

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Toronto, Canada

Meeting Date: June 18–21, 2019

From: Amon Dhliwayo

Agenda Item 6

For:

☒ Approval

☒ Discussion

☒ Information

IMPROVEMENTS

Project summary	To propose minor improvements to IPSAS in order to address issues raised by stakeholders and to align, where appropriate, with amendments made to International Financial Reporting Standards.	
Meeting objectives	Topic	Agenda Item
Project management	Improvements Project Roadmap	6.1.1
	Decisions up to March 2019	6.1.2
	Instructions up to March 2019	6.1.3
Decisions required at this meeting	General Improvements to IPSAS	6.2.1
	IASB Improvements	6.2.2
	Approval of ED 68, <i>Improvements to IPSAS, 2019</i>	6.2.3
Other supporting items	[Draft] Exposure Draft 68, <i>Improvements to IPSAS, 2019</i>	6.3

IMPROVEMENTS PROJECT ROADMAP

Meeting	Objective: IPSASB to consider:
June 2019	<ol style="list-style-type: none">1. Discussion of issues2. Review of ED 68, <i>Improvements to IPSAS, 2019</i>3. Approval of ED 68, <i>Improvements to IPSAS, 2019</i>
July–August 2019	<ol style="list-style-type: none">1. Consultation Period
December 2019	<ol style="list-style-type: none">1. Review of responses (ED 68)2. Discussion of issues raised3. Approval of final pronouncement, <i>Improvements to IPSAS, 2019</i>

Agenda Item

6.1.1

DECISIONS UP TO MARCH 2019 MEETING

Date of Decision	Decision
December 2018	As part of the work plan discussions, the IPSASB agreed to consider <i>Improvements to IPSAS, 2019</i> in June 2019 as there was availability of both staff resources and agenda time.
December 2018	The IPSASB approved the final pronouncement, <i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to IPSAS 36) and <i>Prepayment Features with Negative Compensation</i> (Amendments to IPSAS 41).
September 2018	The IPSASB approved the final pronouncement, <i>Improvements to IPSAS, 2018</i> .
March 2018	The IPSASB approved ED 66, <i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to IPSAS 36) and <i>Prepayment Features with Negative Compensation</i> (Amendments to IPSAS 41).
March 2018	The IPSASB approved ED 65, <i>Improvements to IPSAS, 2018</i> .
December 2017	As part of the work plan discussions, the IPSASB agreed to consider <i>Improvements to IPSAS, 2018</i> in March 2018 as there was availability of both staff resources and agenda time.
March 2017	As part of the work plan discussions, the IPSASB deferred the next <i>Improvements</i> project until 2018 as a way of reducing the workload on both the IPSASB and respondents.

INSTRUCTIONS UP TO MARCH 2019 MEETING

Meeting	Instruction	Actioned
N/A	No instructions given to date.	

Agenda Item

6.2.1

General Improvements to IPSAS

Questions

1. The IPSASB is asked to review and approve the proposed general improvements to IPSAS.

Detail

2. This Agenda Item considers proposed general IPSAS improvements. Previously considered proposals are not reconsidered in this Agenda Paper.
3. Table 1 sets out the possible amendments to IPSAS identified by stakeholders and IPSASB staff, including the rationale for including proposed amendments in ED 68, *Improvements to IPSAS, 2019*.

Table 1: List of possible amendments and staff recommendation

IPSAS	Proposed Amendment	Recommendation
<i>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</i>		
IPSAS 5, <i>Borrowing Costs</i>	Proposed amendments to IPSAS 5, regarding the calculation of interest expense. Minor amendments additional to those in the Amendments to Other IPSAS in IPSAS 41.	Staff recommends including amendments in ED 68 (see Part I-1a in ED 68).
IPSAS 30, <i>Financial Instruments: Disclosures</i>	Proposed amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk. Minor amendments additional to those in the Amendments to Other IPSAS in IPSAS 41.	Staff recommends including amendments in ED 68 (see Part I-1b in ED 68).
IPSAS 30, <i>Financial Instruments: Disclosures</i>	Proposed amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts. Minor amendments additional to those in the Amendments to Other IPSAS in IPSAS 41.	Staff recommends including amendments in ED 68 (see Part I-1c in ED 68).

