



Agenda Item 5: Financial Instruments (Updates to IPSAS 28-30)

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IPSASB Meeting

Toronto, Canada

June 19 – 22, 2018

Session Outline



Project Management and Project Development

Review of Task Force Recommendations (Agenda Items 5.2.1-5.2.7)

Basis for Conclusions (Agenda Item 5.2.8)

Approval of IPSAS 41 (Agenda Item 5.2.9)

Summary of Project Progression (Agenda Item 5.1.3)

September 2016 – March 2017:

- Approval of authoritative guidance & amendments to other IPSASs

April 2017 TBG Meeting:

- Review of the non-authoritative material at the in-person TBG Meeting

June 2017:

- Final approval of draft ED

March 2018

- Initial Review of Response and delegation of Specific Issues to the Task Force

June 2018

- Approval of IPSAS 41

Task Force Process (Agenda Item 5.3.1)

Teleconference One

(March 26, 2018)

- Reviewed Staff Recommendations

Teleconference Three

(May 23, 2018)

- Reviewed Basis for Conclusion
- Agreed on Task Force Recommendations

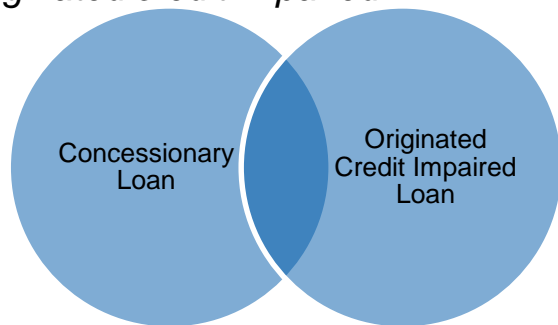
Teleconference Two

(April 19, 2018)

- Reviewed Issues delegated by the IPSASB

Concessionary Originated Credit Impaired Loans (Agenda Item 5.2.1) (1/2)

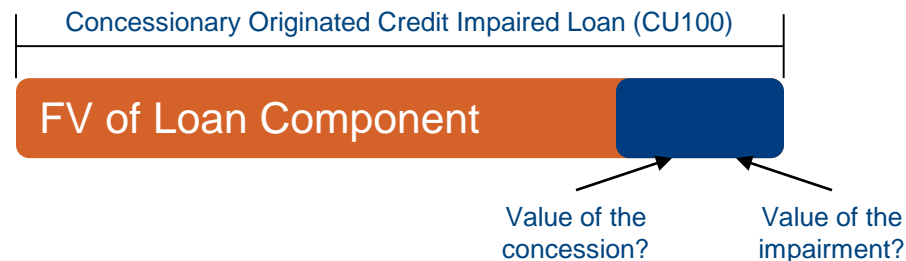
Issue 1 - *classifying a loan as concessionary or originated credit impaired*



Task Force Recommendation

- Distinction between concessionary and originated credit impaired loan is based on intent of loan;
- Clarification made in AG121, AG122 and G.5.

Issue 2 - *accounting for concessionary loans which are credit impaired*



Task Force Recommendation

- Require the entire difference between the transaction price and fair value to be allocated to the concessionary element;
- Clarification made in AG127 and G.6.

Concessionary Originated Credit Impaired Loans (Agenda Item 5.2.1) (2/2)

Matter for Consideration

Does the IPSASB agree with the Task Force Recommendation?

Commitment to Issue a Concessionary Loan (Agenda Item 5.2.2) (1/2)

Issue – *expense recognition when the commitment liability does not equal the value of the concession*

Task Force Recommendation

- Existing guidance is sufficient to account for transactions where a commitment to issue a concessionary loan is granted;
- An illustrative example was developed to illustrate the application of the principles with case facts (see IE 162).

Commitment to Issue a Concessionary Loan (Agenda Item 5.2.2) (2/2)

Matter for Consideration

Does the IPSASB agree with the Task Force Recommendation?

Ignoring the Effects of Discounting Short Term Receivables (Agenda Item 5.2.3) (1/2)

Issue – *the IFRS 15 practical expedient does not exist in IPSAS*

IFRS 15.63 Practical Expedient

No adjustment to contractual amount for financing if payment is expected within 12 months

VS

IPSAS 41 General Measurement Requirements

Measure a financial asset at its fair value

Task Force Recommendation

- Add prominence to existing guidance that requires short-term receivables to be measured at the original invoice amount (paragraphs 57 and 60).

Ignoring the Effects of Discounting Short Term Receivables (Agenda Item 5.2.3) (2/2)

Matter for Consideration

Does the IPSASB agree with the Task Force Recommendation?

