Financial Reporting Standards (IFRSs) apply across all sectors and IPSASs are not adopted. That said, IPSASs inform future standard and policy setting and are sometimes used as guidance by public sector financial statements preparers in the absence of specific IFRS equivalent requirements. It is increasingly common for the Australian Accounting Standard Board (AASB) to use IPSASs as guidance when developing accounting standards. The recent Australian Exposure Draft 261 Service Concession Arrangements: Grantor and Australian Exposure Draft 270 Reporting Service Performance Information are based on IPSAS 32 Service Concession Arrangements: Grantor and IPSASB Recommended Practice Guideline 3 Reporting Service Performance Information respectively.</p> <p>HoTARAC commends the IPSASB's ongoing efforts in developing specific requirements and guidance for the public sector. The attachment to this letter sets out HoTARAC's comments on the Specific Matter for Comment.</p>	
10	We are pleased to provide you with the following comments with the aim of improving IPSASs application and decision usefulness for Public sector in preparation of financial statements.	
11	We are pleased to provide comments on the Exposure Draft (ED) 56, ' <i>The Applicability of IPSASs</i> ' issued by the International Public Sector Accounting Standards Board (IPSASB) of International Federation of Accountants (IFAC). Our comments are enclosed with this letter.	
12	The Japanese Institute of Certified Public Accountants (JICPA) is pleased to comment on Exposure Draft 56 "The Applicability of IPSASs" (the ED) as follows.	
13	The IDW responded to the IPSASB's Consultation on this issue in 2014, and appreciates the opportunity to comment on the exposure draft Proposed International Public Sector Accounting Standard and Recommended Practice Guideline, "The Applicability of IPSASs" (hereinafter referred to as "the ED").	

Respondents' Comments on SMC in ED 56, *The Applicability of IPSASs*  
IPSASB Meeting (March 2016)

Response #	Respondent Comments	Staff Comments
<b>Overall Comments</b>		
	<p>We maintain our support for the approach the IPSASB is proposing to follow (i.e., approach 1a in the aforementioned 2014 Consultation), and thus agree with the proposed deletion in individual IPSASs and Recommended Practice Guidance (RPGs) of text relating to the non-applicability of IPSASs to Government Business Enterprises (GBEs).</p> <p>However, we have concerns with certain aspects of the proposals, which we discuss below:</p>	
14	<p>We refer to the IPSASB Exposure Draft 56, <i>The Applicability of IPSASs</i>, issued by the International Public Sector Accounting Standards Board ("IPSASB") of the International Federation of Accountants ("IFAC").</p> <p>In this regard, we are pleased to attach the Institute's comments as set out in Appendix I for your consideration.</p>	
15	<p>We welcome the opportunity to comment on Exposure Draft 56: <i>The Applicability of IPSASs</i>.</p> <p>Exposure Draft 56: <i>The Applicability of IPSASs</i> proposes deleting the defined term "Government Business Enterprise" and removing all references to the term from the IPSASB's pronouncements, so that the <i>Preface to International Public Sector Accounting Standards</i> will provide guidance on the applicability of IPSASs and RPGs.</p> <p>Overall, we are supportive of the IPSASB's proposed amendments to IPSASs and RPGs.</p>	
16	<p>We welcome the opportunity to comment on the Exposure Draft 56 (ED 56) on <i>The Applicability of IPSASs</i>.</p> <p>Overall, we are supportive of the changes proposed to IPSASs and RPGs in ED 56. A number of general issues were however identified by our stakeholders. These issues, together with our proposals are reflected in the response to the specific matter for comment. These are included as Annexure A to this letter.</p> <p>The views expressed in this letter are those of the Secretariat and not the Accounting Standards Board (Board). In formulating our comments, the Secretariat consulted with a range of stakeholders including auditors, preparers, consultants, professional bodies and other interested parties.</p>	
17	<p>The Swedish National Financial Management Authority (ESV) appreciates the opportunity to comment on the ED 56 <i>The Applicability of IPSASs</i>.</p>	



Respondents' Comments on SMC in ED 56, *The Applicability of IPSASs*  
IPSASB Meeting (March 2016)

Response #	Respondent Comments	Staff Comments
<b>Overall Comments</b>		
	The Swedish National Financial Management Authority is the government agency responsible for financial management and development of GAAP in the Swedish central government. Full accrual accounting was introduced in 1993 and we hope that our experience will be a contribution in your work with various accounting issues.	
18	<p>We are pleased to respond to the invitation from the International Public Sector Accounting Board (IPSASB) to comment on Exposure Draft 56 on the Applicability of IPSASs (the Exposure Draft) on behalf of PricewaterhouseCoopers. Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of those firms that commented on the Exposure Draft. "PricewaterhouseCoopers" or 'PwC' refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.</p> <p>We support the work the IPSASB undertakes to develop high-quality accounting standards for use by governments and other public sector entities around the world with the aim of enhancing the quality, consistency, and transparency of public sector financial reporting worldwide.</p> <p>The Exposure Draft on the Applicability of IPSASs is important as it helps identifying the public sector entities to which IPSASs should apply.</p> <p>We agree with the IPSASB approach to rely on the current IPSASB literature to provide high-level characteristics of public sector entities for which IPSASs are intended. We do however raise some recommendations in order to enhance consistency in application of the proposed changes.</p>	
19	The Institute of Chartered Accountants of Nigeria has considered the above Exposure Draft and wish to submit our comments as follows:	
20	The Institute of Certified Public Accountants of Kenya (ICPAK) welcomes the opportunity to comment on the Exposure Draft (ED) 56 - the Applicability of IPSASs, issued by the International Public Sector Accounting Standards Board (IPSASB) of IFAC.	

Respondents' Comments on SMC in ED 56, *The Applicability of IPSASs*  
IPSASB Meeting (March 2016)

Response #	Respondent Comments	Staff Comments
<b>Overall Comments</b>		
21	The Australian Accounting Standards Board (AASB) is pleased to provide comments on the IPSASBs Exposure Draft ED 56 <i>The Applicability of IPSASs</i> .	
22	I'm Denise Juvenal this pleasure to have the opportunity to comment on this consultation. This is my individual commentary for IFAC-IPSASB about The Applicability of IPSASs.	
23	Ernst & Young Global Limited, the central coordinating entity of the global EY organization, welcomes the opportunity to offer its views on the above consultation paper.	
24	<p>The French Public Sector Accounting Standards Council (CNOCP) welcomes the opportunity to comment on the Exposure Draft <i>The Applicability of IPSASs™</i> published in July 2015.</p> <p>We agree with the IPSASB's proposal to remove all references to "Government Business Enterprise" from the IPSASB's pronouncements. We believe that the proposal well reflects the comments made to the Consultation Paper <b>The Applicability of IPSASs™ to Government Business Enterprises and Other Public Sector Entities</b>.</p> <p>We support the introduction of the characteristics of a public sector entity for which IPSASs are intended within the <i>Preface to International Public Sector Accounting Standards</i>. It clearly sets out the signal that such a characterisation is not a definition and is not part of IPSASs requirements. This is fully consistent with our view that it is up to the regulators and relevant authorities to decide what entities should apply IPSASs. In most instances, standard-setters have no authority over the matter; hence it seems more sensible to describe public sector entities for which IPSASs are intended in a non-authoritative pronouncement.</p> <p>In addition, we are of the view that the proposed change would strengthen the process of identification of those specificities of the public sector that may entail departures from the private sector accounting standards.</p> <p>Details of our response to the specific matter for comment are set out in the appendix.</p>	
25	(1) The Federation of European Accountants (FEE) is pleased to provide you with its comments on ED 56, <i>The Applicability of IPSASs</i> .	

Respondents' Comments on SMC in ED 56, *The Applicability of IPSASs*  
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Response #	Respondent Comments	Staff Comments
<b>Overall Comments</b>		
26	<p>CIPFA is pleased to present its comments on this Exposure Draft, which have been reviewed by CIPFA's Accounting and Auditing Standards Panel.</p> <p><b>General comment</b></p> <p>In successive responses, CIPFA has strongly supported IPSASB's development of high quality standards for public sector financial reporting, whether through the Board's project to develop and maintain IFRS converged IPSASs or through wholly public sector specific IPSASs.</p> <p>In December 2014, CIPFA responded to the Consultation Paper <i>The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities</i>. In that response we noted our view that applicability is dealt with adequately in the Conceptual Framework, but agreed that it was handled less well in IPSAS 1 and related IPSAS text on Government Business Entities. We therefore agreed with the approach proposed in that paper, explaining that we were 'more inclined to support a framing in which IPSASB explains the target for its standard setting activity, and leaves detailed questions of which standards to adopt for different entity types to the relevant decision making authorities.'</p>	

**SMC:** The IPSASB proposes deleting the defined term “Government Business Enterprise” and removing all references to the term from the IPSASB’s pronouncements, so that the Preface to International Public Sector Accounting Standards will provide guidance on the applicability of IPSASs and RPGs.

In order to facilitate comments, a positive description of the characteristics of public sector entities for which IPSASs are intended is included in the Executive Summary of the ED. This description will be part of the Preface to International Public Sector Accounting Standards.

Do you agree with the changes to IPSASs and RPGs proposed in this ED? If not, please provide your reasons.

Table 1: Overview of Responses to SMC

View on SMC	Respondent #	Totals	
A. Supports the approach	01, 08, 10 <sup>1</sup> , 14, 17 <sup>2</sup> , 20, 22 and 26		8
B. Partially supports the approach	02, 03, 04, 05, 06, 07, 09, 11, 12, 13, 15, 16, 18, 19, 21, 23, 24 and 25	18	18
B.1. Suggested amendments to the characteristics of public sector entities	02, 04, 05, 06, 07, 09, 13, 15, 16, 18 and 25	11	
B.2. Suggested amendments on the use of the wording “commercial entities” and “commercial public sector entities”	03, 04, 07, 11, 13, 16, 19, 21, 23 and 24	10	
B.3. Suggested other amendments to IPSASB’s literature	03, 04, 11, 12, 13, 15, 18, 23 and 25	9	
C. Disagree with approach	—		0
<b>Total Respondents</b>			<b>26</b>

<sup>1</sup> R10 only seeks clarification on a specific real life example in their jurisdiction without providing further suggestion.

<sup>2</sup> R17 does not provide specific suggestion to this project but provides comments on IPSAS 35, *Consolidated Financial Statements*.

Table 2: Table of Responses SMC

Response #	SMC	Sug- gestion	Respondent Comments	Staff Comments
01	A	-	-	Supports the ED and did not provide further suggestion.
02	B	B.1	<p>We note the IPSASB is proposing to amend the <i>Preface to International Public Sector Accounting Standards</i> (Preface) as a result of this Exposure Draft.</p> <p>We agree it is helpful for the Preface to be amended to reflect the characteristics of public sector entities to which International Public Sector Accounting Standards (IPSASs) are intended to apply. We support the principle-based approach and the focus on describing the characteristics of entities for which IPSASs are intended. From New Zealand's perspective, this approach is consistent with the manner in which we have adopted and applied IPSASs for our public benefit entities.</p> <p>However, we recommend a rewording of the proposed paragraph which states:</p> <p><i>"The IPSASs are intended to apply to public sector entities that:</i></p> <p><i>(a) Are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth;</i></p> <p><i>(b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions or debt or fees and do not have capital providers that are seeking a return on their investment or of their investment; and</i></p> <p><i>(c) Do not have a primary objective to make profits."</i></p> <p>We recommend the proposed paragraph be reworded to better align with the wording in <i>The Preface to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</i> (Conceptual Framework Preface). Paragraph 2 of the Conceptual Framework Preface states that:</p> <p><i>"The primary objective of most public sector entities is to deliver services to the public, rather than to make profits and generate a return on equity to investors".</i></p> <p>We consider the wording in the Conceptual Framework Preface is a more appropriate description of the characteristics of a public sector entity because:</p>	See Table 2, paragraph 23, Table 3, and paragraph 29 of Agenda Item 9.1

Respondents' Comments on SMC in ED 56, *The Applicability of IPSASs*  
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Response #	SMC	Sug- gestion	Respondent Comments	Staff Comments
			<ul style="list-style-type: none"> <li>proposed sub-paragraph (a) in itself does not necessarily distinguish a public sector entity from a for-profit entity, for example, a private for-profit entity may be set up to deliver services on behalf of a public sector entity; and</li> <li>proposed sub-paragraph (c) in itself does not necessarily distinguish a public sector entity from a for-profit entity, for example, a loss- making company (that does not have the primary objective to make profits) may be set up within a for-profit group of companies.</li> </ul> <p>We also consider the term “<i>capital providers</i>” in the proposed sub-paragraph (b) could be confusing. We recommend that the term “<i>equity providers</i>” be used instead of “<i>capital providers</i>”. Public sector entities that issue debt in the capital markets may have <u>debt capital providers</u> who would be seeking a return on their investment or of their investment. Using equity providers is also consistent with the terminology used in the Conceptual Framework Preface.</p> <p>To better align the wording of the proposed paragraph with the wording in the Conceptual Framework Preface, we suggest sub-paragraphs (a) and (c) be combined, such that sub-paragraph (a) is stated as a primary objective (rather than as a responsibility) and the entity not having a primary objective to make profits is stated as a contrast to that primary objective.</p> <p>We recommend that proposed paragraph be reworded to the following:</p> <p style="padding-left: 40px;"><i>“The IPSASs are intended to apply to public sector entities that:</i></p> <p style="padding-left: 40px;">(a) <u><i>Have a primary objective to deliver services to benefit the public and/or to redistribute income and wealth, rather than to make profits; and</i></u></p> <p style="padding-left: 40px;">(b) <i>Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions or debt or fees and do not have capital equity providers that are seeking a return on their investment or of their investment; and.</i></p> <p style="padding-left: 40px;">(c) <del><i>Do not have a primary objective to make profits.”</i></del></p>	
03	B	B.2 and	4. Our only comments are to further improve the clarity of the changes:	

Response #	SMC	Sug- gestion	Respondent Comments	Staff Comments
		B.3	<p>a. We would recommend that the coverage of IPSAS is specifically included in IPSAS 1 as well as in the Preface to the standards. This definition of scope should replace the existing scope Para 5 in IPSAS 1.</p> <p>b. For clarity we would suggest that all references to GBEs are removed from IPSAS. If necessary the term GBE could be replaced with the term "Public Corporations" as defined in statistical systems.</p>	<p>See Category 3 of Appendix A of Agenda Item 9.1</p> <p>See paragraphs 45 and 50 of Agenda Item 9.1</p>
04	B	B.1, B.2, and B.3	<p>We have the following comments with respect to the proposed amendments to IPSASs that are consequential to the removal of the definition of Government Business Enterprises (GBE) in IPSAS 1:</p> <p><i>Commercial public sector entity</i></p> <p>In several instances throughout the proposed changes to IPSASs, the term "GBE" has been replaced by "commercial public sector entity", "commercial entity" or "commercially-oriented public sector entity". Although we understand that the goal of the change is to remove the definition of a GBE, we believe that an explanation of "commercial public sector entity" is required to ensure the guidance is comprehensive. Consequently, we suggest that clarification is provided, either in the Preface or in IPSAS 1, to state that the term "commercial public sector entity" refers to a public sector entity that does not apply IPSASs. We also recommend that this term (as stated) is used where possible, rather than the other versions noted above, so as to remove any potential for misunderstanding.</p> <p><i>Scope and applicability of standards</i></p> <p>Preface:</p> <p>As noted in our comments on the Consultation Paper, not all public sector entities provide services directly to the public; some have a mandate to provide services to other public sector entities. For example, in the Canadian federal government, <i>Shared Services Canada</i> and <i>Public Works and Government Services Canada</i>, have mandates to provide services such as information technology and building maintenance to other government departments and agencies, and do not provide services directly to the public. Consequently, to make the guidance more inclusive of all relevant public sector entities, we believe that paragraph 10(a) in the Preface should be modified as follows:</p>	<p>See paragraphs 46(a), 47, 51-53 and Category 1 of Appendix A of Agenda Item 9.1.</p> <p>See Table 2, Table 3, and paragraph 30 of Agenda Item 9.1.</p>

Response #	SMC	Sug- gestion	Respondent Comments	Staff Comments
			<p>"...Are responsible for the delivery of services to the public, <u>or to other public sector entities</u>, with assets held primarily for their service potential and/or to make transfer payments to redistribute income and wealth."</p> <p>Standards:</p> <p>The scope sections of certain IPSASs make references to the requirement that "public sector entities other than commercial (public sector) entities..." apply the standard. However, we believe there should be a presumption in the guidance that IPSASs are applied only by those entities for which they are intended. Therefore, we suggest removing "...other than commercial (public sector) entities" as applicable, as this scope restriction is not relevant to those entities that are applying the standards. Leaving these references in the scope sections may cause misinterpretation of which policies should be applied when conforming the accounting policies of commercial public sector entities to those of the group reporting entity for the preparation of consolidated financial statements. We have noted these references in the following standards:</p> <ul style="list-style-type: none"> <li>• IPSAS 21 <i>Impairment of Non-Cash Generating Assets</i>, paragraph .06</li> <li>• IPSAS 24 <i>Presentation of Budget Information in Financial Statements</i>, paragraph .03</li> <li>• IPSAS 26 <i>Impairment of Cash Generating Assets</i>, paragraph .05</li> </ul> <p><i>Other</i></p> <p>The last sentence in IPSAS 16.9 <i>Investment Property</i> is a repeat of an earlier sentence in that same paragraph.</p>	<p>See Category 1 of Appendix A of Agenda Item 9.1.</p> <p>See Category 2 of Appendix A of Agenda Item 9.1.</p>
05	B	B.1	<p>Indeed, describing the public sector entities for which IPSASs are intended, based on their characteristics and specificities of public action, seems to us a pragmatic and functional approach. Furthermore, using the Conceptual Framework in order to define the entities for which IPSAS are intended highlights its meaning. This approach leads to describe the scope of applicability of IPSAS to entities that:</p> <ul style="list-style-type: none"> <li>• <i>"are responsible for the delivery of services<sup>3</sup> to benefit the public and/or to redistribute income and wealth;</i></li> <li>• <i>mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of their investment; and</i></li> </ul>	See Table 2 of Agenda Item 9.1.