IPSAS	Proposed Amendment	Recommendation
IPSAS 33, <i>First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i>	Proposed amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS. Minor amendments additional to those in the Amendments to Other IPSAS in IPSAS 41.	Staff recommends including amendments in ED 68 (see Part I-1d in ED 68).
Other Improvements to IPSAS		
IPSAS 13, <i>Leases</i>	Proposed amendments to IPSAS 13 to include the appropriate references to IPSAS standards on impairment, in place of the current references to other international and/or national accounting frameworks.	Staff recommends including amendments in ED 68 (see Part I-2 in ED 68).
IPSAS 13, <i>Leases</i> and IPSAS 17, <i>Property, Plant, and Equipment</i>	Proposed amendments to remove transitional provisions which should have been deleted when IPSAS 33, <i>First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i> was approved.	Staff recommends including amendments in ED 68 (see Part I-3a and Part I-3b in ED 68).
IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i> and IPSAS 26, <i>Impairment of Cash-Generating Assets</i>	Proposed amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, <i>Property, Plant, and Equipment</i> and IPSAS 31, <i>Intangible Assets</i> .	Staff recommends including amendments in ED 68 (see Part I-4a and Part I-4b in ED 68).
IPSAS 33, <i>First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i>	Proposed amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.	Staff recommends including amendments in ED 68 (see Part I-5 in ED 68).
IPSAS 40, <i>Public Sector Combinations</i>	Proposed amendment to include the effective date paragraph which should have been included in the Amendments to Other IPSAS in IPSAS 40.	Staff recommends including amendments in ED 68 (see Part I-6 in ED 68).

Decisions required

4. Does the IPSASB agree to include the staff proposed general IPSAS amendments in ED 68, *Improvements to IPSAS, 2019*?

Agenda Item

6.2.2

IASB Improvements

Questions

1. The IPSASB is asked to approve the proposed IPSAS amendments resulting from IASB amendments to IFRS (minor amendments arising from their improvements and narrow scope amendment projects).

Detail

2. Table 1 sets out possible amendments to IPSAS, based on the IASB's recently issued improvements and narrow scope amendment projects. The items considered for inclusion in ED 68, *Improvements to IPSAS, 2019*, are those items related to IASB annual improvements and narrow scope amendments projects published since the *Improvements to IPSAS, 2018* project commenced in March 2018, and which have not yet been considered by the IPSASB. Staff also considered whether new Interpretations (IFRICs) are suitable for inclusion in an Improvements project. IASB annual improvements, narrow scope amendments projects and IFRICs published between October 27, 2018 and June 3, 2019 (the date this Agenda Item was finalized) have been considered. The table sets out the rationale for excluding any amendments and notes those recommended for inclusion.

Table 1: List of Amendments from the IASB's recently issued annual improvements and narrow scope amendments projects

IFRS	Subject of Amendment	Recommendation
<i>Definition of Material</i> (Amendments to IAS 1 and IAS 8) (issued October 2018)		
IAS 1, <i>Presentation of Financial Statements</i> and IAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> .	Clarify the definition of material to resolve difficulties that entities experience in making materiality judgements when preparing financial statements and align the definition in IAS 1 and IAS 8.	Staff recommends that the corresponding amendments to IPSAS 1, <i>Presentation of Financial Statements</i> and IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> be included in ED 68 (see Part II-1a and Part II-1b in ED 68).
<i>Definition of Material</i> (Amendments to Other IFRS Standards) (issued October 2018)		
IAS 10, <i>Events after the Reporting Period</i> and IAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i> .	The amendments to IAS 10 and IAS 37 are a consequence of the amendments to the definition of material in IAS 1 and IAS 8.	Staff recommends that the corresponding amendments to IPSAS 14, <i>Events after the Reporting Date</i> and IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> be included in ED 68 (see Part II-1c and Part II-1d in ED 68).