Measuring Fair Value of Non-Cash Generating Equity Instruments (Agenda Item 5.2.4) (1/2)

Issue 1 – *difficult for public sector entities to obtain valuations for unquoted equity investments*

Task Force Recommendation

- This is not a public sector difference;
- Log the issue for consideration as part of the public sector measurement project.

Issue 2 – *using a cash flow valuation technique to measure unquoted equity instruments may result in impairments*

Task Force Recommendation

- IPSAS 41 allows for various measurement techniques;
- Incorporate BC39 to BC42 which provides an overview of IPSAS 41's fair value guidance.

Measuring Fair Value of Non-Cash Generating Equity Instruments (Agenda Item 5.2.4) (2/2)

Matter for Consideration

Does the IPSASB agree with the Task Force Recommendation?

Clarifying an In Substance Equity Instrument (Agenda Item 5.2.5) (1/2)

Issue – *evaluating the substance, rather than the contractual terms, of whether an instrument is equity is challenging in the public sector*

Task Force Recommendation

- Continue to require professional judgement to be applied in determining whether an instrument is an equity instrument;
- Incorporate additional Implementation Guidance, G.4, that includes the indicators from paragraph 38 of IPSAS 23 to help constituents apply professional judgement.

Clarifying an In Substance Equity Instrument (Agenda Item 5.2.5) (2/2)

Matter for Consideration

Does the IPSASB agree with the Task Force Recommendation?

Interaction of Day One Fair Value Guidance with Other Valuation Guidance (Agenda Item 5.2.6) (1/2)

Issue – guidance in paragraph AG117 is duplicated in paragraphs AG147 and AG148 of ED 62

	2011	IFRS 13 is released	IFRS 9 is released
IASB	(IAS 39 – 2012 Version) AG76 =	(IAS 39 – 2013 Version) AG76 =	(IFRS 9) B5.1.2A =
IPSASB	AG112 (IPSAS 29)		AG117 (ED 62)

Task Force Recommendation

- Amend AG117 and AG151 (previously AG147 and AG148) to eliminate duplication of fair value guidance;
- Incorporate BC46 to BC48 to explain the amendment.

Interaction of Day One Fair Value Guidance with Other Valuation Guidance (Agenda Item 5.2.6) (2/2)

Matter for Consideration

Does the IPSASB agree with the Task Force Recommendation?

Other Issues Delegated to the Task Force (Agenda Item 5.2.7) (1/5)

Other Issues:

Issue 1 – *the term grant requires additional explanation*

Task Force Recommendation

- apply more generic wording in the Application Guidance by using the term “non-exchange transaction” (AG124)

Other Issues Delegated to the Task Force (Agenda Item 5.2.7) (2/5)

Other Issues:

Issue 2 – *clarify the sequencing of SPPI evaluation for concessionary loans*

Task Force Recommendation

- clarify assessment is performed after initial measurement, not initial recognition (AG126)

Other Issues Delegated to the Task Force (Agenda Item 5.2.7) (3/5)

Other Issues:

Issue 3 and 5 – *the IFRS 9 practical expedient for short term receivables is not available in IPSAS 41*

Task Force Recommendation

- amend initial measurement guidance to indicate short term receivables and payables are measured at the invoice amount (paragraph 60)

Other Issues Delegated to the Task Force (Agenda Item 5.2.7) (4/5)

Other Issues:

Issue 4 – *applying the originated credit impaired requirements to short term receivables is complex in the public sector*

Task Force Recommendation

- introduce a practical expedient exempting short term receivables from originated credit impaired guidance (paragraph 89)

Other Issues Delegated to the Task Force (Agenda Item 5.2.7) (5/5)

Matter for Consideration

Does the IPSASB agree with the Task Force Recommendation?

Basis for Conclusion (Agenda Item 5.2.8) (1/2)

BCs Identified

- Task Force Members agreed which BCs were necessary

Review of BCs

- IPSASB Technical Director performed first review
- Task Force delegated detailed review to one member (Jeanine Poggiolini)
- Task Force reviewed and agreed to recommend BCs to the IPSASB

BCs Drafted

- Staff drafted BCs for Task Force Review

Basis for Conclusion (Agenda Item 5.2.8) (2/2)

Matter for Consideration

Does the IPSASB agree with the Basis for Conclusion recommended by the Task Force

Approval of IPSAS 41 (Agenda Item 5.2.9)

Due process requires:

The IPSASB Technical Director advise that due process has been followed effectively;

The IPSASB to confirm it is satisfied there are no additional issues to be discussed;

The IPSASB to confirm it is satisfied that due process has been followed effectively;

The IPSASB to approve *IPSAS 41, Financial Instruments*;

The IPSASB to confirm there has been no substantial change to ED 62; and

Set an effective date of January 1, 2022 for *IPSAS 41, Financial Instruments*.



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