Response #	SMC	Sug- gestion	Respondent Comments	Staff Comments
			<ul style="list-style-type: none"> <li>do not have a primary objective to make profits.”</li> </ul> <p>This scope, built on the primary objective of public sector entities, seems relevant. Nevertheless, the DGFIP regrets that, in the ED, this definition does not include the notion of “holding assets, primarily for their service potential” as previously mentioned<sup>4</sup> in the CP. Indeed, in the public sector, assets are primarily held in order to provide goods and service towards citizens, users and taxpayers, and not to make profit. Thus, assets held by public sector entities are mainly non cash generating assets. Therefore, from our point of view, this critical point should be reintegrated, and mentioned as a characteristic of public entities.</p> <p>In terms of vocabulary replacing the term “government business entities” by “commercial public sector entities” seems to us appropriate. Indeed, those entities are created in order to operate in accordance with the rules of the market. Moreover, this term enables regulators and relevant authorities to decide on borderline cases, so as to offer the flexibility required by the heterogeneity of national situations.</p> <p><sup>3</sup> Goods and services.</p> <p><sup>4</sup> § 6.8 of the CP: IPSAS are designed to apply to entities that:</p> <ul style="list-style-type: none"> <li>are responsible for the delivery of services (goods and services) to the public with assets held primarily for their service potential and/or to make transfer payments to redistribute income and wealth;</li> <li>finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of the investment.</li> </ul>	
06	B	B.1	<p>We suggest the following amendments to the proposed paragraph 10(b):</p> <ul style="list-style-type: none"> <li>Two distinct characteristics of public sector entities are included in paragraph 10(b): Firstly, how public sector entities finance their activities, and secondly, that they do not have capital providers. For clarity, we suggest these two characteristics are separated into two sub paragraphs.</li> <li>In our view public sector entities may have debt capital providers but not equity capital providers. Therefore, we suggest replacing “capital providers” with “equity capital providers”.</li> </ul>	<p>See Table 3 and paragraph 34 of Agenda Item 9.1</p> <p>See Table 2, paragraphs 23 and 27 of Agenda Item 9.1.</p>

Response #	SMC	Sug- gestion	Respondent Comments	Staff Comments
07	B	B.1 and B.2	<p><b>3. Specific Matter of Comment 1</b></p> <p>The SRS-CSPCP agrees with the changes proposed in this ED. It agrees with the three proposed criteria to identify entities that must apply IPSAS. However, it would welcome that a remark would be added to make clear whether the criteria are to be fulfilled cumulatively or not. Such a remark would be useful for the users of IPSASs.</p> <p>Already in its comments on the CP the SRS-CSPCP expressed the wish that the expressions “direct” or “indirect financing” be defined. The SRS-CSPCP can somehow understand that the IPSAS Board deliberately does not define these expressions. If defining them could not be an option, the SRS-CSPCP would still suggest that the scope of these expressions could be illustrated using examples.</p> <p>In the considered standards, the expression “GBE” is substituted by “commercial entity” but sometimes also by “commercial public sector entity”. To avoid confusion, the SRS-CSPCP believes that only one of these expressions should be chosen and systematically used.</p>	<p>See Table 4, paragraphs 39 and 40 of Agenda Item 9.1</p> <p>See Table 4, paragraphs 39 and 40 of Agenda Item 9.1</p> <p>See paragraph 46(b) and 52 of Agenda Item 9.1</p>
08	A	–	<p>PSAB staff supports the proposal to remove all references to Government Business Enterprises (GBEs) from the IPSASB’s pronouncements so that the <i>Preface to the international Public Sector Accounting Standards</i> can provide guidance on the applicability of IPSASs and RPGs. This principles based approach will allow for exercise of professional judgement and addresses the interpretation and lack of flexibility issues that lead to the start of this project.</p> <p>The CPA Canada Public Sector Accounting (PSA) Handbook defines the term government business enterprises. However, in Canada, a clear definition of GBEs is critical as the consolidation rules applicable to GBEs are different from those applicable to other governmental units. Currently IPSASB does not face this challenge and hence the approach proposed in the Exposure Draft should work well.</p>	Supports the ED and did not provide further suggestion.
09	B	B.1	<p><b><u>Specific Matters for Comment</u></b></p> <p>HoTARAC has commented on the following proposals:</p> <ul style="list-style-type: none"> <li>• <b>Deleting the Government Business Enterprise (GBE) definition in International Public Sector Accounting Standard IPSAS 1 <i>Presentation of Financial Statements</i></b></li> </ul>	

Response #	SMC	Sug- gestion	Respondent Comments	Staff Comments
			<p>HoTARAC supported removal of the GBE definition in our submission on the Consultation Paper, <i>The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities</i>. HoTARAC continues to support this view.</p> <ul style="list-style-type: none"> <li>Amending the scope section of each IPSAS and Recommended Practice Guideline (RPG) by removing the paragraph that states GBEs do not apply IPSASs</li> </ul> <p>HoTARAC supports removal of references to GBEs in the scope section of each IPSAS and RPG.</p> <ul style="list-style-type: none"> <li>Replacing the current paragraph 10 in the <i>Preface to IPSASs (Preface)</i> with a revised paragraph providing the characteristics of public sector entities for which IPSASs are intended.</li> </ul> <p>HoTARAC supports replacing paragraph 10 in the <i>Preface</i> with a revised paragraph. Please see below for further comments on each specific criterion in the proposed paragraph 10.</p> <p><u>Paragraph 10(a)</u></p> <p>HoTARAC agrees with IPSASB's view that the description at paragraph 10(a): "<i>are responsible for the delivery of services to benefit the public</i>", is intended to capture public sector entities that hold assets for service potential rather than generating cash flows. IPSASB's intention is made clear in IPSAS 1 at the Basis for Conclusions (BC) paragraphs BC24(d) and BC28. However, the BC accompanies, but is not part of the standard. HoTARAC recommends clarifying in the <i>Preface</i> that holding assets for service potential will be in the scope of IPSASs or include a reference to BC28 of IPSAS 1.</p> <p><u>Paragraph 10(b)</u></p> <p>There are two components in the proposed paragraph 10(b): (1) "<i>mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees</i>"; and (2) "<i>do not have capital providers that are seeking a return on their investment or a return of their investment</i>".</p> <p>HoTARAC is of the view that the first component (1) of paragraph 10(b) is not a distinctive characteristic of an entity for which IPSASs are intended. It is too broad and captures both commercial and non-commercial public sector entities. For example, commercial entities are likely to finance their activities through fees from rendering services and debt.</p>	See Table 2, paragraph 23, Table 3 and paragraph 34 of Agenda Item 9.1

Response #	SMC	Sug- gestion	Respondent Comments	Staff Comments
			<p>HoTARAC agrees with IPSASB that entities that have investors that seek a financial return on equity should not be in scope of IPSASs, as noted in BC27 of IPSAS 1. This latter component (2) of paragraph 10(b) is not dependent on the first component and is a differentiating characteristic that determines whether an entity is in scope. HoTARAC recommends IPSASB separate the two components in paragraph 10(b) and treat them as two separate criteria.</p> <p>When government provides an equity contribution to a public sector entity, there is usually an expectation that the funding will be used to achieve the government's objectives. That is, there is an expectation of a non-financial return from service delivery. HoTARAC recommends IPSASB clarifies that 'seeking a return' in the proposed paragraph 10(b) refers to 'financial returns' to avoid excluding public sector entities that provide non-financial returns to the government.</p> <p>HoTARAC also recommends IPSASB clarify that 'capital' mentioned in the proposed paragraph 10(b) refers to equity and not debt to avoid confusion.</p> <p><u>Paragraph 10(c)</u></p> <p>HoTARAC agrees with IPSASB that not having a primary objective to make profits is a distinctive characteristic that determines whether an entity is in scope of IPSASs.</p>	
10	A	-	<p>NBAA agrees with the IPSASB proposals as follows;</p> <ul style="list-style-type: none"> <li>To delete the GBE definition in IPSAS 1, <i>Presentation of Financial statements</i>.</li> <li>To amend the scope section of each IPSAS and RPG by removing the paragraph that states that GBEs do not apply IPSASs</li> <li>To replace the current paragraph 10 in the preface to IPSASs with a revised paragraph providing the characteristics of public sector entities for which IPSASs are intended.</li> </ul> <p>This is due to some deficiencies we observed in the definition of Government Business Enterprises as per IPSAS 1, presentation of financial statements. They include;</p> <ul style="list-style-type: none"> <li>Sells goods and services in the normal course of its business to other entities at a profit or full cost recovery, hence to many entities it is difficult to determine the full cost since most of fixed costs are</li> </ul>	<p>Supports the ED and did not provide further suggestion.</p> <p>R10 only seeks clarification on a specific real life example in their jurisdiction without providing further suggestion. It is out of the scope of this project how to apply the</p>

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Response #	SMC	Sug- gestion	Respondent Comments	Staff Comments
			<p>difficult to be determined and allocated separately to the service provided. Also to recover cost does not guarantee making profit.</p> <ul style="list-style-type: none"> <li>It not reliant on continuing government fund to be a going concern(other than purchases of outputs at arm's length), also there are some entities which are reliant on government fund to be a going concern but still describe themselves as GBEs. Therefore it was very difficult to determine at what percentage (%) of funding an entity was said to be or not to be reliant to government funding.</li> </ul> <p>Also in our pinion we see that there is a problem of comparability with the current definition of GBE due to the fact that there are some entities in public sector which report using IFRS while they could use IPSAS. Therefore during consolidation process in public sector it becomes difficult to do the process due to application of different standards in reporting.</p> <p>The definition of GBE was not clear and so contradicted those who interpreted it for decision making, but the current definition of a public sector is clearer and provides more explanations.</p> <p>However we have highlighted some areas on characteristics of public sector entities which need more clarifications/explanation for easy of understanding them, and application on the following characteristic of Public sector entity;</p> <ol style="list-style-type: none"> <li>IPSASs are designed to apply to public sector entities that do not have a primary objective to make profits, there are some entities which do not have primary objective to make profits but they have some projects which generates income to them and that income is included in their financial statements. Also there is a case of pension funds which do not aim to make profits but they have invested in investment properties which generates a lot of income to them but on the other hand they are not mainly finance their activities by means of taxes or transfers from government. Therefore we consider this as one of the scenario which can cause confusion on whether such entity to use IPSAS or IFRS.</li> </ol> <p>While NBAA agrees on the IPSASB proposal on the applicability of IPSASs, we also acknowledges that the need for clarifications referred to in our comments might assist the board in making final decision.</p>	characteristics specific jurisdictional examples.

Response #	SMC	Sug- gestion	Respondent Comments	Staff Comments
11	B	B.2 and B.3	<ul style="list-style-type: none"> <li>We agree with the view of the IPSAS Board in respect of defining the term 'public sector entities' in the 'Preface to the International Public Sector Accounting Standards'. However, it is suggested that the reference of the 'Preface to the International Public Sector Accounting Standards' in regard to the above definition may be provided in each IPSAS for more clarification.</li> <li>Since the purpose of providing definition of the GBEs was to exclude the Commercial Public sector entities from the scope of the IPSASs, therefore, now under the new approach the term GBE/ its reference in the IPSASs should be replaced with the 'Commercial public sector entities'. However, it is observed that at some places such as Para 9 of IPSAS 16, Paras 6, 20 &amp; 21 of IPSAS 21 and Para 3 &amp; BC 10 of IPSAS 24, the terms GBEs have been replaced with the term 'Commercial Entities'. It is suggested that the term 'Commercial Public Sector Entities' may be used in all IPSASs in order to maintain consistency.</li> <li>In respect of IPSAS 4, 'The Effects of Changes in Foreign Exchange Rates' the amendments in paragraphs 6 and 7 are provided in the Exposure Draft 56. However, it is mentioned that the term 'GBEs' has also been used in paragraph 13 (a) of IPSAS 4*, Appendix A on 'Terms in this RPG defined in IPSASs' of RPG 1 and RPG 2* also include definition of GBEs. Amendments in regard to these are not covered in the Exposure draft 56. It is suggested to modify the same according to the new proposal of deleting the definition/ reference of GBEs in the IPSASs and RPGs.</li> </ul>	<p>See Category 3 of Agenda Item 9.1</p> <p>See paragraph 46(b) of Agenda Item 9.1</p> <p>See Category 2 of Agenda Item 9.1</p>
12	B	B.3	<p>We generally agree with the proposals in the ED. As a standards-setting board, we believe that the IPSASB is responsible for defining certain characteristics of the public sector entities to which the IPSASs will apply.</p> <p>For the following items pertaining to the proposed changes to paragraph 10 of the "Preface to International Public Sector Accounting Standards" (the Preface), however, we believe that further discussion and clarification would be required with respect to the characteristics of public sector entities.</p> <p>1. Proposals</p> <ul style="list-style-type: none"> <li>In some cases, a government business enterprise (GBE) that had initially intended to adopt the IFRSs (that is, a GBE whose objective is to obtain profit or recover the total cost) but that suffers a deterioration in its operations may arbitrarily choose to change its objective to that of delivering services to the public and accordingly adopt the IPSASs to avoid any impairment under the IFRS. Such application of the IPSASs will certainly be undesirable. We believe that the IPSASB should require the public sector entities to pay attention to this issue by including in the Preface, for example, the</li> </ul>	<p>See Table 4, paragraphs 39 and 40, Category 7 of Appendix A of Agenda Item 9.1</p>

Response #	SMC	Sug- gestion	Respondent Comments	Staff Comments
			<p>following: "Public sector entities within the scope of the IPSASs should not change their objectives according to any changes in external environments without any justifying rationale." (We made a similar comment in our comment letter on the Consultation Paper "The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities.")</p> <ul style="list-style-type: none"> <li>- The proposed changes to paragraph 10 of the Preface would result in the determination of public sector entity "characteristics" within the scope of the IPSASs. The IPSASB should consider, however, that the entities which have already adopted the IFRSs, thereby not specifically required to adopt the IPSASs, would not be forced to automatically apply them when they have those characteristics. For example, it would be possible to include in the Preface the following requirement: "Notwithstanding the requirements of paragraph 10, entities that have already adopted the IFRSs are excluded from the scope of the IPSASs."</li> </ul> <p>2. Points to confirm</p> <ul style="list-style-type: none"> <li>- Regarding the context for the text, "do not have capital providers seeking a return on their investment," are we to understand that "return on their investment" would have the same meaning as "commercial return" in the definition of cash-generating assets in paragraph 2 of IPSAS 21 "Impairment of Non-Cash Generating Assets"? Since the term "commercial return" is not currently defined in the IPSASs, we request the IPSASB to clarify this.</li> <li>- A large number of public sector entities have capital providers seeking returns on investments in debt issuers. We believe that the IPSASB should clarify whether they are within the scope of the IPSASs.</li> <li>- Does the term "a return of their investment" in (b) of the proposed changes to paragraph 10 of the Preface include the gain on sales, in addition to the return of the investment principal (Confirmation for the purpose of translation)?</li> <li>- The IFRSs do not specifically address entities that aim to recover the total costs. We believe that the IPSASB should clarify whether they are within the scope of the IPSASs.</li> </ul>	<p>See Table 4, paragraphs 39 and 40 of Agenda Item 9.1</p> <p>See paragraph 24 of Agenda Item 9.1</p> <p>See paragraph 24 of Agenda Item 9.1</p> <p>See Table 4, paragraphs 39 and 40 of Agenda Item 9.1</p> <p>See Table 4, paragraphs 39 and 40 of Agenda Item 9.1</p>
13	B	B.1, B.2,	<b>Confusion as to Status of Revisions to the Preface</b>	Staff is of the view that the fact that a large number of respondents

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Response #	SMC	Sug- gestion	Respondent Comments	Staff Comments
		and B.3	<p>We note from the Executive Summary that “the IPSASB has already approved” revisions to the Preface of the Handbook of International Public Sector Accounting Pronouncements. These revisions are also excluded from ED 56. It thus appears that the IPSASB is not seeking comments on the wording of these revisions, despite their impact on this project and the fact that they differ in part from text put forward for constituent’s consideration in the 2014 Consultation.</p> <p>The position for constituents is, however, not entirely clear. The fact that replacing paragraph 10 is the third bullet point of the proposed new approach implies that this is subject to comment. Furthermore, the use of the term “draft description” in the minutes of the IPSASB Meeting held in June 2015 implies that the IPSASB does not consider this text as finalized. On this basis, we comment on paragraph 10 of the Preface below.</p> <p>We are, however, concerned that this apparent lack of clarity may result in the IPSASB receiving fewer comments in relation to paragraph 10 of the Preface than might otherwise have been the case.</p> <p><b>Characteristics of Public Sector Entities for which IPSASs are Intended</b></p> <p>The 2014 Consultation included the following description of characteristics of public sector entities:</p> <p>“IPSASs are designed to apply to entities that:</p> <ul style="list-style-type: none"> <li>a) Are responsible for the delivery of services to the public with assets held primarily for their service potential and/or to make transfer payments to redistribute income and wealth;</li> <li>b) Finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debts or fees and do not have capital providers that are seeking a return on their investment or a return of the investment.”</li> </ul> <p>According to the Executive Summary issued in July 2015, the revised paragraph 10 is to read:</p> <p>“The IPSASs are designed to apply to public sector entities that:</p> <ul style="list-style-type: none"> <li>(a) Are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth;</li> </ul>	<p>made suggestions to paragraph 10 of the <i>Preface to IPSASs</i> is an evidence that the ED did not have lack of clarity.</p> <p>See Table 2 and Table 3 of Agenda Item 9.1</p>