IFRS	Subject of Amendment	Recommendation
<i>The Conceptual Framework for Financial Reporting</i> (Conceptual Framework)	The amendments to the IASB's Conceptual Framework are a consequence of the amendments to the definition of material in IAS 1 and IAS 8.	Staff recommends that the corresponding amendments to <i>The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</i> (the Conceptual Framework) be considered through the committed project to undertake the limited scope review of the Conceptual Framework.
IAS 34, <i>Interim Financial Reporting</i> ; IFRS 2, <i>Share-based Payment</i> ; IFRS 4, <i>Insurance Contracts</i> ; and IFRS Practice Statement 2, <i>Making Materiality Judgements</i>	The amendments to IAS 34, IFRS 2, IFRS 4 and IFRS Practice Statement 2 are a consequence of the amendments to the definition of material in IAS 1 and IAS 8.	There is no equivalent IPSAS for IAS 34, IFRS 2 and IFRS 4 and there is no Practice Statement on Materiality in the IPSAS literature. Therefore, amendments are not appropriate to be included in ED 68.
Definition of a Business (Amendments to IFRS 3) (issued October 2018)		
IFRS 3, <i>Business Combinations</i>	Clarify the definition of a business and resolve the difficulties that arise when an entity distinguishes whether it has acquired a business or a group of assets.	Staff does not recommend this amendment be included in ED 68 because IPSAS 40 does not include the definition of a business, as it includes a public sector specific definition of an operation instead. Therefore, this proposed amendment is not appropriate to be included in the improvements.

Decisions required

- Does the IPSASB agree with the staff proposed amendments to be included in ED 68, *Improvements to IPSAS, 2019*.

Agenda Item 6.2.3

Approval of ED 68, *Improvements to IPSAS, 2019*

Questions

1. The IPSASB is asked to:
 - (a) Approve ED 68 for issue; and
 - (b) Agree the consultation period.

Detail

Consultation Period

2. The normal consultation period for the *Improvement projects* is 60 days. The staff proposal is to publish ED 68 by the end of June with a consultation period end date of August 31, 2019. This would allow for staff to bring back the analysis of the responses to ED 68, with the final *Improvements to IPSAS, 2019* for IPSASB approval in December 2019.

Decisions required

3. Does the IPSASB approve ED 68?
4. The IPSASB is asked to decide the consultation period for ED 68.

Exposure Draft 68
June 2019
Comments due: August 31, 2019

IPSAS®

*Proposed International Public Sector Accounting
Standard®*

Improvements to IPSAS, 2019

IPSASB

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.

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

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REQUEST FOR COMMENTS

This Exposure Draft, *Improvements to IPSAS, 2019*, was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by August 31, 2019.**

Respondents are asked to submit their comments electronically through the IPSASB website, using the [“Submit a Comment”](#) link. Please submit comments in both a PDF and Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. This publication may be downloaded from the IPSASB website: www.ipsasb.org. The approved text is published in the English language.

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PART I: GENERAL IMPROVEMENTS TO IPSAS

Objective

1. The objective of Part I of the Exposure Draft (ED) is to propose improvements to IPSAS in order to address issues raised by stakeholders.

Request for Comments

2. The IPSASB would welcome comments on all the changes proposed in the ED. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

IPSAS Addressed

3. The Improvements project deals with non-substantive changes to IPSAS through a collection of amendments which are unrelated. Amendments included in Part I arise from comments received from stakeholders.

Improvements to IPSAS

IPSAS	Summary of Proposed Change in ED 68
<i>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</i>	
IPSAS 5, <i>Borrowing Costs</i> .	Proposed amendments to IPSAS 5, regarding the calculation of interest expense. Minor amendments additional to those in the Amendments to Other IPSAS in IPSAS 41 (see Part I-1a).
IPSAS 30, <i>Financial Instruments: Disclosures</i> .	Proposed amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk. Minor amendments additional to those in the Amendments to Other IPSAS in IPSAS 41 (see Part I-1b).
IPSAS 30, <i>Financial Instruments: Disclosures</i> .	Proposed amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts. Minor amendments additional to those in the Amendments to Other IPSAS in IPSAS 41 (see Part I-1c).
IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i> .	Proposed amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS. Minor amendments additional to those in the Amendments to Other IPSAS in IPSAS 41 (see Part I-1d).
<i>Other Improvements to IPSAS</i>	

IPSAS	Summary of Proposed Change in ED 68
IPSAS 13, <i>Leases</i> .	Proposed amendments to IPSAS 13 to include the appropriate references to IPSAS standards on impairment, in place of the current references to other international and/or national accounting frameworks (see Part I-2).
IPSAS 13, <i>Leases</i> and IPSAS 17, <i>Property, Plant, and Equipment</i> .	Proposed amendments to remove transitional provisions which should have been deleted when IPSAS 33, <i>First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i> was approved (see Part I-3a and Part I-3b).
IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i> and IPSAS 26, <i>Impairment of Cash-Generating Assets</i> .	Proposed amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, <i>Property, Plant, and Equipment</i> and IPSAS 31, <i>Intangible Assets</i> (see Part I-4a and Part I-4b).
IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i> .	Proposed amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard (see Part I-5).
IPSAS 40, <i>Public Sector Combinations</i> .	Proposed amendments to include the effective date paragraph which should have been included in the Amendments to Other IPSAS in IPSAS 40 (see Part I-6).

