

Agenda Item 8: Public Sector Specific Financial Instruments

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IPSASB Meeting

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Objective of Agenda Item

Consider and provide directions on key issues

Materials Presented

- Agenda Item 8.1 Issues Paper
- Agenda Item 8.2 Directions Issued – Dec 2015
- Agenda Item 8.3 Decisions up to Dec 2015
- Agenda Item 8.4 Draft Chapter – IMF Quota Subscription and SDRs
- Agenda Item 8.5 Draft Chapters: Currency in Circulation & Monetary Gold Chapters

Objective of the IMF Chapter – 8.1.1

An entity shall account for the IMF quota subscriptions and SDR holdings and allocations in a manner that helps users of its financial statements assess:

- Their impact on the entity's financial performance and financial position; and
- Their nature and extent of risks arising from them, and how the entity manages those risks.

Matter for Consideration:

Does the IPSASB agree with the IMF Chapter Objective?

IMF Chapter: Definitions – 8.1.2

The definitions included - Agenda Item 8.1.2

- IMF Quota Subscription
- SDR Holdings
- SDR Allocations

Matter for Consideration:

- *Does the IPSASB agree with the proposed definitions?*

Nature and Function – 8.1.3 (1/2)

- The IPSASB directed an analysis of the similarities/differences of the IMF items compared to more common financial instruments
- IMF Quota Subscription:

Similarities	Differences
<ul style="list-style-type: none">- Common Shares – voting rights- Debt Instruments & Preference Shares – Interest payments not return on investment- Collateral Borrowing (Quota similar to Collateral)	Unique to Common Shares – equivalent to a membership fee – cannot be sold

Matter for Consideration:

- *Does the IPSASB agree on nature and function of IMF Quota Subscription?*

Nature and Function – 8.1.3 (2/2)

- SDR Holdings and Allocations:

Similarities	Differences
<ul style="list-style-type: none">- SDR Holdings: Value based on underlying currency – similar to FX- SDR Allocations: Demand loan or Credit line	<ul style="list-style-type: none">- SDR Holdings: Restriction on use- SDR Allocations: No requirements to repay principal – no maturity date

Matter for Consideration:

- *Does the IPSASB agree on nature and function of SDR Holdings and Allocations?*

IMF Quota Subscription – 8.1.4 (1/2)

Recognition

- The paper considers the CF guidance for an asset:
 - Past Event – Payment of Quota
 - Resource – May provide both service potential and economic benefits because of IMF international financial structure & SDR market
 - Control – Member has voting rights and ability to influence IMF Activities. IMF Articles of Agreement – set out procedures for withdrawal.

Matter for Consideration:

- *Does the IPSASB agree with the discussion on recognition of the IMF Quota Subscription as an asset?*

IMF Quota Subscription – 8.1.4 (2/2)

Measurement

- The CP considers the CF measurement bases and concludes - Quota should be measured at historical cost – Agenda Item 8.4 – Para 4.27
- Para 4.28 - why other measurement bases not appropriate

Matter for Consideration:

- *Does the IPSASB agree with the discussion on measurement in the CP, and the use of historical cost?*

SDR Holdings – 8.1.5 (1/2)

The CF guidance for recognition an asset is considered:

- Past Event – Joins IMF, Participates in SDR Department & receives allocation of SDR holdings
- Resource:
 - Can be used as considerations to transact with other members
 - Accrue interest
- Control:
 - Members free to transact with other IMF members
 - IMF Articles of Agreement

Matter for Consideration:

- *Does the IPSASB agree with the discussion on recognition of SDR Holdings as an asset?*

SDR Holdings – 8.1.5 (2/2)

Measurement

- The CP considers the CF measurement bases and concludes SDR Holdings appropriate to be measured at market value, historical cost or net selling price – Agenda Item 8.4 – Para 4.36
- Para 4.37 - why other measurement bases not appropriate

Matter for Consideration:

- *Does the IPSASB agree with the discussion on measurement in the CP, and the use of historical cost?*

SDR Allocations – 8.1.6 (1/2)