Response #	SMC	Sug- gestion	Respondent Comments	Staff Comments
			<p>(b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of their investment; and,</p> <p>(c) Do not have a primary objective to make profits.”</p> <p>We appreciate that paragraph 10 of the Preface will inform decision makers as to the IPSASB’s intended application when developing its pronouncements, and not seek to preclude their application. Given this, we wonder whether the references to the non-inclusion of return on capital in the last part of (b) and profit making in (c) (although useful to highlight the key differences from the private sector during the 2014 Consultation) might add unnecessary confusion if retained in the Preface, particularly if qualified with the terms “mainly” and “primary”. In our view this text could be deleted so that the Preface would state only the characteristics IPSASB has considered (i.e., subsections (a) and the first part of (b) up to and including “...fees”) rather than those not considered. This would be in line with Chapter 4 of the IPSASB Conceptual Framework. Indeed including both the characteristics IPSASB has considered and those it has not considered implies a bright-line interpretation on the part of IPSASB of the terms “mainly” and “primary” that, given the diversity of the public sector entities worldwide, will not exist in practice.</p> <p><b>Proposed Replacement of “GBE” with “Commercial Entity”</b></p> <p>We note that the IPSASB is not proposing to define the term “commercial entity”, and wonder whether it might be helpful to do so, alongside an explanation of the propensity for there to be various different constructs facilitating commercial activities undertaken in the public sector beyond a “pure” commercial public sector entity. Such text might complement paragraph 10 of the Preface, as it could be useful to those responsible for determining which specific public sector entities are to present financial statements in accordance with IPSASs.</p> <p>There needs to be more consideration of what this term is intended to mean in the various contexts the IPSASB proposes it be used. For example, it is not appropriate to rewrite the past by merely replacing the term “GBE” with “commercial entity” within text explaining the IPSASB’s past decisions, e.g. within the BCs accompanying individual pronouncements and specifically IPSAS 24 BC 10; IPSAS 26, BC 10; IPSAS 28, BC 25; IPSAS 35, BC 8; RPG 1, BC 10; and RPG 3, BCs 8 and 9. Instead, the explanation of the original decision which remains a past event should not be changed but instead be supplemented by an explanation of the impact of the IPSASB’s subsequent decision reached in 2015.</p>	<p>See paragraph 46(c), 51 of Agenda Item 9.1</p> <p>See paragraphs 48, 55-57 of Agenda Item 9.1</p>

Response #	SMC	Sug- gestion	Respondent Comments	Staff Comments
			<p>In some instances the term GBE had been used to convey the fact that IPSASs are not applicable, such that certain text may no longer be needed, whereas in other instances it is used to convey the nature of the entity. We comment as follows:</p> <ul style="list-style-type: none"> <li>• The text in brackets within the second sentence of paragraph 9 of IPSAS 16 could be deleted. The proposed addition of a new last sentence to this paragraph duplicates the existing fourth sentence.</li> <li>• The wording of the second sentence of paragraph 24 of IPSAS 18 would be clearer as: "However ... or which distinguishes budget-dependent activities from other activities, as may be the case for commercial public sector entities."</li> <li>• As the IPSASB no longer wishes to adhere to its former position that commercial public sector entities do not apply IPSASs, the words "other than commercial entities" could be deleted in the second sentence of paragraph 6 of IPSAS 21.</li> <li>• Paragraph 3 of IPSAS 24 could be clearer, particularly for translation purposes. It might be more helpful to reword it along the following lines: This Standards applies to those public sector entities that present financial statements in accordance with IPSASs and are required or elect to make their approved budgets publically available. This would obviate the need to mention commercial entities specifically.</li> <li>• References to GBEs within IPSAS 26 concerning the non-applicability of IPSASs to GBEs are largely redundant. For example, the phrase "other than commercial entities" could be deleted in both sentences of paragraph 5 of IPSAS 26.</li> <li>• Paragraph 13 of IPSAS 35 appears to need further consideration, given the change in stance as to applicability of IPSASs. There should not be reference to a requirement to comply with IPSAS 35 if IPSASB is not the party determining such requirements.</li> <li>• Paragraph 6 of RPG 1 and paragraph 3 of RPG 3 could read "Although <u>the IPSASB does not envisage</u> this RPG <del>does not</del> will apply ...". It is possible that a commercial public sector entity may be required to apply RPGs despite the IPSASB not having intended such use – i.e., the Board no longer precludes application for any public sector entity.</li> </ul>	<p>See Category 2 of Agenda Item 9.1</p> <p>See Category 4 of Agenda Item 9.1</p> <p>See Category 1 of Agenda Item 9.1</p> <p>See Category 1 of Agenda Item 9.1</p> <p>See Category 1 of Agenda Item 9.1</p> <p>See Category 5 of Agenda Item 9.1</p> <p>See Category 6 of Agenda Item 9.1</p>

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Response #	SMC	Sug- gestion	Respondent Comments	Staff Comments
14	A	–	<p>In our earlier response to the 2014 Consultation Paper, <i>The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities</i>, the Institute supported the option of removing the definition of “Government Business Enterprise” and replacing it with a principles-based approach that leaves regulators and other relevant authorities to decide on which organisations to which IPSASs are applicable. This is particularly useful as the application of accounting standards in the public sector varies from country to country.</p> <p>Hence, the Institute agrees with the proposal to include in the Preface to International Public Sector Accounting Standards a high-level, principle-based description of organisations to which IPSASs are applicable.</p> <p>Further, the Institute also agrees that the proposed description of the organisations to which IPSASs are applicable, emphasises on the characteristics of public sector entities based on their principal activities, funding structure and profit orientation.</p> <p>In conclusion, MICPA agrees with the overall proposal as set out in the Exposure Draft.</p>	Supports the ED and did not provide further suggestion.
15	B	B.1 and B.3	<p><b>Specific Matter for Comment 1:</b></p> <p><i>Deleting the GBE definition in IPSAS 1, Presentation of Financial Statements and amending the scope section of each IPSAS and RPG by removing the paragraph that states that GBEs do not apply IPSASs.</i></p> <p>We support the proposal to remove all references to “Government Business Enterprises” from the IPSASB's pronouncements.</p> <p><b>Specific Matter for Comment 2:</b></p> <p><i>Replacing the current paragraph 10 in the Preface with a revised paragraph providing the characteristics of public sector entities for which IPSASs are intended as follows:</i></p> <p><i>The IPSASs are designed to apply to public sector entities that:</i></p> <p style="margin-left: 40px;"><i>a) Are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth;</i></p>	

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			<p><i>b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of their investment; and,</i></p> <p><i>c) Do not have a primary objective to make profits.</i></p> <p>We support the proposal to replace the current paragraph 10 in the Preface with a revised paragraph providing the characteristics of public sector entities for which IPSASs are intended.</p> <p>During our discussions, there was uncertainty about how the characteristics should be interpreted and the consequences thereof. With regards to characteristic b), we debated whether “Mainly” is intended to mean more than 50 percent or if it could be interpreted in another way. We also noted that an entity might receive most of its funding from other levels of government in one year, and receive very little funding from other levels of government in the year thereafter. Guidance should be provided on how to determine whether such an entity’s activities are financed “mainly” through transfers from other levels of government, taking into account historic and expected future transfers. This assessment should not be based solely on the way the entity’s activities are being financed during the current year.</p> <p>We also suggest that a paragraph is added to explain that an entity should determine whether IPSASs are applicable to it initially, and thereafter reassess the applicability of IPSASs, only if there is significant change within the entity. Receiving most of its funding from other levels of government in one year, and then receiving very little funding from other levels of government in the year thereafter, should not result in another framework being applied every other year.</p> <p><b>Specific Matter for Comment 3:</b></p> <p><i>The characteristics identified in the revised paragraph 10 of the Preface to IPSASs along with the entities identified in paragraph 1.8 of the Conceptual Framework provides a comprehensive view of the public sector entities for which IPSASs are designed.</i></p> <p>We are concerned that users/readers who are trying to determine whether the IPSASs are applicable to an entity, might consider only one of the above mentioned paragraphs instead of obtaining a comprehensive view by considering both as they are contained in separate documents.</p>	<p>See Table 4 and paragraphs 39 and 40 of Agenda Item 9.1</p> <p>See Table 4 and paragraphs 39 and 40 of Agenda Item 9.1</p> <p>See Table 4 and paragraphs 39 and 40 of Agenda Item 9.1</p>

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			We suggest that the IPSASB considers having one comprehensive paragraph including both the characteristics and the range of public sector entities for which IPSASs are designed, or alternatively, make reference in each of the above mentioned paragraphs, to the other paragraph that needs to be considered in order to have a comprehensive view of the public sector entities for which IPSASs are designed.	See Category 8 of Appendix A of Agenda Item 9.1
16	B	B.1 and B.2	<p><b><u>Specific Matter for Comment:</u></b></p> <p><i>The IPSASB proposes deleting the defined term “Government Business Enterprise” and removing all references to the term from the IPSASB’s pronouncements, so that the Preface to International Public Sector Accounting Standards will provide guidance on the applicability of IPSASs and RPGs.</i></p> <p><i>In order to facilitate comments, a positive description of the characteristics of public sector entities for which IPSASs are intended is included in the Executive Summary of the ED. This description will be part of the Preface to International Public Sector Accounting Standards.</i></p> <p><i>Do you agree with the changes to IPSASs and RPGs proposed in this ED? If not, please provide your reasons.</i></p> <p>We agree with the proposed changes to IPSASs and RPGs to delete the GBE definition in IPSAS 1 and removing all references to the term in the IPSASB’s literature. We also support the replacement of paragraph 10 with the revised paragraph which provides the characteristics of public sector entities for which IPSASs are intended.</p> <p><u>Replacement of GBEs with the term “commercial public sector entity”</u></p> <p>Some of our stakeholders question the replacement of the previously defined term “GBE” with the undefined term “commercial public sector entity” and/or “commercial entity”. It is not clear what the IPSASB considers to be “commercial public sector entities”. For instance, is a commercial public sector entity an entity that is described in paragraph BC27 of the <i>Amendments to IPSAS 1</i> which provides that “<i>The IPSASB acknowledges that the public sector also includes other entities that seek a return on equity to investors</i>” or is it an entity that does not have a primary objective to make profits based on the characteristics of a public sector entity.</p> <p>To address this concern, we believe it would be useful for the IPSASB to provide a <i>description</i> of what would be considered a commercial public sector entity. We do however not believe that the IPSASB should define</p>	See paragraphs 46(c), 49 and 51 of Agenda Item 9.1

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			<p>commercial public sector entities, and should rather leave this up to the regulators in the different jurisdictions to decide how they would define entities that operate in the public sector environment but do not meet the characteristics of a public sector entity. In our view, this approach further reinforces the IPSASB's outlook on the role of the regulators in determining which entities should apply IPSASs. We believe that the regulators would be able to apply better judgement in determining which entities should not be required to prepare general purpose financial statements and the appropriate reporting framework for those entities.</p> <p><u>Replacement of paragraph 10 with the characteristics of a public sector entity</u></p> <p>We welcome the revised characteristics outlined in the <i>Amendments to IPSAS 1</i>. We understand that the IPSASB had intended that these high-level characteristics would broadly outline the features of a public sector entity for which it develops IPSASs and RPGs. Our stakeholders raised the concern that these high-level characteristics will be difficult to interpret and apply in different jurisdictions. They note that the readers of IPSASs who are trying to determine the appropriate reporting framework may require explanatory guidance to aid in the interpretation and application of the characteristics. While the Basis for Conclusions gives the readers some insights into the IPSASB's thinking and decisions made when it developed the characteristics, clear guidance would assist in establishing a clear boundary between public sector entities that should apply IPSASs, and those other public sector entities such as GBEs which should apply IFRSs (or a national equivalent). This view is consistent with our feedback in our response to the Consultation Paper issued in August 2014.</p> <p>The discussion below outlines those areas where we believe additional guidance or commentary would be useful to ensure consistent interpretation and application of the characteristics. This discussion is an extension of our initial feedback which also outlined specific areas that required supporting guidance.</p> <p><i>(a) Are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth.</i></p> <p>Paragraph BC 28 on page 12 explains what is meant by the description "<i>are responsible for the delivery of services</i>". We propose that the text should be elevated and used as supporting guidance in the Preface as it clarifies that a public sector entity is not one that delivers services, in the normal course of its business, with a profit-oriented objective.</p> <p>Additionally, our stakeholders indicated that there are some private sector entities that could be seen as being responsible for delivering services to benefit the public because of the nature of the services they provide, e.g. healthcare. However, unlike public sector entities, they are not mandated to deliver those services in accordance</p>	

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			<p>with legislation or similar means. It was noted that the supporting guidance should make it clear that the responsibility to deliver services that benefit the public is usually linked to a clear government mandate.</p> <p><i>(b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of their investment.</i></p> <p>When reading the characteristic, the second aspect relating to the absence of capital providers that are seeking a return on their investment or a return of their investment is not prominent enough. Our stakeholders indicated that this aspect is equally important, and proposed that the sentence should be separated into two parts so that both aspects are prominent to the reader.</p>	See Table 3 and paragraph 34 of Agenda Item 9.1
17	A	–	<p><b>Overall Opinion</b></p> <p>We agree to delete the definition of Government Business Enterprises in IPSASs.</p> <p>We do not agree with amendments to IPSAS 35 that commercial public sector entities should be consolidated line by line. In our opinion it should be sufficient to account some commercial public sector entities using the equity method. In that way the relevant parts of the peripheral entities should be included in the group accounts in a way relevant to the constituents.</p> <p>In Sweden the recipient of the annual report of central Government is the Parliament, according to the Budget act. The main purpose is to determine the stewardship of assets and resources etc., i.e. if the operations have been accomplished according to legislation. The accounts should also be used to support management and reporting by result. Consolidation of the wealth of the controlling entity or the fair value of specific assets and liabilities are considered to have a subordinate role in Sweden, because assets are normally used in operations to give service potential.</p> <p>In Sweden the state's owned companies are followed up in a special report each year. We also consider that full consolidations of these entities could obstruct the evaluation of financial management within the government sector and also is of limited use.</p>	<p>Supports the ED and did not provide further suggestion.</p> <p>Staff is of the view that the objective of this project is about the applicability of IPSAS and not about IPSAS 35, <i>Consolidated Financial Statements</i>.</p>

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			<p><b>Concluding Remarks</b></p> <p>We hope the comments given will be useful in your continuing work with accounting standards. We would like to take this opportunity to express our support for the development of International Public Sector Accounting Standards.</p>	
18	B	B.1 and B.3	<p>We agree with the overall proposed changes set out in the Exposure Draft.</p> <p>We agree with the proposed description of characteristics of public sector entities for which IPSAS are intended, and a deletion of GBE definition and all references to GBE in IPSASs and RPGs.</p> <p>We acknowledge the role of regulators and other relevant authorities in each jurisdiction in determining which entities should be required to prepare general purpose financial statements and the suite of accounting standards to be applied. Requirements for the application of accounting standards in the public sector vary from country to country. Some regulators and other relevant authorities prefer to specifically define which organisations should prepare general purpose financial statements. Others prefer to leave space for judgement on the classification of entities and the applicability of rules for preparing general purpose financial statements.</p> <p>We believe that the proposed changes will enable regulators and other relevant authorities to follow a unique framework which clarifies the scope of IPSASs.</p> <p>We suggest the following amendments, which in our view would enhance consistency in the way the definition of the scope of entities which need to adopt IPSASs would be applied:</p> <ol style="list-style-type: none"> <li>1) Paragraphs 2.1 and 2.2 of the Consultation Paper and the 'At a glance' document (on page 2) published by the IPSASB with the Exposure Draft refer to a spectrum along which controlled entities in the public sector could be classified. We recommend that the general description of the characteristics of the organisations to which IPSASs should apply still refer to that spectrum and be accompanied by illustrative examples, which would clarify those circumstances in which application of IPSASs would be appropriate along the spectrum. Application of the principles requires judgment but illustrative examples should in our view at least aim at eliminating inconsistencies in application for entities that are far from each other along the spectrum.</li> <li>2) We draw the IPSASB's attention on the fact that reference to '<i>capital providers that are seeking a return on their investment or a return of their investment</i>' under new paragraph (b) should not be used as an excuse</li> </ol>	See Category 9 of Appendix A of Agenda Item 9.1