Amendment: Part I-1a

Amendments to IPSAS 5, *Borrowing Costs*

Paragraph 6 is amended and paragraph 42E is added. New text is underlined and deleted text is struck through.

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Definitions

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Borrowing Costs

....

6. Borrowing costs may include:

- (a) ~~Interest on bank overdrafts and short-term and long-term borrowings~~ Interest expense calculated using the effective interest method as described in IPSAS 41, *Financial Instruments*;
- (b) ~~Amortization of discounts or premiums relating to borrowings;~~ [Deleted]
- (c) ~~Amortization of ancillary costs incurred in connection with the arrangement of borrowings;~~ [Deleted]
- (d) Finance charges in respect of finance leases and service concession arrangements; and
- (e) Exchange differences arising from foreign currency borrowings, to the extent that they are regarded as an adjustment to interest costs.

...

Effective Date

...

42E. Paragraph 6 was amended by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2022. Earlier application is permitted. If an entity applies these amendments for a period beginning before January 1, 2022, it shall disclose that fact and apply IPSAS 41 at the same time.

...

Basis for Conclusions

...

Revision of IPSAS 5 as a result of [draft] *Improvements to IPSAS, 2019*

BC2. The amendments to paragraph 6 update the guidance related to the calculation of interest expense resulting from IPSAS 41, *Financial Instruments* which were not actioned during its approval. The IPSASB agreed to include these minor amendments in [draft] *Improvements to IPSAS, 2019*.

...

Amendment: Part I-1b

Amendments to IPSAS 30, *Financial Instruments: Disclosures*

Paragraphs IG13A-IG13C and IG22A-IG22E are added. New text is underlined and deleted text is struck through.

...

Implementation Guidance

This guidance accompanies, but is not part of, IPSAS 30.

...

Hedge Accounting (paragraphs 28A–28C)

IG13A. Paragraph 28A of IPSAS 30 requires that an entity discloses amounts related to items designated as hedging instruments in a tabular format. The following example illustrates how that information might be disclosed.

	<u>Nominal amount of the hedging instrument</u>	<u>Carrying amount of the hedging instrument</u>		<u>Line item in the statement of financial position where the hedging instrument is located</u>	<u>Changes in fair value used for calculating hedge ineffectiveness for 20X1</u>
		<u>Assets</u>	<u>Liabilities</u>		
Cash flow hedges					
<u>Commodity price risk</u> - Forward sales contracts	xx	xx	xx	Line item XX	xx
Fair value hedges					
<u>Interest rate risk</u> - Interest rate swaps	xx	xx	xx	Line item XX	xx
<u>Foreign exchange risk</u> - Foreign currency loan	xx	xx	xx	Line item XX	xx

IG13B. Paragraph 28B of IPSAS 30 requires that an entity discloses amounts related to items designated as hedged items in a tabular format. The following example illustrates how that information might be disclosed.

	<u>Carrying amount of the hedged item</u>	<u>Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item</u>	<u>Line item in the statement of financial position in which the hedged</u>	<u>Change in value used for calculating hedge ineffective-</u>	<u>Cash flow hedge reserve</u>
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	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>item is included</u>	<u>ness for 20X1</u>	
Cash flow hedges							
Commodity price risk							
- Forecast sales	n/a	n/a	n/a	n/a	n/a	xx	xx
- Discontinued hedges (forecast sales)	n/a	n/a	n/a	n/a	n/a	n/a	xx
Fair value hedges							
Interest rate risk							
- Loan payable	=	xx	=	xx	Line item XX	xx	n/a
- Discontinued hedges (Loan payable)	=	xx	=	xx	Line item XX	n/a	n/a
Foreign exchange risk							
- Firm commitment	xx	xx	xx	xx	Line item XX	xx	n/a

IG13C. Paragraph 28C of IPSAS 30 requires that an entity disclose amounts that have affected the statement of financial performance as a result of applying hedge accounting in a tabular format. The following example illustrates how that information might be disclosed.