The CF guidance for recognition as a liability is considered:

- Past Event – Joins IMF, Participates in SDR Department receives allocation of SDRs
- Present Obligation:
 - SDR give rise to legal obligation – IMF Articles of Agreement – rights and obligations and dispute mechanisms
 - Accrue interest
- Little of no realistic alternative to avoid:
 - Because legally enforceable – little or no realistic alternative to avoid an outflow of resources

Matter for Consideration:

- *Does the IPSASB agree with the discussion on recognition of SDR Allocations as a liability?*

SDR Allocations – 8.1.6 (2/2)

Measurement

- The CP considers the CF measurement bases set and concludes that appropriate bases for SDR Allocations: market value or cost of fulfillment – Agenda Item 8.4 – Para 4.44
- Para 4.45 - why other measurement bases not appropriate

Matter for Consideration:

- *Does the IPSASB agree with the discussion on measurement in the CP, and the use of historical cost?*

Appendix A - Illustrative Examples – 8.1.7

Agenda Item 8.4 – Appendix A – illustrative examples

- IPSASB directed that detailed examples for understanding would be helpful.

Matters for Consideration:

- *Are the examples clear, understandable and helpful; and*
- *Are they complete (any other scenarios needed)?*

Appendix B IMF Information – 8.1.8

Agenda Item 8.4 – Appendix B – IMF Information

- Detailed background information for understanding

Matter for Consideration:

- *Is the Appendix helpful and should it be retained in the CP?*

Appendix C - GFS Guidance – 8.1.9

Agenda Item 8.4 – Appendix C–GFS Guidance

- Appendix C includes the GFS guidance considered in the development of the chapter
- Staff and TBG view that the guidance is built into scope and definitions, therefore can be located in Appendix
- Staff proposal that all GFS guidance be included as Appendices for each CP Chapter

Matter for Consideration:

- *Does the IPSASB agree with including GFS guidance in the Appendices for each CP Chapter?*

Appendix D – Supporting Descriptions – 8.1.10

Agenda Item 8.4 - Appendix D – Supporting Descriptions to the IMF Definitions

- Because IMF transactions are well defined and understood between the IMF and members – only definitions included.

Matter for Consideration:

- *Does the IPSASB agree with the staff proposal to include the supporting descriptions as Appendix D?*

Directions form Dec 2015 meeting – 8.1.11 (1/3)

Specific Actions Set Out in Agenda Item 8.2:

- Agenda Item 8.5 – Para 3.26 & 3.28 – Further explanation on GFS terminology related to Reserve Asset Definition

Matter for Consideration:

- *Does the IPSASB agree with the revisions and additions to Agenda Item 8.5 – Paras 3.26 & 3.28?*

Directions form Dec 2015 meeting – 8.1.11 (2/3)

Specific Actions Set Out in Agenda Item 8.2 – Monetary Gold SMCs:

Specific Matter for Comment–Chapter 3–1

- *Should entities have the option to select a measurement basis (current value or historical cost) based on their intentions in holding monetary gold assets?*

Specific Matter for Comment–Chapter 3–2

- *Which measurement basis is most appropriate for monetary gold, current value or historical cost?*

Matter for Consideration:

- *Does the IPSASB agree with the Revised SMCs?*

Directions form Dec 2015 meeting – 8.1.11 (1/3)

Specific Actions Set Out in Agenda Item 8.2

- Preliminary View – Currency in Circulation Chapter:

Notes and coins derive value because they are legal tender and accepted as a medium of exchange and therefore serve the same purpose and function in the economy. As the purpose and function of notes and coins is the same, the IPSASBs view is the accounting treatment should be consistent for both.

Matter for Consideration:

- *Does the IPSASB agree with the Preliminary View?*

Next Steps

Action Directions received at this meeting

Review CP Chapters for:

- Consistency
- Conciseness
- Structuring

Agenda Item 8.2 and 8.3

- Agenda Item 8.2 – Directions Issued up to Dec 2015
- Agenda Item 8.3 – Decisions up to Dec 2015

Thoughts on these Appendices and Issues Paper?



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