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			<p>to put an entity out of the scope of IPSASs when it has a minor portion of its resources coming from such capital providers. Thus we would suggest a slightly amended wording for paragraph (b) as follows:</p> <p><i>'Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees <b>rather than by means of resources from capital providers</b> that are seeking a return on their investment or a return of their investment; and,'.</i></p>	See Table 3 of Agenda Item 9.1
19	B	B.2	<p><b>A. GENERAL</b></p> <p>We observed that the expression “commercial public sector entities” was used to replace any reference to “GBEs” or “Government Business Entities”. The expression “commercial entities” was also used to replace references to “GBEs” or “Government Business Entities”. While we agree with the manner in which the expressions “commercial public sector entities” and “commercial entities” were used within the various sections amended, it may be necessary for IPSASB to document its rationale for using both expressions to replace the same expression in different circumstances. The distinction between both expressions should be clearly defined. This will promote better understanding by users, applicability and support any future review of the Standards.</p> <p>However, we agree with the approach adopted in Exposure Draft 56 with respect to deleting the definition of GBEs and all references thereof in favour of outlining characteristics of public sector entities for which IPSAS is intended.</p> <p><b>B. SPECIFICS</b></p> <p><b>1. Basis for Conclusion 17 (Pages 10/11)</b></p> <p>The Board has used two options to describe public sector entities. i.e. options 1a and 1b on page 11. However, in our jurisdiction, some establishments meet either of the options and part of the other, and not both at the same time. (Please see Note 1)</p> <p><b>Recommendation</b></p> <p>In order to address this issue, we recommend that “and” or an “or” be inserted between options 1a and 1b.</p> <p><b>2. Amendment to IPSAS 16, Investment Property (Pages 19/20)</b></p>	<p>See paragraphs 46(c), 46(e) and 51 of Agenda Item 9.1</p> <p>Staff notes that recommendation of R19 relates to the characteristics that were in the CP and not on the ED.</p>

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			<p>Under the amendments to IPSAS 16, paragraph 9. We consider the new text to be a repetition of the same sentence that had been stated within that paragraph. The new text does not convey any further information or idea and does not seem to add value to the intent of that paragraph.</p> <p>It is our opinion that the new text be deleted.</p> <p><b>Note 1</b></p> <p>Under the existing IPSAS 1, Nigerian institutions such as Nigeria National Petroleum Corporation (NNPC); Power Holding Company of Nigeria (PHCN) and Federal Mortgage Bank of Nigeria (FCMB) may be considered as GBEs and will be required to use IFRS in their financial reporting. However, these are actually public sector entities for which IPSAS is more suited. Consequently, with the approach proposed under ED56, these entities possess the characteristics of public sector entities and thus fall within the scope of its applicability.</p>	See Category 2 of Agenda Item 9.1
20	A	–	<p>We welcome the proposals in the ED to eliminate the rigidity established by the current definition of GBEs and commend the IPSASB for issuing this ED following input from the constituents to the Consultation Paper (CP) - the Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities. We take note that the board has considered input from constituents in this ED in line with our comments to the Board in our letter ref PSC/C&amp;S/CP03/2014 dated 30 December 2014. We also appreciate the board's decision to include description of the characteristics of public sector entities for which IPSASs are intended as part of the Preface to International Public Sector Accounting Standards.</p>	Supports the ED and did not provide further suggestion.
21	B	B.2	<p>In response to the Specific Matter for Comment, the AASB agrees with the approach taken to delete the defined term "Government Business Enterprise" and to remove any reference to 'Government Business Enterprise' or 'GBE' within the suite of International Public Sector Accounting Standards (IPSASs) and Recommended Practice Guidelines (RPGs).</p> <p>However, we note that as a replacement for the term 'GBE' both 'commercial public sector entity' and 'commercial entity' have been used, however, there does not appear to be any rationale to determine when either term should be used. Regardless, we consider that only the term 'commercial public sector entity' should be used as a replacement for 'GBE' to avoid any confusion that the entity in question is a public sector entity, rather than a private sector entity.</p>	See paragraph 46(b), 46(d) and 52 of Agenda Item 9.1

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			<p>We also note the following drafting issues:</p> <ul style="list-style-type: none"> <li>IPSAS 4 <i>The Effects of Changes in Foreign Exchange Rates</i>, paragraph 13(a) includes a reference to 'GBEs' that has not been identified as an amendment;</li> <li>RPG 1 <i>Reporting on the Long-Term Sustainability of an Entity's Finances</i>, Appendix A – the defined term of a Government Business Enterprise has not been identified as a deletion; and</li> <li>RPG 2 <i>Financial Statement Discussion and Analysis</i>, Appendix A - the defined term of a Government Business Enterprise has not been identified as a deletion.</li> </ul>	See Category 2 of Appendix A of Agenda Item 9.1
22	A	–	Yes, I agree with the changes to IPSASs and RPGs proposed in this Exposure Draft deleting the defined term "Government Business Enterprise" and removing all references to the term from the IPSASB's pronouncements.	Supports the ED and did not provide further suggestion.
23	B	B.2 and B.3	<p>We agree with the IPSASB's decision to delete the definition of a Government Business Enterprise (GBE) from IPSAS 1 and all references to GBEs in IPSASs and RPGs. We also agree with the IPSASB's decisions to provide, in the Preface to International Public Sector Accounting Standards, a description of the characteristics of public sector entities for which IPSASs are intended, and to base the proposed description on the IPSASB's literature. In addition, such an approach acknowledges the role of regulators and other relevant authorities (national and/or regional) in determining which entities should apply IPSASs.</p> <p>However, we also observe that, by not explicitly discussing the use of IPSASs by non-governmental organisations (NGOs), or universities and other similar organisations that, technically, are not government entities, but are very similar to, or form part of, the broader public sector, the Board might unintentionally create a perceived limitation on the use of IPSASs. Some regulators perceive IPSASs to be a framework suitable for government entities (federal, state and local governments and government agencies) only, and do not perceive IPSASs to be applicable to a broader range of not-for-profit public sector entities. Despite this, the description of entities for which IPSAS is intended fits perfectly for entities such as NGOs, universities, schools and hospitals that rely on significant streams of non-exchange revenue to provide services to the general public, and are non-profit in nature. Therefore, we suggest that the IPSASB discusses further in the preface, or at least in the Basis for Conclusions to IPSAS 1, the rationale for IPSASs to be applied to a wide range of public sector entities, and not only limited to government entities. In addition, we recommend that a description of 'commercial public sector entities' be provided, or the removal of the reference to such entities, if the Board does not want to provide a</p>	See Category 8 of Appendix A of Agenda Item 9.1

Response #	SMC	Sug- gestion	Respondent Comments	Staff Comments
			more comprehensive description of the type of entities that the IPSASB considers to be commercial public sector entities. In that case, we recommend that the IPSASB focuses on defining the types of entities that IPSASs would be suited for.	See paragraph 46(c) and 51 of Agenda Item 9.1
24	B	B.2 and B.3	<p>We fully agree with the IPSASB's proposal to remove all references to "Government Business Enterprise" from the IPSASB's pronouncements.</p> <p>We reviewed the various consequential amendments to IPSASs and RPGs.</p> <p>We note that the term 'commercial entity/commercial public sector entity' replaces the term 'GBE'. However, the change from one term to another does not seem to be clearly stated.</p> <p>Therefore, for the sake of clarity, we would recommend that the IPSASB should add a paragraph to the Basis for Conclusions in IPSAS 1 Presentation of Financial Statements to clarify that the change is from 'GBE' to 'commercial entity/commercial public sector entity'.</p>	<p>See paragraph 46(d) of Agenda Item 9.1</p> <p>See paragraph 46(f) of Agenda Item 9.1</p>
25	B	B.1	<p>(2) FEE supports the approach taken in this ED of using high-level characteristics to describe the types of entities for which the IPSASB develops IPSASs. We believe that this approach could provide more clarity, and, therefore, consistency than the current approach (defining the entities covered by IPSASs as being all public sector entities other than Government Business Enterprises (GBEs)).</p> <p>(3) FEE also welcomes the IPSASB's acknowledgement in the ED of the role of regulators in determining the accounting standards to be applied by different entities in their jurisdictions. In this respect, we believe that it is beneficial that the proposed amendments to paragraph 10 of the IPSAS Handbook will remove the assumption that if public sector bodies have characteristics that make them unsuitable for applying IPSASs they will then automatically apply IFRSs, which is not the case in many countries.</p> <p><b>Concerns over whether the description of characteristics is too narrow</b></p> <p>(4) However, some concerns have been expressed that para (b) (particularly "<i>and do not have capital providers that are seeking a return on their investment or a return of their investment</i>") of the proposed replacement of Paragraph 10 could provide a means by which organisations or structures are deliberately excluded from being brought under IPSASs. Structures may be created with a small proportion of financing from return-seeking capital in order to keep them outside the scope of IPSASs.</p>	See paragraph 33 of Agenda Item 9.1

Response #	SMC	Sug- gestion	Respondent Comments	Staff Comments
			<p>(5) In light of the concerns expressed above, we suggest that it would be helpful if the Preface provided more indication of what IPSASB sees as an appropriate approach to reporting by entities which are on the borderline between “pure” public sector entities and “pure” profit seeking entities. For example, It might be helpful to suggest that for entities that have more commercial focus than implied by the high level characteristics (but still fall short of what could be construed as a “profit seeking entity”) in para 10, regulators might choose to apply IPSAS, IFRS, or locally developed standards for financial reporting by profit seeking entities.</p> <p>(6) We acknowledge that the adoption of IPSASs, and the determination of those entities that should apply them within a particular jurisdiction, is a matter for government or other regulators. Nonetheless, FEE believes that it is vitally important that governments use high quality, accruals-based accounting standards and sees obvious benefits in using internationally recognised standards. Where governments choose not to use international standards we would encourage them to explain their choice of accounting standards and the reasons behind the selection or development of these standards.</p> <p><b>Concerns over whether the description is too wide</b></p> <p>(7) Concerns have also been expressed that the characteristics as stated could also apply to bodies that have similar characteristics to public bodies but that are not public bodies. In particular, the described characteristics could encompass many non-profit bodies such as charitable and educational establishments, where much of their funding comes (either directly or indirectly) from public sector sources.</p> <p>(8) FEE recognises that the proposed paragraph 10 of the Preface specifies that IPSASs are designed for <u>public sector</u> entities with these characteristics. In our view, however, it would be helpful to explain that while some of the principles in IPSAS may be relevant, particularly those relating to service potential, IPSASs are not specifically designed for use by private sector non-profit entities, even when these are substantially funded by the public sector.</p> <p><b>Other Matters</b></p> <p>(9) FEE also considers that, for the sake of clarity, it would be beneficial to explicitly state that all three sub-  paras of Paragraph 10 of the Preface need to apply for an entity to be considered part of the core public sector for which IPSASs are primarily designed.</p>	<p>See Category 7 of Appendix A of Agenda Item 9.1</p> <p>See Category 7 of Appendix A of Agenda Item 9.1</p> <p>See Table 4 of Agenda Item 9.1</p>

Respondents' Comments on SMC in ED 56, *The Applicability of IPSASs*  
*IPSASB Meeting (March 2016)*

Response #	SMC	Sug- gestion	Respondent Comments	Staff Comments
			(10) Subject to our points above, FEE agrees that all relevant IPSASs and RPGs should be changed to include the qualitative characteristics of entities to which IPSASs should apply and remove references to GBEs.	
26	A	–	In line with our comments on the 2014 Consultation Paper, we support the revised drafting, which more naturally focusses on those entities for which IPSASB has developed IPSAS and RPG pronouncements. It is also more consistent with the position described in the section of the Preface on the Authority of IPSAS, which clearly states that neither IPSASB nor the accountancy profession are in a position to mandate the application of particular standards.	Supports the ED and did not provide further suggestion.

**EXPOSURE DRAFT 56, *THE APPLICABILITY OF IPSASS***  
**LIST OF RESPONDENTS**

Response #	Respondent Name	Country	Function
01	Swedish National Audit Office (SNAO)	Sweden	Audit Office
02	External Reporting Board (XRB)	New Zealand	Standard Setter/Standards Advisory Body
03	The International Consortium on Governmental Financial Management (ICGFM)	USA	Other
04	Treasury Board of Canada Secretariat	Canada	Preparer
05	Direction Générale des Finances Publiques (DGFIP)	France	Preparer
06	CPA Australia	Australia	Member or Regional Body
07	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	Switzerland	Standard Setter/Standards Advisory Body
08	Public Sector Accounting Board (PSAB, from staff)	Canada	Standard Setter/Standards Advisory Body
09	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)	Australia	Preparer
10	National Board of Accountants and Auditors (NBAA)	Tanzania	Member or Regional Body
11	The Institute of Chartered Accountants of India	India	Member or Regional Body
12	The Japanese Institute of Certified Public Accountants (JICPA)	Japan	Member or Regional Body
13	Institute of Public Auditors in Germany, Incorporated Association (IDW)	Germany	Member or Regional Body
14	The Malaysian Institute of Certified Public Accountants (MICPA)	Malaysia	Member or Regional Body
15	KPMG	International	Accountancy Firm
16	Accounting Standards Board (ASB)	South Africa	Standard Setter/Standards Advisory Body
17	The Swedish National Financial Management Authority (ESV)	Sweden	Standard Setter/Standards Advisory Body
18	PwC	International	Accountancy Firm

List of Respondents to ED 56, *The Applicability of IPSASs*  
IPSASB Meeting (March 2016)

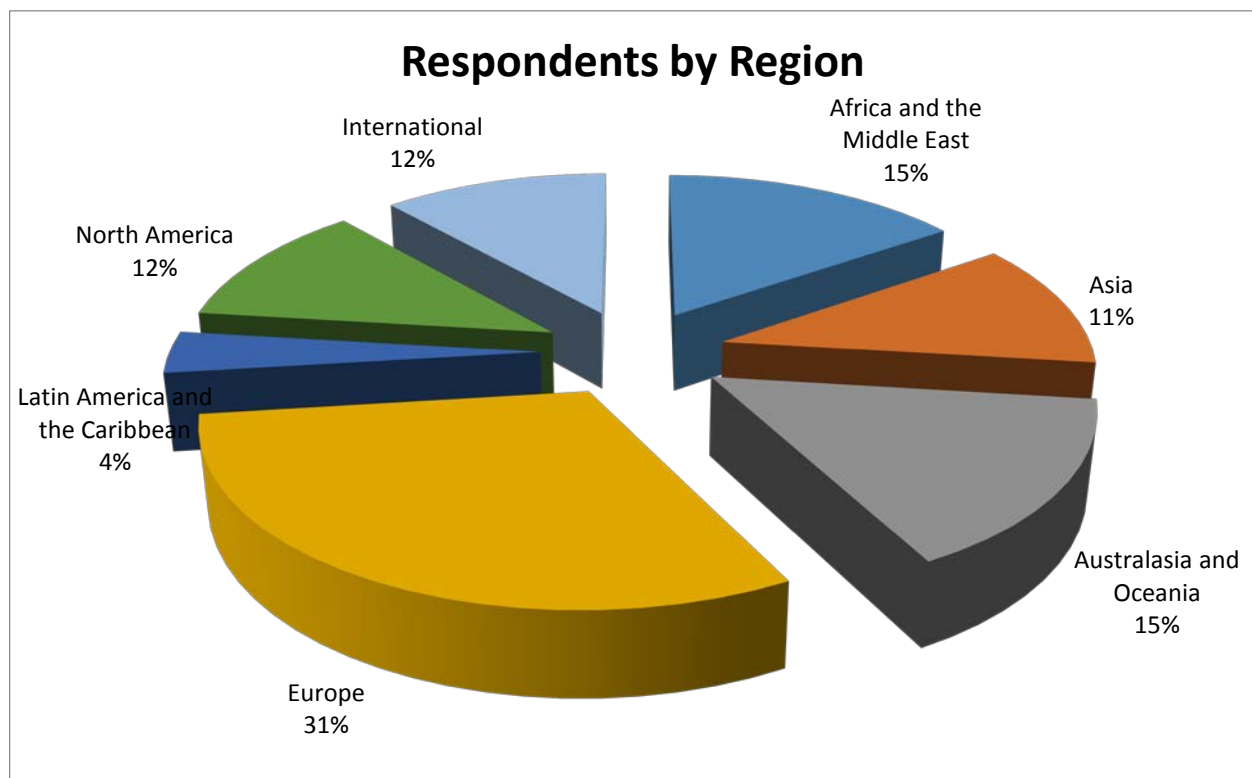
<b>Response #</b>	<b>Respondent Name</b>	<b>Country</b>	<b>Function</b>
19	The Institute of Chartered Accountants of Nigeria	Nigeria	Member or Regional Body
20	Institute of Certified Public Accountants of Kenya (ICPAK)	Kenya	Member or Regional Body
21	Australian Accounting Standards Board (AASB)	Australia	Standard Setter/Standards Advisory Body
22	Denise Silva Ferreira Juvenal	Brazil	Other
23	Ernst & Young (E&Y)	International	Accountancy Firm
24	Conseil de Normalisation des Comptes Publics (CNOCP)	France	Standard Setter/Standards Advisory Body
25	Chartered Institute of Public Finance and Accountancy (CIPFA)	UK	Member or Regional Body
26	Federation of European Accountants	FEE	Member or Regional Body