<u>Cash flow hedges^(a)</u>	<u>Separate line item recognised in surplus or deficit as a result of a hedge of a net position^(b)</u>	<u>Change in the value of the hedging instrument recognised in net assets/equity</u>	<u>Hedge ineffectiveness recognised in surplus or deficit</u>	<u>Line item in surplus or deficit (that includes hedge ineffectiveness)</u>	<u>Amount reclassified from the cash flow hedge reserve to surplus or deficit</u>	<u>Line item affected in surplus or deficit because of the reclassification</u>
Commodity price risk Commodity X - Discontinued hedge	n/a n/a	xx n/a	xx n/a	Line item XX n/a	xx xx	Line item XX Line item XX
(a) The information disclosed in the statement of changes in net assets/equity (cash flow hedge reserve) should have the same level of detail as these disclosures.						
(b) This disclosure only applies to cash flow hedges of foreign currency risk.						

<u>Fair value hedges</u>	<u>Ineffectiveness recognised in surplus or deficit</u>	<u>Line item(s) in surplus or deficit (that include(s) hedge ineffectiveness)</u>
Interest rate risk	xx	Line item XX
Foreign exchange risk	xx	Line item XX

...

Credit Risk (paragraphs 42A-43, AG8A-43-45, AG9 and AG10)

IG22A. The following examples illustrate possible ways in which an entity might provide the disclosures required by paragraphs 42A-42N of IPSAS 30. However, these illustrations do not address all possible ways of applying the disclosure requirements.

Illustrating the Application of Paragraphs 42H and 42I

IG22B. The following example illustrates one way of providing information about the changes in the loss allowance and the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance as required by paragraphs 42H-42I. This example does not illustrate the requirements for financial assets that are purchased or originated credit-impaired.

<u>Mortgage loans-loss allowance</u>	<u>12-month expected credit losses</u>	<u>Lifetime expected credit losses (collectively assessed)</u>	<u>Lifetime expected credit losses (individually assessed)</u>	<u>Credit- impaired financial assets (lifetime expected credit losses)</u>
<u>CU'000</u>				
<u>Loss allowance as at January 1</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>Changes due to financial instruments recognised as at January 1:</u>				
- <u>Transfer to lifetime expected credit losses</u>	<u>(X)</u>	<u>X</u>	<u>X</u>	<u>=</u>
- <u>Transfer to credit-impaired financial assets</u>	<u>(X)</u>	<u>=</u>	<u>(X)</u>	<u>X</u>
- <u>Transfer to 12-month expected credit losses</u>	<u>X</u>	<u>(X)</u>	<u>(X)</u>	<u>=</u>
- <u>Financial assets that have been derecognised during the period</u>	<u>(X)</u>	<u>(X)</u>	<u>(X)</u>	<u>(X)</u>
<u>New financial assets originated or purchased</u>	<u>X</u>	<u>=</u>	<u>=</u>	<u>=</u>
<u>Write-offs</u>	<u>=</u>	<u>=</u>	<u>(X)</u>	<u>(X)</u>
<u>Changes in models/risk parameters</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>Foreign exchange and other movements</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>Loss allowance as at December 31</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>

Significant changes in the gross carrying amount of mortgage loans that contributed to changes in the loss allowance were:

- The acquisition of Region Y's prime mortgage portfolio increased the residential mortgage book by x per cent, with a corresponding increase in the loss allowance measured on a 12-month basis.
- The write off of the CUXX Region Z's mortgage portfolio following the collapse of the local market in the region reduced the loss allowance for financial assets with objective evidence of impairment by CUX.
- The expected increase in unemployment in Region X caused a net increase in financial assets whose loss allowance is equal to lifetime expected credit losses and caused a net increase of CUX in the lifetime expected credit losses allowance.