## Analysis of Respondents by Region, Function, and Language

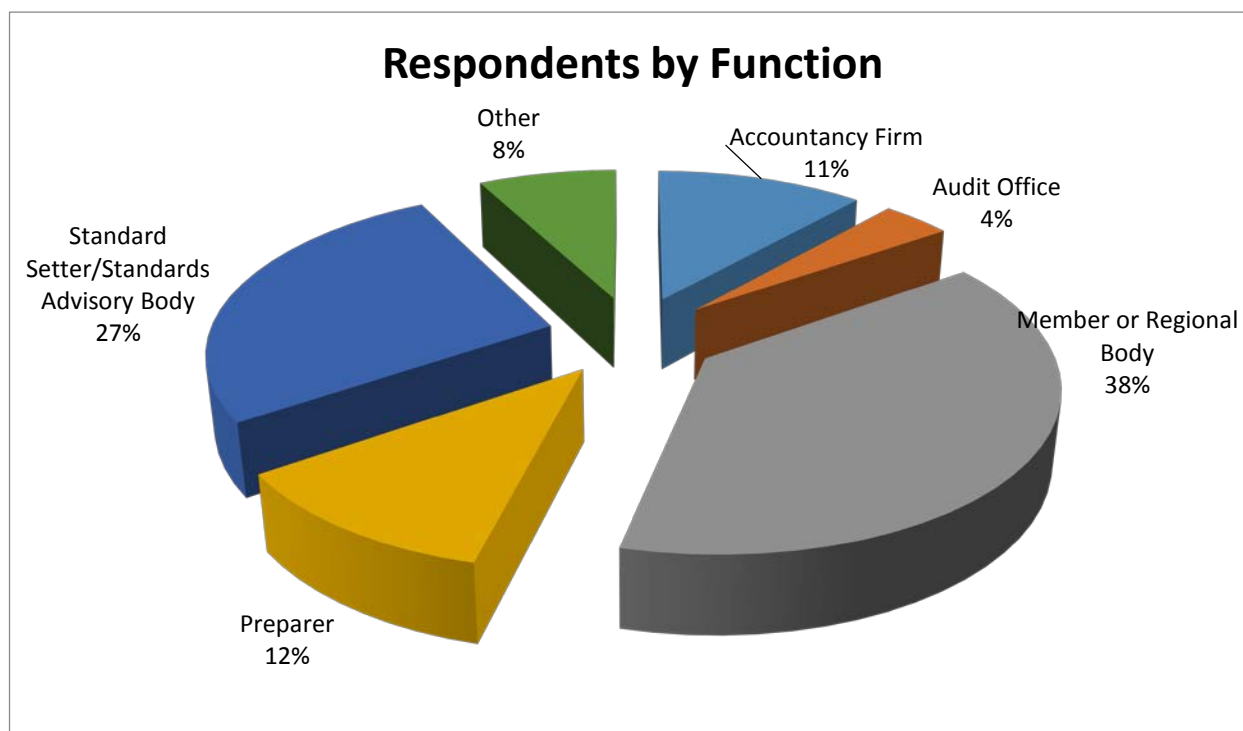
### Geographic Breakdown

Region	Respondents	Total
Africa and the Middle East	10, 16, 19, 20	4
Asia	11, 12, 14	3
Australasia and Oceania	02, 06, 09, 21	4
Europe	01, 05, 07, 13, 17, 24, 25, 26	8
Latin America and the Caribbean	22	1
North America	03, 04, 08	3
International	15, 18, 23	3
<b>Total</b>		<b>26</b>



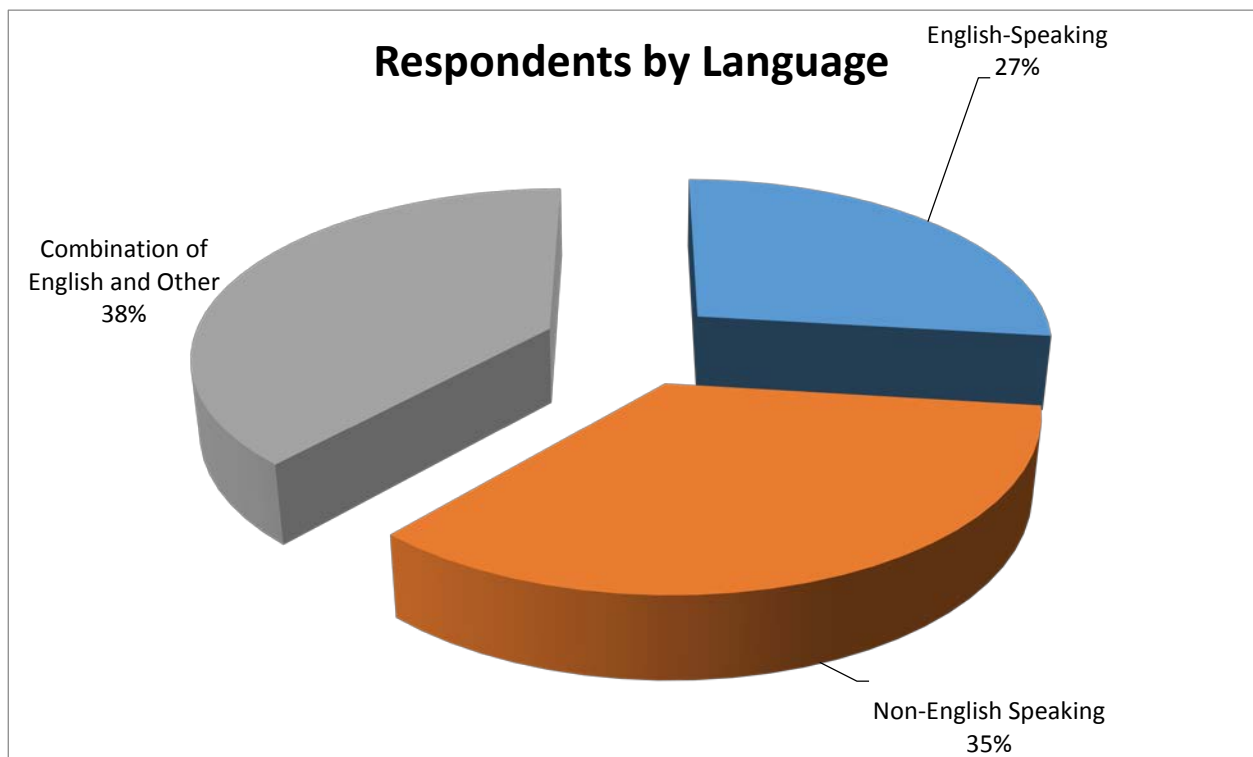
### Functional Breakdown

Function	Respondents	Total
Accountancy Firm	15, 18, 23	3
Audit Office	01	1
Member or Regional Body	06, 10, 11, 12, 13, 14, 19, 20, 25, 26	10
Preparer	04, 05, 09	3
Standard Setter/Standards Advisory Body	02, 07, 08, 16, 17, 21, 24	7
Other	03, 22	2
<b>Total</b>		<b>26</b>



### Linguistic Breakdown

Language	Respondents	Total
English-Speaking	02, 03, 06, 09, 19, 21, 25	7
Non-English Speaking	01, 05, 07, 12, 13, 14, 17, 22, 24	9
Combination of English and Other	04, 08, 10, 11, 15, 16, 18, 20, 23, 26	10
<b>Total</b>		<b>26</b>



**[Draft] Final Pronouncement  
April 2016**

*International Public Sector Accounting Standard  
(IPSAS<sup>TM</sup>)*

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## The Applicability of IPSASs

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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# THE APPLICABILITY OF IPSASS

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## **Objective**

1. The objective of this final pronouncement is to remove the Government Business Enterprise (GBE) definition in IPSAS 1, *Presentation of Financial Statements* and propose consequential amendments in IPSASs and RPGs.

## **IPSASs and RPGs Addressed**

2. This final pronouncement applies to all extant IPSASs and RPGs as of March 31, 2015.



## Amendments to IPSAS 1, *Presentation of Financial Statements*

Paragraphs 5, 6 and 12 are deleted. Paragraphs 153G and BC13-BC41 are added. Paragraphs 7, 97 and Implementation Guidance are amended. New text is underlined and deleted text is struck through.

### Scope

...

5. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]
6. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in paragraph 7 below.~~ [Deleted]

### Definitions

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

...

~~**Government Business Enterprise** means an entity that has all the following characteristics:~~

- ~~(a) Is an entity with the power to contract in its own name;~~
- ~~(b) Has been assigned the financial and operational authority to carry on a business;~~
- ~~(c) Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;~~
- ~~(d) Is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and~~
- ~~(e) Is controlled by a public sector entity.~~

...

### Government Business Enterprises

12. ~~GBEs include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge. IPSAS 35 provides guidance on determining whether control exists for financial reporting purposes, and should be referred to in determining whether a GBE is controlled by another public sector entity.~~ [Deleted]

### Structure and Content

...

### Statement of Financial Position

...

*Information to be presented either on the Face of the Statement of Financial Position or in the Notes*

...

97. In some cases, there may be a non-controlling interest in the net assets/equity of the entity. For example, at the whole-of-government level, the economic entity may include a ~~GBE~~ commercial public sector entity that has been partly privatized. Accordingly, there may be private shareholders who have a financial interest in the net assets/equity of the entity.

...

## Effective Date

...

- 153G. Paragraphs 5, 6 and 12 were deleted and paragraphs 7 and 97 were amended by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 1.*

...

### **Revision of IPSAS 1 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

#### Background

- BC13. IPSAS 1 included the following definition of a Government Business Enterprise (GBE):

*Government Business Enterprise means an entity that has all the following characteristics:*

- (a) *Is an entity with the power to contract in its own name;*
- (b) *Has been assigned the financial and operational authority to carry on a business;*
- (c) *Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;*
- (d) *Is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and*
- (e) *Is controlled by a public sector entity.*

- BC14. The purpose of the definition was to exclude commercial public sector entities that met the above definition of a GBE from the scope of IPSASs. However, feedback received by the IPSASB indicated that there is a wide range of entities being described as GBEs, some of which clearly do not meet the IPSASB definition of a GBE. There also appeared to be different interpretations of components of the definition.

- BC15. To address this problem, in August 2014 the IPSASB issued a Consultation Paper (CP), *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*. The CP proposed two main approaches to communicate its policy on the public sector entities for which it is developing accounting standards and on GBEs.
- BC16. Approach 1 proposed (i) deleting the definition of a GBE; and (ii) providing a high-level description of the characteristics of public sector entities for which IPSASs are intended. This approach had two options: using the IPSASB's current and developing literature (Option 1a) or using Government Finance Statistics (GFS) reporting guidelines and explanatory guidance (Option 1b).
- BC17. Under Option 1a, the IPSASB would describe the characteristics of the public sector entities in the following way:  
IPSASs are designed to apply to entities that:
- (a) Are responsible for the delivery of services<sup>1</sup> to the public with assets held primarily for their service potential and/or to make transfer payments to redistribute income and wealth;
  - (b) Finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of the investment.
- BC18. Approach 2 proposed retaining and modifying the definition of a GBE in IPSAS 1 in order to resolve problems in its application, and proposed two options for the definition's modification. Option 2a proposed clarifying the current definition of a GBE and Option 2b proposed narrowing the existing definition of a GBE.
- BC19. The IPSASB expressed a unanimous Preliminary View (PV) in the CP that Approach 1 was most appropriate because it focuses on the characteristics of public sector entities for which IPSASs are intended. A majority of IPSASB members supported Option 1a because it is a high level, principles-based approach that draws on the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework), and acknowledges the role of regulators and other relevant authorities in determining which entities should apply IPSASs.
- BC20. There was strong support from respondents for Option 1a. In general, respondents supported Option 1a for the reasons stated in the previous paragraph. Some respondents also gave additional reasons for supporting Option 1a. These reasons, included reliance on the literature of a third-party over which the IPSASB has no control, and the possibility of inconsistency with the IPSASB's own literature, which were identified as risks with Option 1b.
- BC21. Respondents' reasons for not supporting Option 1a included:
- (a) A lack of resource capacity of regulators in less developed countries making it difficult to develop detailed criteria for reporting requirements;
  - (b) Different national regulators using different criteria, which would reduce consistency between jurisdictions; and

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<sup>1</sup> Services encompasses goods and services.

- (c) The complexities of public sector entities compared with private sector entities that demand a different approach to the determination of reporting requirements.

BC22. In coming to its decision, the IPSASB acknowledged that:

- (a) The role of regulators in considering the characteristics of public sector entities when deciding about the applicability of IPSASs in their jurisdiction may vary;
- (b) The consideration of alignment between IPSASs and GFS reporting guidelines is an important issue;
- (c) The meaning of the term “public sector” needs to be addressed, with reference to the *Preface to the Conceptual Framework*;
- (d) Holding assets for service potential instead of assets held to generate cash is a distinctive characteristic of public sector entities for which IPSASs are intended; and
- (e) Replace the term government business enterprise with the terms “commercial entities” and “commercial public sector entities”, where appropriate.

*The role of regulators and other relevant authorities*

BC23. The IPSASB acknowledged that regulators and other relevant authorities might form different views from the IPSASB on the applicability of IPSASs in each jurisdiction. Many jurisdictions develop their own criteria to decide which entities should apply IPSASs. These criteria may vary for legal, economic or fiscal reasons. Therefore, the IPSASB is of the view that a principles-based approach is appropriate, because that approach allows flexibility in each jurisdiction.

*Alignment between IPSASs and GFS reporting guidelines*

BC24. The IPSASB has a policy of reducing unnecessary differences between IPSASs and GFS reporting guidelines, where appropriate. The IPSASB decided that, on the issue of the applicability of IPSASs, the objectives of financial reporting are better served by developing characteristics that are based on the IPSASB’s current and developing literature over which it has control.

*The meaning of the term “public sector”*

BC25. According to paragraph 1.8 of the *Conceptual Framework*, the term “public sector” includes national, regional, state/provincial and local governments. It also includes international governmental organizations. The IPSASB acknowledges that the public sector also includes other entities that seek a return on equity to investors. IPSASs are not intended for application to the general purpose financial reports of this type of entity. However, when they are included in consolidated financial statements by a controlling entity that applies IPSASs, appropriate adjustments are made to ensure conformity with the economic entity’s accounting policies. Therefore, the IPSASB is of the view that the term public sector is related to single and group entities as described in the *Conceptual Framework*.

*Assets held for service potential*

BC26. The IPSASB is of the view that the description *are responsible for the delivery of services*<sup>2</sup> to the public provided in the *Preface to International Public Sector Accounting Standards* indicates that IPSASs are intended for public sector entities that hold assets primarily for service potential rather than the generation of cash flows.

Commercial entities and commercial public sector entities

BC27. The IPSASB was of the view that only removing the term “GBE” would leave a vacuum in the IPSASB’s literature because the public sector comprises not only of entities for which IPSASs are designed, but also of commercial entities. Therefore, the IPSASB proposed to Replace the term “GBE” with the term “commercial public sector entities” and “commercial entities”, where appropriate.

Modification of Preface to International Public Sector Accounting Standards

BC28. In August 2015, the IPSASB issued Exposure Draft (ED) 56, *The Applicability of IPSASs*. The ED reflected the IPSASB’s decision to provide a description of the characteristics of public sector entities for which IPSASs are intended in the *Preface to International Public Sector Accounting Standards* and to base that proposed description on the IPSASB’s literature. The IPSASB was not explicitly seeking comments on the *Preface to International Public Sector Accounting Standards*. However, the IPSASB did make the revised characteristics available in the Executive Summary of the ED. Many of the comments submitted by respondents related to the characteristics of public sector entities in paragraph 10 of the *Preface to International Public Sector Accounting Standards*.

BC29. ED 56 proposed the deletion of the definition of a GBE from IPSAS 1 and deletion of all references to GBEs in IPSASs and RPGs. The IPSASB considered that this approach best serves the public interest because it removes a definition that has been ambiguous and difficult to implement, and describes the characteristics of public sector entities for which IPSASs are developed in accordance with the IPSASB’s literature.

BC30. The characteristics of public sector entities provided in the *Preface to International Public Sector Accounting Standards* reflect the characteristics of the public sector that the IPSASB has considered in the development of its *Conceptual Framework*. The characteristics are described in more detail in the separate *Preface to the Conceptual Framework*.

BC31. In response to constituents’ proposals, the IPSASB revised the characteristics that were previously set out in the CP. The IPSASB decided to formulate in the ED the characteristics in paragraph 10 of the *Preface to IPSASs* around three questions:

- (a) What public sector entities do?—Paragraph 10(a);
- (b) How public sector entities finance what they do?—Paragraph 10(b); and
- (c) Why public sector entities are doing it?—Paragraph 10(c)

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<sup>2</sup> Services encompasses goods and services.

What public sector entities do?—Paragraph 10(a)

BC32. Paragraph 10(a) states the objectives of public sector entities according to their main activities. The IPSASB acknowledged that many public sector entities do not have both service delivery activities and responsibilities for the redistribution of income and wealth.

How public sector entities finance what they do?—Paragraph 10(b)

BC33. Paragraph 10(b) identifies the various ways public sector entities finance their activities.

Why public sector entities are doing it?—Paragraph 10(c)

BC34. Paragraph 10(c) means that public sector entities do not have a primary objective to make profits.

BC35. In response to constituents' comments on the ED, the IPSASB made several amendments to the proposed paragraph 10 of the *Preface to IPSAS*. These amendments aimed to increase consistency with the *Conceptual Framework* and sharpen the focus of paragraph 10 to the essential characteristics of public sector entities for which IPSASs are designed.

Responses to the ED

BC36. Overall respondents supported the proposed approach and most of the comments related to:

- (a) The characteristics of public sector entities in paragraph 10 of the *Preface to IPSASs*;
- (b) The use of wording “commercial entities” and “commercial public sector entities”; and
- (c) Other amendments to IPSASB's literature;

Characteristics of public sector entities in paragraph 10 of the *Preface to IPSASs*

BC37. The characteristics of public sector entities in paragraph 10 of the *Preface to IPSASs*, reflect the IPSASB's agreement with respondents' suggestions to increase consistency with the *Conceptual Framework*, while retaining a principles-based approach to the description of those characteristics.

Commercial public sector entities

BC38. In the ED, the IPSASB proposed replacing the term “GBE” with the term “commercial public sector entities” and “commercial entities”. The term “commercial entities” was used for economy of expression in certain contexts where the IPSASB considered it clear that the discussion was about the public sector. However, some respondents were of the view that having different terms might create confusion because, in accordance with the IPSASB's high-level approach, they were not described or defined.

BC39. In order to avoid confusion, the IPSASB decided to replace the term “GBE” with the term “commercial public sector entity” and acknowledge that regulators can interpret the term taking account of jurisdictional factors.

Other amendments to IPSASB's literature

BC40. Some respondents suggested focusing IPSASs on the public sector entities for which they are designed by removing the wording “other than GBEs” from the IPSASB literature. The ED had proposed the wording “other than commercial entities”. The IPSASB agreed with respondents' suggestion because it is in accordance with the ED's approach of communicating the public

sector entities for which IPSASs are designed in a positive way, rather than focusing attention on entities for which IPSASs are not intended, which include commercial public sector entities.

BC41. Other respondents proposed changes to IPSASB's literature that had previously been discussed, including:

- Provide explanation for borderline cases—Some constituents suggested more explanation about the distinction between “pure” public sector entities and “pure” profit seeking entities. For example, a public sector entity might not be profit seeking but may have profits. The IPSASB is of view that regulators may decide which entities should apply IPSASs.
- Explain, describe or define the term “commercial public sector entities”—The IPSASB is of view that regulators may apply the term “commercial public sector entities” according to a specific jurisdictional criteria;
- Change of objectives may imply change of the applicability of IPSASs—The IPSASB is of the view that regulators should create the transitional requirements on the applicability of IPSASs when public sector entities change their objectives.

## Implementation Guidance

...

### Public Sector Entity—Statement of Accounting Policies (Extract)

#### *Reporting Entity*

These financial statements are for a public sector entity (national government of Country A). The financial statements encompass the reporting entity as specified in the relevant legislation (Public Finance Act 20XX). This comprises:

- Central government ministries; and
- ~~Government Business Enterprises~~ Commercial public sector entities.

## Amendments to IPSAS 2, *Cash Flow Statements*

Paragraphs 3, 4 and 16 are deleted. Paragraphs 63D and BC2 are added. The heading “Revision of IPSAS 2 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC2 is added. New text is underlined and deleted text is struck through.

## Scope

...

3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]

4. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~ [Deleted]

...

## Definitions

...

### Government Business Enterprises

16. ~~GBEs include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge. IPSAS 6, *Consolidated and Separate Financial Statements*, provides guidance on determining whether control exists for financial reporting purposes, and should be referred to in determining whether a GBE is controlled by another public sector entity. [Deleted]~~

...

## Effective Date

...

- 63D. Paragraphs 3, 4 and 16 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 2.*

...

### **Revision of IPSAS 2 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

- BC2. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.



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

Paragraphs 5 and 6 are deleted. Paragraphs 59B and BC8 are added. The heading “Revision of IPSAS 3 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC8 is added. New text is underlined and deleted text is struck through.

### Scope

...

5. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]

6. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~ [Deleted]

...

### Effective Date

...

59B. Paragraphs 5 and 6 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 3.*

...

#### **Revision of IPSAS 3 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016.**

BC8. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## Amendments to IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*

Paragraphs 6 and 7 are deleted. Paragraphs 71B and BC 6 are added. Paragraph 13 is amended. The heading “Revision of IPSAS 4 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC6 is added. New text is underlined and deleted text is struck through.

### Scope

...

6. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]

7. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~ [Deleted]

...

### Definitions

...

### Functional Currency

...

13. The following additional factors are considered in determining the functional currency of a foreign operation, and whether its functional currency is the same as that of the reporting entity (the reporting entity, in this context, being the entity that has the foreign operation as its controlled entity, branch, associate, or joint arrangement):
  - (a) Whether the activities of the foreign operation are carried out as an extension of the reporting entity, rather than being carried out with a significant degree of autonomy. An example of the former is when a department of defense has a number of overseas bases that conduct activities on behalf of a national government. The defense bases might conduct their activities substantially in the functional currency of the reporting entity. For example, military personnel may be paid in the functional currency and receive only a small allowance in local currency. Purchases of supplies and equipment might be largely obtained via the reporting entity, with purchases in local currency being kept to a minimum. Another example would be an overseas campus of a public university that operates under the management and direction of the domestic campus. In contrast, a foreign operation with a significant degree of autonomy may accumulate cash and other monetary items, incur expenses, generate revenue, and perhaps arrange borrowings, all substantially in its local currency. Some examples of government-owned foreign operations that may operate independently of other government agencies include tourist offices, petroleum exploration companies, trade boards, and broadcasting operations. Such entities may be established as GBEs commercial public sector entities.
  - (b) Whether transactions with the reporting entity are a high or a low proportion of the foreign operation’s activities.

- (c) Whether cash flows from the activities of the foreign operation directly affect the cash flows of the reporting entity and are readily available for remittance to it.
- (d) Whether cash flows from the activities of the foreign operation are sufficient to service existing and normally expected debt obligations without funds being made available by the reporting entity.

...

## Effective Date

...

71B. Paragraphs 6 and 7 were deleted and paragraph 13 was amended by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 4.*

...

### **Revision of IPSAS 4 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

BC6. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## Amendments to IPSAS 5, *Borrowing Costs*

Paragraphs 2, 3 and 11 are deleted. Paragraphs 42B and BC1 are added. The heading “Revision of IPSAS 5 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016” above paragraph BC1 is added. New text is underlined and deleted text is struck through.

## Scope

...

2. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]

3. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*. [Deleted]~~

## Definitions

...

### Government Business Enterprises

11. ~~GBEs include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge. IPSAS 6, *Consolidated and Separate Financial Statements*, provides guidance on determining whether control exists for financial reporting purposes, and should be referred to in determining whether a GBE is controlled by another public sector entity. [Deleted]~~

...

## Effective Date

...

- 42B. Paragraphs 2, 3 and 11 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 5.*

### **Revision of IPSAS 5 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

- BC1. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:
- (a) Removes the standard paragraphs about the applicability of IPSAS to "public sector entities other than GBEs" from the scope section of each Standard;
  - (b) Replaces the term "GBE" with the term "commercial public sector entities", where appropriate;
  - (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## Amendments to IPSAS 9, *Revenue from Exchange Transactions*

Paragraphs 2 and 3 are deleted. Paragraphs 41A and BC1 are added. The heading “Revision of IPSAS 9 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC1 is added. New text is underlined and deleted text is struck through.

### Scope

...

2. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]

3. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~ [Deleted]

...

### Effective Date

...

41A. Paragraphs 2 and 3 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 9.*

#### **Revision of IPSAS 9 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016.**

BC1. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the Preface to International Public Sector Accounting Standards by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## Amendments to IPSAS 10, *Financial Reporting in Hyperinflationary Economies*

Paragraphs 2 and 3 are deleted. Paragraphs 38C and BC 2 are added. The heading “Revision of IPSAS 10 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC2 is added. New text is underlined and deleted text is struck through.

### Scope

...

2. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]

3. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~ [Deleted]

...

### Effective Date

...

38C. Paragraphs 2 and 3 were deleted by *The Applicability of IPSAS*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 10.*

...

#### **Revision of IPSAS 10 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016.**

BC2. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## Amendments to IPSAS 11, *Construction Contracts*

Paragraphs 2 and 3 are deleted. Paragraphs 57A and BC1 are added. Paragraphs 45, IG1, IG22 and IG26 are amended. The heading “Revision of IPSAS 11 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC1 is added. New text is underlined and deleted text is struck through.

### Scope

...

2. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]

3. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~ [Deleted]

...

### Recognition of Expected Deficits

...

45. Public sector entities may enter into construction contracts that specify that the revenue intended to cover the construction costs will be provided by the other parties to the contract. This may occur where, for example:
- (a) Government departments and agencies that are largely dependent on appropriations or similar allocations of government revenue to fund their operations are also empowered to contract with ~~GBEs~~ commercial public sector entities or private sector entities for the construction of assets on a commercial or full cost recovery basis; or
  - (b) Government departments and agencies transact with each other on arm’s length or commercial basis as may occur under a ‘purchaser-provider’ or similar model of government.

...

### Effective Date

...

57A. Paragraphs 2 and 3 were deleted and paragraph 45 was amended by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 11.*

**Revision of IPSAS 11 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

BC1. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## Implementation Guidance

*This guidance accompanies, but is not part of, IPSAS 11.*

### Disclosure of Accounting Policies

IG1. The following are examples of accounting policy disclosures for a department that enters noncommercial construction contracts with other government agencies for full, partial, or no cost recovery from the other parties to the contract. The department is also empowered to enter into construction contracts with commercial public sector entities and private sector entities ~~and GBEs~~, and to enter full cost recovery construction contracts with certain state hospitals and state universities.

...

### Contract Disclosures

#### *Appropriation/Aid Funded Contracts and Full Cost Recovery Contracts*

IG22. The Department of Works and Services was recently created as the entity to manage the construction of major buildings and road works for other government entities. It is funded predominantly by appropriation, but with the approval of the Minister is empowered to undertake construction projects financed by national or international aid agencies. It has its own construction capabilities and can also subcontract. With the approval of the Minister, the Department may also undertake construction work on a commercial basis for commercial public sector entities and private sector entities ~~and GBEs~~ and on a full cost recovery basis for state hospitals and state run universities.

...

#### *Commercial Contracts*

IG26. The Division of National Construction Works has been established within the Department of Works and Services to undertake construction work on a commercial basis for ~~GBEs~~ commercial public sector entities and private sector entities at the direction, and with the approval, of the Minister. The Division has reached the end of its first year of operations. All its contract costs incurred have been paid for in cash, and all its progress billings and advances have been received in cash. Contract costs incurred for contracts B, C, and E include the cost



of materials that have been purchased for the contract, but which have not been used in contract performance to date. For contracts B, C, and E, the customers have made advances to the contractor for work not yet performed.

...

## Amendments to IPSAS 12, *Inventories*

Paragraphs 4 and 5 are deleted. Paragraphs 51B and BC7 are added. The heading “Revision of IPSAS 12 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC7 is added. New text is underlined and deleted text is struck through.

### Scope

...

4. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]
5. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~ [Deleted]

...

### Effective Date

...

- 51B. Paragraphs 4 and 5 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 12.*

...

### Revision of IPSAS 12 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016.

- BC7. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:
- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
  - (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
  - (c) Amends paragraph 10 of the Preface to International Public Sector Accounting Standards by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## Amendments to IPSAS 13, Leases

Paragraphs 3 and 4 are deleted. Paragraphs 85C and BC8 are added. The heading “Revision of IPSAS 13 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC8 is added. New text is underlined and deleted text is struck through.

### Scope

...

3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]

4. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~ [Deleted]

...

### Effective Date

...

85C. Paragraphs 3 and 4 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 13.*

...

#### Revision of IPSAS 13 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016.

BC8. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the Preface to International Public Sector Accounting Standards by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

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

Paragraphs 3 and 4 are deleted. Paragraphs 32B and BC8 are added. Paragraphs 15 and 21 are amended. The heading “Revision of IPSAS 14 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC8 is added. New text is underlined and deleted text is struck through.

### Scope

...

3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]

4. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~ [Deleted]

...

### Recognition and Measurement

...

#### Dividends or Similar Distributions

...

15. Dividends may arise in the public sector when, for example, a public sector entity controls and consolidates the financial statements of a GBE commercial public sector entity that has outside ownership interests to whom it pays dividends. In addition, some public sector entities adopt a financial management framework, for example “purchaser provider” models, that require them to pay income distributions to their controlling entity, such as the central government.

...

21. Some ~~agencies, although not GBEs,~~ public sector entities may be required to be fully or substantially self-funding, and to recover the cost of goods and services from users. For any such entity, deterioration in operating results and financial position after the reporting date may indicate a need to consider whether the going concern assumption is still appropriate.

...

### Effective Date

...

32B. Paragraphs 3 and 4 were deleted and paragraphs 15 and 21 were amended by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 14.*

...

### **Revision of IPSAS 14 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

BC8. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to "public sector entities other than GBEs" from the scope section of each Standard;
- (b) Replaces the term "GBE" with the term "commercial public sector entities", where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## **Amendments to IPSAS 16, *Investment Property***

Paragraphs 3 and 4 are deleted. Paragraphs 101B and BC8 are added. The heading "Revision of IPSAS 16 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016" above paragraph BC8 is added. Paragraph 9 is amended. New text is underlined and deleted text is struck through.

## Scope

...

- 3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]
- 4. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~ [Deleted]

...

## Definitions

...

- 9. There are a number of circumstances in which public sector entities may hold property to earn rental and for capital appreciation. For example, a public sector entity (~~other than a GBE~~) may be established to manage a government's property portfolio on a commercial basis. In this case, the property held by the entity, other than property held for resale in the ordinary course of operations, meets the definition of an investment property. Other public sector entities may also hold property for rentals or capital appreciation, and use the cash generated to finance their other (service delivery) activities. For example, a university or local government may own a building for the purpose of leasing on a commercial basis to external parties to generate

funds, rather than to produce or supply goods and services. This property would also meet the definition of investment property.

...

## Effective Date

...

101B. Paragraphs 3 and 4 were deleted and paragraph 9 was amended by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 16.*

...

### **Revision of IPSAS 16 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

BC8. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to "public sector entities other than GBEs" from the scope section of each Standard;
- (b) Replaces the term "GBE" with the term "commercial public sector entities", where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

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

Paragraphs 3 and 4 are deleted. Paragraphs 107F and BC10 are added. The heading "Revision of IPSAS 17 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016" above paragraph BC10 is added. New text is underlined and deleted text is struck through.

## Scope

...

3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]

4. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~ [Deleted]

...

## Effective Date

...

107F. Paragraphs 3 and 4 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 17.*

...

### **Revision of IPSAS 17 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

BC10. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## Amendments to IPSAS 18, *Segment Reporting*

Paragraphs 2 and 3 are deleted. Paragraphs 76A and BC1 are added. Paragraphs 16, 24, 38 and 41 are amended. The heading “Revision of IPSAS 18 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016” above paragraph BC1 is added. New text is underlined and deleted text is struck through.

## Scope

...

- 2. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]
- 3. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~ [Deleted]

...

## Reporting by Segments

...

### Reporting Structures

...

16. At the whole-of-government level, financial information is often aggregated and reported in a manner that reflects, for example:
  - (a) Major economic classifications of activities undertaken by general government, such as health, education, defense, and welfare (these may reflect the Government Finance Statistics (GFS) functional classifications of government), and major trading activities undertaken by ~~GBEs~~ commercial public sector entities, such as state-owned power stations, banks, and insurance entities; or
  - (b) A geographical segment is a distinguishable component of an entity that is engaged in providing outputs or achieving particular operating objectives within a particular geographical area.

...

### Reporting Structures not Appropriate

24. As noted above, in most cases the segments for which information is reported internally to the governing body and the most senior manager of the entity, for the purpose of evaluating the entity's past performance and for making decisions about the future allocation of resources, will reflect those identified in budget documentation and will also be adopted for external reporting purposes in accordance with the requirements of this Standard. However, in some cases an entity's internal reporting to the governing body and the senior manager may be structured to aggregate and report on a basis that distinguishes revenues, expenses, assets, and liabilities related to budget-dependent activities from those of trading activities, or which distinguishes budget-dependent entities from ~~GBEs~~ commercial public sector entities. Reporting segment information in the financial statements on the basis of only these segments is unlikely to meet the objectives specified for this Standard. This is because these segments are unlikely to provide information that is relevant to users about, for example, the performance of the entity in achieving its major operating objectives. IPSAS 22, *Disclosure of Financial Information about the General Government Sector*, includes requirements for governments that elect to disclose financial information about the general government sector (GGS) as defined in statistical bases of reporting.

...

## 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 commercial public sector~~ 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 reliable basis.

...

41. The financial statements for the whole-of-government, and certain other controlling entities, will require the consolidation of a number of separate entities such as departments, agencies, and ~~GBEs~~ commercial public sector entities. In preparing these consolidated financial statements, transactions and balances between controlled entities will be eliminated in accordance with IPSAS 35, *Consolidated Financial Statements*. However, segment revenue, segment expense, segment assets, and segment liabilities are determined before balances and transactions between entities within the economic entity are eliminated as part of the consolidation process, except to the extent that such intra-economic entity balances and transactions are between entities within a single segment.

...

## Effective Date

...

- 76A. Paragraphs 2 and 3 were deleted and paragraphs 16, 24, 38 and 41 were amended by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 18.*

### **Revision of IPSAS 18 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

- BC1. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:
- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
  - (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;



- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

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

Paragraphs 2 and 3 are deleted. Paragraphs 111B and BC1 are added. The heading “Revision of IPSAS 19 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC1 is added. New text is underlined and deleted text is struck through.

### **Scope**

...

2. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]
3. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~ [Deleted]

...

### **Effective Date**

...

- 111B. Paragraphs 2 and 3 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

### **Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, IPSAS 19.*

#### **Revision of IPSAS 19 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016.**

- BC1. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:
- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
  - (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
  - (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## Amendments to IPSAS 20, *Related Party Disclosures*

Paragraphs 2 and 3 are deleted. Paragraphs 42B and BC1 are added. Implementation Guidance is amended. The heading “Revision of IPSAS 20 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC1 is added. New text is underlined and deleted text is struck through.

### Scope

...

2. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]

3. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~ [Deleted]

...

### Effective Date

...

42B. Paragraphs 2 and 3 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 20.*

#### **Revision of IPSAS 20 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016.**

BC1. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

### Implementation Guidance

*This guidance accompanies, but is not part of, IPSAS 20.*

### **Disclosure—Government X**

The following disclosures are made in the financial statements of Government X.

#### *Controlled Entities (Paragraph 25)*

The Government controls the following reporting entities:

Government Departments and Agencies: Education, Welfare, Police, Post, Works and Services, Defense, Justice, Treasury/Finance, Department X, Agency XYZ (identify all departments and agencies).