The significant changes in the gross carrying amount of student loans are further explained below:

<u>Mortgage loans—gross carrying amount</u>	<u>12-month expected credit losses</u>	<u>Lifetime expected credit losses (collectively assessed)</u>	<u>Lifetime expected credit losses (individually assessed)</u>	<u>Credit- impaired financial assets (lifetime expected credit losses)</u>
<u>CU'000</u>				
Gross carrying amount as at January 1	X	X	X	X
<u>Individual financial assets transferred to lifetime expected credit losses</u>	<u>(X)</u>	<u>=</u>	<u>X</u>	<u>=</u>
<u>Individual financial assets transferred to credit- impaired financial assets</u>	<u>(X)</u>	<u>=</u>	<u>(X)</u>	<u>X</u>
<u>Individual financial assets transferred from credit- impaired financial assets</u>	<u>X</u>	<u>=</u>	<u>X</u>	<u>(X)</u>
<u>Financial assets assessed on collective basis</u>	<u>(X)</u>	<u>X</u>	<u>=</u>	<u>=</u>
<u>New financial assets originated or purchased</u>	<u>X</u>	<u>=</u>	<u>=</u>	<u>=</u>
<u>Write-offs</u>	<u>=</u>	<u>=</u>	<u>(X)</u>	<u>(X)</u>
<u>Financial assets that have been derecognised</u>	<u>(X)</u>	<u>(X)</u>	<u>(X)</u>	<u>(X)</u>
<u>Changes due to modifications that did not result in derecognition</u>	<u>(X)</u>	<u>=</u>	<u>(X)</u>	<u>(X)</u>
<u>Other changes</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
Gross carrying amount as at December 31	X	X	X	X

Illustrating the Application of Paragraphs 42M and 42N

IG22C. The following example illustrates some ways of providing information about an entity's credit risk exposure and significant credit risk concentrations in accordance with paragraph 42M of IPSAS 30. The number of grades used to disclose the information in accordance with paragraph 42M of IPSAS 30 shall be consistent with the number that the entity uses to report internally to key management personnel for internal credit risk management purposes. However, if information about credit risk rating grades is not available without undue cost or effort and an entity uses past due information to assess whether credit risk has increased significantly since initial recognition in accordance with paragraph 83 of IPSAS 41, the entity shall provide an analysis by past due status for those financial assets.

<u>Loan credit risk exposure by internal rating grades</u>				
<u>20XX</u> <u>CU'000</u>	<u>Mortgage Loan</u>		<u>Agriculture Loans</u>	
	<u>Gross carrying amount</u>		<u>Gross carrying amount</u>	
	<u>Lifetime</u>	<u>12-month</u>	<u>Lifetime</u>	<u>12-month</u>
<u>Internal Grade 1–2</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>Internal Grade 3–4</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>Internal Grade 5–6</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>

<u>Loan credit risk exposure by internal rating grades</u>				
<u>Internal Grade 7</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
Total	X	X	X	X

<u>Loan credit risk profile by external rating grades</u>				
<u>20XX</u>	<u>Mortgage Loans</u>		<u>Agriculture Loans</u>	
<u>CU'000</u>	<u>Gross carrying amount</u>		<u>Gross carrying amount</u>	
	<u>Lifetime</u>	<u>12-month</u>	<u>Lifetime</u>	<u>12-month</u>
<u>AAA-AA</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>A</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>BBB-BB</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>B</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>CCC-CC</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>C</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>D</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
Total	X	X	X	X

<u>Loan risk profile by probability of default</u>				
<u>20XX</u>	<u>Mortgage Loans</u>		<u>Agriculture Loans</u>	
<u>CU'000</u>	<u>Gross carrying amount</u>		<u>Gross carrying amount</u>	
	<u>Lifetime</u>	<u>12-month</u>	<u>Lifetime</u>	<u>12-month</u>
<u>0.00 – 0.10</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>0.11 – 0.40</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>0.41 – 1.00</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>1.01 – 3.00</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>3.01 – 6.00</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>6.01 – 11.00</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>11.01 – 17.00</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>17.01 – 25.00</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>25.01 – 50.00</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>50.01+</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
Total	X	X	X	X

IG22D. The Department of Housing provides financing to both builders and home buyers. The Department of Housing discloses its builder financing and home buyers financing as separate classes of financial instruments and applies the simplified approach to its trade receivables so that the loss

allowance is always measured at an amount equal to lifetime expected credit losses. The following table illustrates the use of a provision matrix as a risk profile disclosure under the simplified approach:

20XX CU'000	<u>Trade receivables days past due</u>				
<u>Builder financing</u>	<u>Current</u>	<u>More than 30 days</u>	<u>More than 60 days</u>	<u>More than 90 days</u>	<u>Total</u>
<u>Expected credit loss rate</u>	<u>0.10%</u>	<u>2%</u>	<u>5%</u>	<u>13%</u>	
<u>Estimated total gross carrying amount at default</u>	<u>CU20,777</u>	<u>CU1,416</u>	<u>CU673</u>	<u>CU235</u>	<u>CU23,101</u>
<u>Lifetime expected credit losses—builder financing</u>	<u>CU21</u>	<u>CU28</u>	<u>CU34</u>	<u>CU31</u>	<u>CU114</u>
<u>Home buyer financing</u>					
<u>Expected credit loss rate</u>	<u>0.20%</u>	<u>3%</u>	<u>8%</u>	<u>15%</u>	
<u>Estimated total gross carrying amount at default</u>	<u>CU19,222</u>	<u>CU2,010</u>	<u>CU301</u>	<u>CU154</u>	<u>CU21,687</u>
<u>Lifetime expected credit losses—home buyer financing</u>	<u>CU38</u>	<u>CU60</u>	<u>CU24</u>	<u>CU23</u>	<u>CU145</u>

IG22E. Paragraph 43 requires an entity to disclose information about its exposure to credit risk by class of financial instrument. Financial instruments in the same class share economic characteristics with respect to the risk being disclosed (in this case, credit risk). For example, an entity might determine that residential mortgages, unsecured agricultural loans and research and development loans each have different economic characteristics.

...

Amendment: Part I-1c

Amendments to IPSAS 30, *Financial Instruments: Disclosures*

Paragraph AG5 is amended. New text is underlined and deleted text is struck through.

...

Application Guidance

This Appendix is an integral part of IPSAS 30.

...

Significance of Financial Instruments for Financial Position and Financial Performance

...

Other Disclosure-Accounting Policies (paragraph 25)

AG5. Paragraph 25 requires disclosure of the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. For financial instruments, such disclosure may include:

- (a) ...
- (h) For financial guarantee contracts issued through a non-exchange transaction, where no fair value can be determined and on initial recognition the financial guarantee contract is measured at the amount of the loss allowance in accordance with paragraph AG136 of IPSAS 41, a provision is recognized in accordance with IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, disclosure of the circumstances that result in fair value not being determinable a provision being recognized.

...

Basis for Conclusions

...

Revision of IPSAS 30 as a result of [draft] *Improvements to IPSAS, 2019*

BC7. The amendments to paragraph AG5 update the guidance on accounting for financial guarantee contracts resulting from IPSAS 41, *Financial Instruments* which were not actioned during its approval. The IPSASB agreed to include these minor amendments in [draft] *Improvements to IPSAS, 2019.*

...

Amendment: Part I-1d

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

Paragraph 114 is amended. New text is underlined and deleted text is struck through.

...

Exemptions that Do Not Affect Fair Presentation and Compliance with Accrual Basis IPSASs During the Period of Adoption

...

IPSAS ~~2941~~, Financial Instruments: ~~Recognition and Measurement~~

Designation of Financial Instruments on the Date of Adoption of IPSAS or During the Period of Transition

...

114. ~~IPSAS 2941~~ permits a financial asset or financial liability to be designated on initial recognition ~~as available for sale or a financial instrument~~ (provided it meets certain criteria) ~~to be designated~~ as a financial asset or financial liability at fair value through surplus or deficit. Despite this requirement, exceptions apply in the following circumstances:

- (a) ~~A first-time adopter is permitted to make an available-for-sale designation at the date of adoption of IPSASs.~~[Deleted]
- (b) A first-time adopter is permitted to designate, at the date of adoption of IPSASs, any financial asset or financial liability as at fair value through surplus or deficit provided the asset meets the criteria in paragraph 44 of IPSAS 41 or liability meets the criteria in paragraph 46 of IPSAS 41 ~~10(b)(i), 10(b)(ii) or 13 of IPSAS 29~~ at that date.

...

Effective Date

...

154H. Paragraph 114 was amended by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2022. Earlier application is permitted. If an entity applies these amendments for a period beginning before January 1, 2022, it shall disclose that fact and apply IPSAS 41 at the same time.