~~Government Business Enterprises~~ Commercial Public Sector Entities: Government Electricity Company, Government Telecommunications ~~Agency Company~~ (identify all ~~GBEs~~ commercial public sector entities).

...

### **Disclosure—Government Agency XYZ**

These disclosures are made in the financial statements of Government Agency XYZ, which is a separate reporting entity.

#### *Controlled Entities (Paragraph 25)*

The Agency is controlled by Department X. Department X is controlled by Government X.

The Agency controls the Administration Services Unit, which is a ~~government business enterprise (GBE)~~ commercial public sector entity.

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

Paragraphs 3, 4 and 15 and BC21 are deleted. Paragraphs 82D and BC26 are added. Paragraphs 6, 20 and 21 are amended. The heading "Revision of IPSAS 21 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016" above paragraph BC26 is added. New text is underlined and deleted text is struck through.

## **Scope**

...

3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]

4. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~ [Deleted]

...

6. This Standard excludes from its scope the impairment of assets that are dealt with in another IPSAS. ~~GBEs apply IAS 36, and therefore are not subject to the provisions of this Standard. Public sector entities other than GBEs apply IPSAS 26 to their cash-generating assets, and apply this Standard to their non-cash-generating assets. Paragraphs 6-13 explain the scope of the Standard in greater detail.~~

...

## Definitions

...

### Government Business Enterprises

15. ~~GBEs include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge. [Deleted]~~

...

### Cash-Generating Assets

...

20. In some cases, it may not be clear whether the primary objective of holding an asset is to generate a commercial return. In such cases, it is necessary to evaluate the significance of the cash flows. It may be difficult to determine whether the extent to which the asset generates cash flows is so significant that this Standard is applicable rather than IPSAS 26. Judgment is needed to determine which Standard to apply. An entity develops criteria so that it can exercise that judgment consistently in accordance with the definition of cash-generating assets and non-cash-generating assets, and with the related guidance in paragraphs 16–20. Paragraph 73A requires an entity to disclose the criteria used in making this judgment. However, given the overall objectives of ~~most public sector entities, other than GBEs~~, the presumption is that assets are non-cash-generating and, therefore, IPSAS 21 will apply.
21. Assets held by ~~GBEs~~ commercial public sector entities are cash-generating assets. Public sector entities ~~other than GBEs~~ may hold assets to generate a commercial return. For the purposes of this Standard, an asset held by a ~~non-GBE~~ public sector entity is classified as a cash-generating asset if the asset (or unit of which the asset is a part) is operated with the objective of generating a commercial return through the provision of goods and/or services to external parties.

...

## Effective Date

...

- 82D. Paragraphs 3, 4 and 15 were deleted and paragraphs 6, 20 and 21 were amended by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 21.*

...

### **Impairment of Non-Cash-Generating Assets Held by GBEs**

BC21. When this Standard was issued, this Standard required that the impairment of all assets held by GBEs be accounted for under IAS 36. When this Standard was issued GBEs ~~are~~ were profit-oriented entities, and the assets employed by them are primarily cash-generating assets. When this Standard was issued, The Preface to International Public Sector Accounting Standards makes made it clear that GBEs ~~are~~ were profit-oriented entities, and are therefore required to comply with IFRSs and IASs. When this Standard was issued, individual IPSASs make made it explicit that IFRSs apply to GBEs. Accordingly, non-cash-generating assets are expected to be appropriately grouped with cash-generating assets of GBEs to form a cash-generating unit to be tested for impairment in accordance with IAS 36.

...

### **Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, IPSAS 21.*

...

### **Revision of IPSAS 21 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

BC26. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to "public sector entities other than GBEs" from the scope section of each Standard;
- (b) Replaces the term "GBE" with the term "commercial public sector entities", where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

### **Amendments to IPSAS 22, *Disclosures of Financial Information about the General Government Sector***

Paragraph 16 is deleted. Paragraphs 47B and BC15 are added. Paragraphs 3 and 22 are amended. The heading "Revision of IPSAS 22 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016" above paragraph BC15 is added. New text is underlined and deleted text is struck through.

### **Scope**

...

3. Governments raise funds from taxes, transfers, and a range of nonmarket and market activities to fund their service delivery activities. They operate through a variety of entities to provide

goods and services to their constituents. Some entities rely primarily on appropriations or allocations from taxes or other government revenues to fund their service delivery activities, but may also undertake additional revenue-generating activities, including commercial activities in some cases. Other entities may generate their funds primarily or substantially from commercial activities. ~~These include government business enterprises (GBEs) as defined in IPSAS 1, *Presentation of Financial Statements*.~~

...

## Definitions

...

### Government Business Enterprises (GBEs)

16. ~~GBEs include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge. [Deleted]~~

### General Government Sector

...

#### *Public Non-Financial Corporations Sector*

...

22. ~~A GBE as defined in this Standard~~ Commercial public sector entities ~~has~~ have similar characteristics to a public corporation or public quasi-corporation, as defined in statistical bases of financial reporting. However, there may not be an identical mapping of ~~GBEs~~ these public sector entities and the PFC and PNFC sectors. For example, a ~~GBE~~ commercial public sector entity that is not resident would not be classified as a PFC or a PNFC.

...

## Effective Date

...

- 47B. Paragraph 16 was deleted and paragraphs 3 and 22 were amended and by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 22.*

...

**Revision of IPSAS 22 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

BC15. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

**Amendments to IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)***

Paragraphs 3 and 4 are deleted. Paragraphs 124C and BC27 are added. The heading “Revision of IPSAS 23 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016” above paragraph BC27 is added. New text is underlined and deleted text is struck through.

**Scope**

...

- 3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]
- 4. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~ [Deleted]

...

**Effective Date**

...

- 124C. Paragraphs 3 and 4 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

**Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, IPSAS 23.*

...

**Revision of IPSAS 23 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

BC27. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

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

Paragraph 4 is deleted. Paragraphs 54A, BC10A and BC23 are added. Paragraphs 3, 46 and BC10 are amended. Paragraphs 4 and 5 in Illustrative Examples are amended. The heading “Revision of IPSAS 24 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC23 is added. New text is underlined and deleted text is struck through.

### Scope

...

- 3. **This Standard applies to public sector entities, ~~other than Government Business Enterprises~~, which are required or elect to make their approved budget(s) publicly available.**
- 4. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*. [Deleted]~~

...

### Note Disclosures of Budgetary Basis, Period and Scope

...

- 46. IPSASs require entities to prepare and present financial statements that consolidate all resources controlled by the entity. At the whole-of-government level, financial statements prepared in accordance with IPSASs will encompass budget-dependent entities and ~~GBEs~~ commercial public sector entities controlled by the government. However, as noted in paragraph 35, approved budgets prepared in accordance with statistical reporting models may not encompass operations of the government that are undertaken on a commercial or market basis. Consistent with the requirements of paragraph 31, budget and actual amounts will be presented on a comparable basis. Disclosure of the entities encompassed by the budget will enable users to identify the extent to which the entity’s activities are subject to an approved budget, and how the budget entity differs from the entity reflected in the financial statements.

...



## Effective Date

...

54A. Paragraph 4 was deleted and paragraphs 3 and 46 were amended by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 24.*

...

BC10. When this Standard was issued, the IPSASB considered whether it should require or encourage all public sector entities [other than GBEs] (the term in square brackets is no longer used following the issue of the *Applicability of IPSASs* in April 2016) to make publicly available their approved budgets and to comply with the requirements of this Standard. The IPSASB noted that the purpose of this Standard was not to specify whether approved budgets should be made publicly available, and agreed that it should not impose such requirements on entities or add to existing encouragements until it had further considered its role in respect of developing requirements for budget reporting. The IPSASB also noted that public sector entities that do not make publicly available their approved budgets are not prohibited from applying the requirements of this Standard if they choose to do so.

...

## **Revision of IPSAS 24 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

BC23. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to "public sector entities other than GBEs" from the scope section of each Standard;
- (b) Replaces the term "GBE" with the term "commercial public sector entities", where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

...

## Illustrative Examples

*These examples accompany, but are not part of, IPSAS 24.*

...

## Extract of Note Disclosures—for Government X

...

4. The budget and the accounting bases differ. The financial statements for the whole-of-government are prepared on the accrual basis, using a classification based on the nature of expenses in the statement of financial performance. The financial statements are consolidated statements that include all controlled entities, including ~~government business enterprises~~ commercial public sector entities for the fiscal period from January 1, 20XX to December 31, 20XX. The financial statements differ from the budget which is approved on the cash basis and which deals only with the general government sector which excludes ~~government business enterprises~~ commercial public sector entities and certain other non-market government entities and activities.
5. The amounts in the financial statements were recast from the accrual basis to the cash basis, and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (~~GBEs~~ commercial public sector entities) were made to express the actual amounts on a comparable basis to the final approved budget. The amount of these adjustments are identified in the following table.

...

### Amendments to IPSAS 25, *Employee Benefits*

Paragraphs 8 and 9 are deleted. Paragraphs 177B and BC23 are added. The heading "Revision of IPSAS 25 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016" above paragraph BC23 is added. New text is underlined and deleted text is struck through.

### Scope

...

8. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]
9. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~ [Deleted]

...

### Effective Date

...

- 177B. Paragraphs 8 and 9 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 25.*

...

**Revision of IPSAS 25 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

BC23. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

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

Paragraphs 3 and 4 are deleted. Paragraphs 126E, BC11A and BC19 are added. Paragraphs 5, 18, BC10, BC11, BC15 and introductory text in Implementation Guidance are amended. The heading “Revision of IPSAS 26 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016” above paragraph BC19 is added. New text is underlined and deleted text is struck through.

**Scope**

...

- 3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]
- 4. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~ [Deleted]
- 5. ~~GBEs apply IAS 36, *Impairment of Assets*, and therefore are not subject to the provisions of this Standard.~~ Public sector entities, other than GBEs, that hold non-cash-generating assets as defined in paragraph 13 apply IPSAS 21, *Impairment of Non-Cash-Generating Assets*, to such assets. Public sector entities, other than GBEs, that hold cash-generating assets apply the requirements of this Standard.

...

**Definitions**

...

**Cash-Generating Assets**

...

18. In some cases it may not be clear whether the primary objective of holding an asset is to generate a commercial return. In such cases it is necessary to evaluate the significance of the cash flows. It may be difficult to determine whether the extent to which the asset generates cash flows is so significant that this Standard is applicable, rather than IPSAS 21. Judgment is needed to determine which Standard to apply. An entity develops criteria so that it can exercise that judgment consistently in accordance with the definition of cash-generating assets and non-cash-generating assets and with the related guidance in paragraphs 14–17. Paragraph 114 requires an entity to disclose the criteria used in making this judgment. However, given the overall objectives of most public sector entities other than GBEs, the presumption is that assets are non-cash-generating in these circumstances and, therefore, IPSAS 21 will apply.

...

## Effective Date

...

- 126E. Paragraphs 3 and 4 were deleted and paragraphs 5 and 18 were amended by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 26.*

### Development of IPSAS 26 based on the IASB's revised version of IAS 36 issued in 2004

...

#### *Indications of Impairment: Market Capitalization*

- BC10. When this Standard was issued, ¶the IPSASB considered whether the indications for impairment of cash-generating assets held by public sector entities – both external sources and internal sources of information – are similar to those in IAS 36. The IPSASB concluded that the indications in IAS 36 are relevant, except for the indication that the carrying amount of the net assets of the entity is more than its market capitalization. When this Standard was issued, ¶the IPSASB is was of the view that very few public sector entities that are not GBEs will issue equity instruments traded in deep markets, and that such an indication will therefore only be relevant on the consolidation of GBEs.

#### *Fair Value less Costs to Sell and Forced Sales*

- BC11. In commentary on the definition of “fair value less costs to sell,” IAS 36 states that “fair value less costs to sell does not reflect a forced sale,” but includes a qualification: “unless management is compelled to sell immediately.” IPSAS 26 does not include this qualification in paragraph 40 because there are very few circumstances in which public sector entities [that are not GBEs] (the term in square brackets is no longer used following the issue of the *Applicability of IPSASs* in April 2016) will be forced to sell immediately in order to remain a going concern.

...

### Corporate Assets

- BC15. The primary purpose of public sector entities [that are not GBEs] (the term in square brackets is no longer used following the issue of the *Applicability of IPSASs* in April 2016) is not the generation of commercial returns. Therefore, the IPSASB considers that there will be very few occasions in which an asset shared between different activities (such as an administrative building) contributes service potential to CGUs without also contributing service potential to non-cash-generating activities. It was therefore decided that it is not necessary to define, and provide requirements for, corporate assets in this Standard. Paragraph 96 refers entities to the relevant international and national accounting standard dealing with assets that do not generate cash flows independently of other assets and form part of more than one cash-generating unit, but do not contribute service potential to non-cash-generating activities.

...

### **Revision of IPSAS 26 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

- BC19. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:
- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
  - (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
  - (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## Implementation Guidance

*This guidance accompanies, but is not part of, IPSAS 26.*

*Most assets held by public sector entities are non-cash-generating assets, and accounting for their impairment should be undertaken in accordance with IPSAS 21.*

*In those circumstances when an asset held by a public sector entity is held with the objective of generating a commercial return, the provisions of this Standard should be followed. Most cash-generating assets will arise in business activities run by ~~government agencies that do not meet the definition of a GBE~~ commercial public sector entities. An example is a seed-producing unit run on a commercial basis that is part of an agricultural research entity.*

*For the purposes of all these examples, a public sector entity ~~that is not a GBE~~ undertakes commercial activities.*

...

## Amendments to IPSAS 27, *Agriculture*

Paragraphs 7 and 8 are deleted. Paragraphs 56A and BC15 are added. The heading “Revision of IPSAS 27 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC15 is added. New text is underlined and deleted text is struck through.

### Scope

...

7. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]

8. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~ [Deleted]

...

### Effective Date

...

56A. Paragraphs 7 and 8 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 27.*

...

#### **Revision of IPSAS 27 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016.**

BC15. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the Preface to International Public Sector Accounting Standards by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## Amendments to IPSAS 28, *Financial Instruments: Presentation*

Paragraphs 7 and 8 are deleted. Paragraphs 60C and BC28 are added. The heading “Revision of IPSAS 28 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC8 is added. Paragraph BC25 is amended. New text is underlined and deleted text is struck through.

### Scope

...

7. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]

8. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~ [Deleted]

...

### Effective Date

...

60C. Paragraphs 7 and 8 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 28.*

...

### Other

*Interpretations Developed by the International Financial Reporting Interpretations Committee*

...

BC25. When this Standard was issued, the IPSASB considered that IFRIC 11 is not relevant for the types of instruments entered into in the public sector as it deals with share-based payment transactions. While share-based payments may be common in [Government Business Enterprises (GBE’s)] (the term in square brackets is no longer used following the issue of the *Applicability of IPSASs* in April 2016), they do not occur frequently in entities that are not GBE’s. As a result, the IPSASB has not included any principles from IFRIC 11 in IPSAS 28.

...

**Revision of IPSAS 28 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016.**

BC28. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## **Amendments to IPSAS 29, *Financial Instruments: Recognition and Measurement***

Paragraphs 7 and 8 are deleted. Paragraphs 125C and BC20 are added. The heading “Revision of IPSAS 29 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC20 is added. New text is underlined and deleted text is struck through.

### **Scope**

...

- 7. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]
- 8. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~ [Deleted]

...

### **Effective Date**

...

- 125C. Paragraphs 7 and 8 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

### **Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, IPSAS 29.*

...

#### **Revision of IPSAS 29 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016.**

- BC20. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:
  - (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;



- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## Amendments to IPSAS 30, *Financial Instruments: Disclosures*

Paragraphs 6 and 7 are deleted. Paragraphs 52B and BC6 are added. The heading “Revision of IPSAS 30 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC6 is added. New text is underlined and deleted text is struck through.

### Scope

...

6. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]

7. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~ [Deleted]

...

### Effective Date

...

52B. Paragraphs 6 and 7 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 30.*

...

#### Revision of IPSAS 30 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016.

BC6. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;

- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## Amendments to IPSAS 31, *Intangible Assets*

Paragraphs 4 and 5 are deleted. Paragraph 132D and BC11 are added. The heading “Revision of IPSAS 31 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC11 is added. New text is underlined and deleted text is struck through.

### Scope

...

4. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]
5. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~ [Deleted]

...

### Effective Date

...

- 132D. Paragraphs 4 and 5 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 31.*

...

### Revision of IPSAS 31 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016.

- BC11. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:
- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
  - (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
  - (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## **Amendments to IPSAS 32, *Service Concession Arrangements: Grantor***

Paragraphs 3 and 4 are deleted. Paragraphs 36A and BC49 are added. Paragraphs BC6 and BC34 are amended. The heading “Revision of IPSAS 32 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC49 is added. New text is underlined and deleted text is struck through.

### **Scope**

...

3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]

4. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~ [Deleted]

### **Effective Date**

...

36A. Paragraphs 3 and 4 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

### **Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, IPSAS 32.*

...

### **Scope**

BC6. This Standard does not specify the accounting by operators, because it is addressed in IFRIC 12. In many cases the operator is a private sector entity, and IPSASs are not designed to apply to private sector entities. The operator or the grantor may also be a [Government Business Enterprise (GBE)] (the term in square brackets is no longer used following the issue of the *Applicability of IPSASs* in April 2016). When this Standard was issued, IPSASs ~~are~~ were not designed to apply to GBEs. International Financial Reporting Standards (IFRSs) apply to private sector entities and were applied to GBEs.

### **Recognition of a Liability**

...

*Grant of a Right to the Operator Model*

...

BC34. The IPSASB concluded that the credit did not represent a direct increase in the grantor's net assets/equity because the credit is not one of the components of net assets/equity identified in paragraph BC33 for the reasons noted below:

- (a) Contributions from owners are defined as “future economic benefits or service potential that has been contributed to the entity by parties external to the entity, other than those that result in liabilities of the entity, that establish a financial interest in the net assets/equity of the entity, which: (a) Conveys entitlement both to (i) distributions of future economic benefits or service potential by the entity during its life, such distributions being at the discretion of the owners or their representatives, and to (ii) distributions of any excess of assets over liabilities in the event of the entity being wound up; and/or (b) Can be sold, exchanged, transferred, or redeemed.” The credit related to the recognition of a service concession asset does not meet this definition because the operator has not made a contribution to the grantor that results in a financial interest in the entity by the operator as envisaged by IPSAS 1.
- (b) Accumulated surplus/deficit is an accumulation of an entity's surpluses and deficits. The credit related to recognition of a service concession asset represents an individual transaction and not an accumulation.
- (c) Reserves generally arise from items recognized directly in net assets/equity from specific requirements in IPSASs, and may include, for example, gains and losses on revaluation of assets (e.g., property, plant, and equipment, investments). The credit related to the recognition or reclassification of a service concession asset does not represent a gain or loss specified to be directly recognized in net/assets equity because it involves an exchange transaction and not a revaluation of an existing asset of the grantor. Existing assets of the grantor, when used in a service concession arrangement and continue to meet the control criteria in this Standard, are reclassified, thus no revaluation is done.
- (d) A non-controlling interest is defined as “that portion of the surplus or deficit and net assets/equity of a controlled entity attributable to net assets/equity interests that are not owned, directly or indirectly, through controlled entities, by the controlling entity.” A non-controlling interest may arise, for example, when at the whole-of-government level, the economic entity includes a ~~GBE~~ commercial public sector entity that has been partly privatized. Accordingly, there may be private shareholders who have a financial interest in the net assets/equity of the entity. The credit related to the recognition of a service concession asset does not meet this definition because operator does not have such a financial interest in the grantor.

...

**Revision of IPSAS 32 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

BC49. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;

- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## **Amendments to IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)***

Paragraphs 7 and 8 are deleted. Paragraphs 154A and BC118 are added. The heading “Revision of IPSAS 33 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC118 is added. New text is underlined and deleted text is struck through.

### **Scope**

...

7. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~ [Deleted]
8. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~ [Deleted]

...

### **Effective Date**

...

- 154A. Paragraphs 7 and 8 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

### **Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, IPSAS 33.*

...

#### **Revision of IPSAS 33 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016.**

- BC118. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:
- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
  - (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;

- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## Amendments to IPSAS 34, *Separate Financial Statements*

Paragraphs 4 and 5 are deleted. Paragraphs 32A and BC10 are added. The heading “Revision of IPSAS 34 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC10 is added. New text is underlined and deleted text is struck through.

### Scope

...

4. ~~This Standard applies to all public sector entities other than Government Business Enterprises (GBEs).~~ [Deleted]
5. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that GBEs apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~ [Deleted]

...

### Effective Date

...

- 32A. Paragraphs 4 and 5 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 34.*

...

### Revision of IPSAS 34 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016.

- BC10. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:
- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
  - (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
  - (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## Amendments to IPSAS 35, *Consolidated Financial Statements*

Paragraphs 11, 12 and 13 are deleted. Paragraphs 79A and BC56 are added. Paragraphs 8, BC8 and BC10 are amended. The heading “Revision of IPSAS 35 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC56 is added. New text is underlined and deleted text is struck through.

### Scope

...

8. A controlled entity is not excluded from consolidation because its activities are dissimilar to those of the other entities within the economic entity, for example, the consolidation of ~~Government Business Enterprises (GBEs)~~ commercial public sector entities with entities in the budget sector. Relevant information is provided by consolidating such controlled entities and disclosing additional information in the consolidated financial statements about the different activities of controlled entities. For example, the disclosures required by IPSAS 18, *Segment Reporting*, help to explain the significance of different activities within the economic entity.

...

### Government Business Enterprises

11. ~~This Standard applies to all public sector entities other than GBEs.~~ [Deleted]
12. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that GBEs apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~ [Deleted]
13. ~~Although GBEs are not required to comply with this Standard in their own financial statements, the provisions of this Standard will apply where a public sector entity that is not a GBE has one or more controlled entities that are GBEs. In these circumstances, this Standard shall be applied in consolidating GBEs into the financial statements of the economic entity.~~ [Deleted]

...

### Effective Date

...

- 79A. Paragraphs 11, 12 and 13 were deleted and paragraph 8 was amended by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 35.*

### Scope (paragraphs 3–11)

*Application of the Consolidation Requirements to all Controlled Entities*

...

BC8. The IPSASB deliberated extensively on the issue of whether all controlled entities should be consolidated, having regard to users' needs. The IPSASB focused on the information provided by consolidated financial statements, whilst noting that users' information needs may also be met through other statements and reports such as (i) separate financial statements of both controlling and controlled entities; (ii) performance reports; and (iii) statistical reports. Although some of the IPSASB's discussions were relevant to any type of public sector entity that is a controlling entity, many of the matters considered were more pertinent at the whole of government level. The IPSASB considered views on the usefulness of consolidation in relation to the following types of controlled entities (whilst noting that these broad categories would not be universally applicable):

- (c) Departments and ministries;
- (d) Government agencies;
- (e) [Government Business Enterprises (GBE)] (the term in square brackets is no longer used following the issue of the *Applicability of IPSASs* in April 2016);
- (f) Financial institutions (excluding government sponsored enterprises); and
- (g) Other investments (including intentional investments, incidental investments and investment entities). The term "incidental investments" was used to refer to interests acquired in the course of meeting another objective, such as preventing the collapse of a private sector entity.

...

BC10. The IPSASB noted arguments in support of requiring consolidation of all controlled entities of a government, including the following:

- (a) Consolidated financial statements provide a panoramic view of a government's activities and current financial position. This panoramic view ensures that users do not lose sight of the risks associated with certain sectors. It shows the performance of the government as a whole.
- (b) Identifying categories of entities which should not be consolidated could be difficult. Such attempts could lead to rules-based standards. For example, there could be difficulties in separately identifying entities rescued from financial distress on a consistent basis across jurisdictions and over time. Similar issues could arise in respect of any separate proposals for GBEs. Although the term GBE ~~is~~ was a defined term within IPSASs when this Standard was issued, the IPSASB noted that there ~~are~~ were differences in the way this definition is being applied in practice in different jurisdictions. In addition to the issue of clearly identifying any group of entities for which different accounting requirements would be appropriate, the IPSASB noted that similar activities can be conducted by a variety of entity types both within and across jurisdictions. So, although proposals for different accounting treatments might lead to consistent treatment for a group of entities within a jurisdiction, it might not result in comparable accounting for similar activities.

...



**Revision of IPSAS 35 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

BC56. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

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

Paragraphs 6 and 7 are deleted. Paragraphs 51A and BC14 are added. The heading “Revision of IPSAS 36 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016” above paragraph BC14 is added. New text is underlined and deleted text is struck through.

**Scope**

...

6. ~~This Standard applies to all public sector entities other than Government Business Enterprises (GBEs).~~ [Deleted]

7. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that GBEs apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~ [Deleted]

...

**Effective Date**

...

51A. Paragraphs 6 and 7 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

**Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, IPSAS 36.*

...

**Revision of IPSAS 36 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

BC14. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## **Amendments to IPSAS 37, *Joint Arrangements***

Paragraphs 5 and 6 are deleted. Paragraph 42A and BC8 are added. The heading “Revision of IPSAS 37 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC8 is added. New text is underlined and deleted text is struck through.

### **Scope**

...

- 5. ~~This Standard applies to all public sector entities other than Government Business Enterprises (GBEs).~~ [Deleted]
- 6. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that GBEs apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~ [Deleted]

...

### **Effective Date**

...

- 42A. Paragraphs 5 and 6 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

### **Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, IPSAS 37.*

...

### **Revision of IPSAS 37 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016.**

BC8. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## **Amendments to IPSAS 38, *Disclosure of Interests in Other Entities***

Paragraphs 5 and 6 are deleted. Paragraphs 42A and BC14 are added. The heading “Revision of IPSAS 38 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC14 is added. New text is underlined and deleted text is struck through.

### **Scope**

...

- 5. ~~This Standard applies to all public sector entities other than Government Business Enterprises (GBEs).~~ [Deleted]
- 6. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that GBEs apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~ [Deleted]

...

### **Effective Date**

...

- 42A. Paragraphs 5 and 6 were deleted by *The Applicability of IPSASs*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.

...

### **Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, IPSAS 38.*

...

#### **Revision of IPSAS 38 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016.**

- BC14. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:
  - (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;

- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

## **Amendments to RPG 1, *Reporting on the Long-Term Sustainability of an Entity’s Finances***

Paragraph 5 is deleted. Paragraph BC35 is added. Paragraphs 6 and BC10 are amended. The term “Government Business Enterprise” in Appendix A is deleted. The heading “Revision of RPG 1 as a result of the IPSASB’s *The Applicability of IPSASs*, issued in April 2016” above paragraph BC35 is added. New text is underlined and deleted text is struck through.

### **Scope**

...

- 5. ~~This RPG is applicable to all public sector entities other than Government Business Enterprises (GBEs).~~ [Deleted]
- 6. Although this RPG does not apply directly to ~~GBEs~~ commercial public sector entities, the future inflows and outflows related to a ~~GBE~~ commercial public sector entity, controlled by the reporting entity, over the specified time horizon of the projections are within the scope of this RPG.

...

### **Appendix A**

#### **Terms in this RPG Defined in IPSASs**

Term	Definition
<b>Assets</b>	Resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.
<b>Cash</b>	Comprises cash on hand and demand deposits.
<b>Cash equivalents</b>	Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
<b>Controlled entity</b>	An entity, including an unincorporated entity such as a partnership, which is under the control of another entity (known as the controlling entity).
<b>Controlling entity</b>	An entity that has one or more controlled entities.
<b>Government Business Enterprise</b>	An entity that has all the following characteristics: <ul style="list-style-type: none"> <li>(a) <del>Is an entity with the power to contract in its own name;</del></li> <li>(b) <del>Has been assigned the financial and operational authority to carry on a business;</del></li> <li>(c) <del>Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;</del></li> </ul>

Term	Definition
	<del>(d) Is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and</del> <del>(e) Is controlled by a public sector entity.</del>
<b>General government sector</b>	Comprises all organizational entities of the general government as defined in statistical bases of financial reporting.
<b>Liabilities</b>	Present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.
<b>Reporting date</b>	The date of the last day of the reporting period to which the financial statements relate.
<b>Revenue</b>	The gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.

...

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, RPG 1.*

...

## Definitions

*Long-Term Fiscal Sustainability*

...

BC10. When this RPG was issued, ~~the~~ IPSASB decided to retain the definition of long-term fiscal sustainability used in the Consultation Paper for ED 46 and subsequently for this RPG, except for widening the scope to reflect that it can apply to all public sector entities (except [Government Business Enterprises]) (the term in square brackets is no longer used following the issue of the *Applicability of IPSASs* in April 2016) rather than limiting it to governments. In coming to this conclusion the IPSASB noted the need for governments and public sector entities to both (a) provide services and meet obligations relating to entitlement programs and (b) meet financial obligations, principally debt servicing. The IPSASB also noted that many governments have sovereign powers to enact legislation for new taxation sources and to vary the levels of existing taxation, while acknowledging that in a global environment the ability to increase taxation might be practically constrained by a number of considerations. The IPSASB took the view that, provided an entity gives appropriate attention to the dimensions of long-term fiscal sustainability, as explained in paragraphs 27–40, users will be given adequate information about whether an entity can maintain existing service levels, meet obligations to the current and future beneficiaries of entitlement programs and meet financial obligations without increasing revenue from taxation and other sources or increasing borrowing.

...

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, RPG 1.*

...

**Revision of RPG 1 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

BC35. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

**Amendments to RPG 2, *Financial Statement Discussion and Analysis***

Paragraph 6 is deleted. Paragraph BC14 is added. The term “Government Business Enterprise” in Appendix A is deleted. The heading “Revision of RPG 2 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016” above paragraph BC14 is added. New text is underlined and deleted text is struck through.

**Scope**

...

6. ~~This RPG is applicable to all public sector entities other than Government Business Enterprises (GBEs).~~ [Deleted]

...

**Appendix A****Terms in this RPG Defined in IPSASs**

Term	Definition
<b>Approved budget</b>	The expenditure authority derived from laws, appropriation bills, government ordinances, and other decisions related to the anticipated revenue or receipts for the budgetary period.
<b>Government Business Enterprise</b>	<p>An entity that has all the following characteristics:</p> <ul style="list-style-type: none"> <li>(a) <del>Is an entity with the power to contract in its own name;</del></li> <li>(b) <del>Has been assigned the financial and operational authority to carry on a business;</del></li> <li>(c) <del>Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;</del></li> <li>(d) <del>Is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and</del></li> <li>(e) <del>Is controlled by a public sector entity.</del></li> </ul>

**Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, RPG 2.*

...

**Revision of RPG 2 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

BC14. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to “public sector entities other than GBEs” from the scope section of each Standard;
- (b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

**Amendments to RPG 3, *Reporting Service Performance Information***

Paragraphs 3, BC8 and BC9 are amended. Paragraph BC43 is added. The heading “Revision of RPG 3 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016” above paragraph BC43 is added. New text is underlined and deleted text is struck through.

**Scope**

...

3. ~~This RPG is applicable to all public sector entities other than Government Business Enterprises (GBEs).~~ Although this RPG does not apply directly to ~~GBEs~~ commercial public sector entities, the services provided by a ~~GBE~~ commercial public sector entity controlled by the reporting entity are within the scope of this RPG.

...

**Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, RPG 3.*

...

**Scope**

- BC8. When this Standard was issued, the IPSASB considered whether the RPG should apply to [Government Business Enterprises (GBEs)] (the term in square brackets is no longer used following the issue of *The Applicability of IPSASs* in April 2016). While acknowledging that GBEs provide services and may report service performance information on those services the IPSASB decided that this RPG should apply to all public sector entities other than GBEs. When this Standard was issued, this is was consistent with the *Preface to International Public Sector Accounting Standards*, which stateded that the IPSASB developeded accounting standards and other publications for use by public sector entities, other than GBEs. This exclusion from the

scope should not be read as implying that the guidance could not be applied by GBEs or that there is any barrier to GBEs in applying this guidance.

- BC9. In reaching this conclusion the IPSASB noted that where a controlling entity reports service performance information according to the recommendations in this RPG it may provide information on services provided by one or more controlled GBEs. Although the GBEs' own reporting ~~is~~ was not within the scope of this RPG, the IPSASB decided that the information reported by the controlling entity—about the GBEs' services—~~needed~~ needed to follow the RPG's requirements, if the controlling entity ~~is~~ was to assert compliance with the RPG.

...

**Revision of RPG 3 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016.**

BC43. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:

- (a) Removes the standard paragraphs about the applicability of IPSAS to "public sector entities other than GBEs" from the scope section of each Standard;
- (b) Replaces the term "GBE" with the term "commercial public sector entities", where appropriate;
- (c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.



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April 2016

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## Amendments to Preface to International Public Sector Accounting Standards



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 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.

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# **AMENDMENTS TO PREFACE TO INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS**

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## Amendments to Preface to International Public Sector Accounting Standards

### Introduction

Paragraph 3 is amended. Deleted text is struck through.

...

3. The IPSASB serves the public interest by developing and issuing, under its own authority, accounting standards and other publications for use by public sector entities ~~other than Government Business Enterprises (GBEs)~~.

...

### Objective of the IPSASB

Paragraph 7 is amended. Deleted text is struck through.

...

7. In fulfilling its objective, the IPSASB develops and issues the following publications:
  - IPSASs as the standards to be applied in the preparation of general purpose financial reports of public sector entities ~~other than GBEs~~.
  - Recommended Practice Guidelines (RPGs) to provide guidance on good practice that public sector entities are encouraged to follow.
  - Studies to provide advice on financial reporting issues in the public sector. They are based on study of the good practices and most effective methods for dealing with the issues being addressed.
  - Other papers and research reports to provide information that contributes to the body of knowledge about public sector financial reporting issues and developments. They are aimed at providing new information or fresh insights and generally result from research activities such as: literature searches, questionnaire surveys, interviews, experiments, case studies and analysis.

...

## Scope and Authority of International Public Sector Accounting Standards

### Scope of the Standards

Paragraph 10 is amended. New text is underlined and deleted text is struck through.

...

10. The IPSASs are designed to apply to ~~the general purpose financial reports of all public sector entities<sup>1</sup> that: other than GBEs. Public sector entities include national governments, regional (e.g., state, provincial, territorial) governments, local (e.g., city, town) governments and related governmental entities (e.g., agencies, boards, commissions and enterprises), unless otherwise stated. International organizations also apply IPSASs. The IPSASs do not apply to GBEs. GBEs apply International Financial Reporting Standards (IFRSs) which are issued by the International Accounting Standards Board (IASB). IPSASs include a definition of GBEs.~~
- (a) Have a primary objective to deliver services<sup>2</sup> to benefit the public, or to other public sector entities, and/or to redistribute income and wealth;
  - (b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees; and
  - (c) Do not have a primary objective to make profits.

...

---

<sup>1</sup> Paragraph 1.8 of *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* identifies a wide range of public sector entities for which IPSASs are designed.

<sup>2</sup> Services encompasses goods and services

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