...

Basis for Conclusions

...

Revision of IPSAS 33 as a result of [draft] *Improvements to IPSAS, 2019*

BC119. The amendments to paragraph 114 update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS resulting from IPSAS 41, *Financial Instruments* which were not actioned during its approval. The IPSASB agreed to include these minor amendments in [draft] *Improvements to IPSAS, 2019*.

Amendment: Part I-2

Amendments to IPSAS 13, *Leases*

Paragraphs 67 and 76 are amended and paragraph 85E is added. New text is underlined and deleted text is struck through.

...

Leases in the Financial Statements of Lessors

...

Operating Leases

...

67. To determine whether a leased asset has become impaired, an entity applies relevant impairment tests in ~~international and/or national accounting standards~~ accordance with IPSAS 21, *Impairment of Non-Cash-Generating Assets* or IPSAS 26, *Impairment of Cash-Generating Assets*, where appropriate.

...

Sale and Leaseback Transactions

...

76. For finance leases, no such adjustment is necessary unless (a) there has been an impairment in value, and (b) that impairment is required to be recognized ~~by any international and/or national accounting standard on impairment that has been adopted by the entity~~ in accordance with IPSAS 21 or IPSAS 26, where appropriate.

...

Effective Date

...

- 85E. Paragraphs 67 and 76 were amended by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted.

...

Basis for Conclusions

...

Revision of IPSAS 13 as a result of [draft] *Improvements to IPSAS, 2019*

- BC9. Stakeholders noted that the impairment requirements should reference relevant IPSAS rather than other international and/or national accounting standards. The IPSASB agreed to amend paragraphs 67 and 76 to include references to IPSAS 21, *Impairment of Non-Cash-Generating Assets* and IPSAS 26, *Impairment of Cash-Generating Assets* in [draft] *Improvements to IPSAS, 2019*.

Amendment: Part I-3a

Amendments to IPSAS 13, *Leases*

Paragraph 84 is amended and paragraph 85F is added. New text is underlined and deleted text is struck through.

...

Transitional Provisions

...

84. ~~Transitional provisions in IPSAS 13 (2001) provide entities with a period of up to five years to recognize all leases from the date of its first application. Entities that have previously applied IPSAS 13 (2001) may continue to take advantage of this five-year transitional period from the date of first application of IPSAS 13 (2001). [Deleted]~~

...

Effective Date

...

- 85F. Paragraph 84 is deleted by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted.

...

Basis for Conclusions

...

Revision of IPSAS 13 as a result of [draft] *Improvements to IPSAS, 2019*

- BC10. Paragraph 84 includes transitional provisions for entities to recognize leases over a period of five years. These transitional provisions have been restated following the previous deletion of other transitional provisions as a result of the issuance of IPSAS 33, *First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*.

Amendment: Part I-3b

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

Paragraphs 5 and 107P are amended and paragraph 85F is added. New text is underlined and deleted text is struck through.

...

Scope

...

5. This standard applies to property, plant, and equipment including:
 - (a) Weapons systems;
 - (b) Infrastructure assets; and
 - (c) Service concession arrangement assets after initial recognition and measurement in accordance with IPSAS 32, *Service Concession Arrangements: Grantor*.

~~The transitional provisions in paragraphs 95 to 104 provide relief from the requirement to recognize all property, plant, and equipment during the five-year transitional period. [Deleted]~~

...

Transitional Provisions

...

106. ~~Transitional provisions in IPSAS 17 (2001) provide entities with a period of up to five years to recognize all property, plant, and equipment and make the associated measurement and disclosure from the date of its first application. Entities that have previously applied IPSAS 17 (2001) may continue to take advantage of this five-year transitional period from the date of first application of IPSAS 17 (2001). These entities shall also continue to make disclosures required by paragraph 104. [Deleted]~~

...

Effective Date

...

107P. Paragraphs 5 and 106 were amended by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted.

...

Basis for Conclusions

...

Revision of IPSAS 17 as a result of [draft] *Improvements to IPSAS, 2019*

BC15. Paragraphs 5 and 106 include transitional provisions for entities to recognize property, plant, and equipment over a period of five years. These transitional provisions have been restated following

the deletion of other transitional provisions as a result of the issuance of IPSAS 33, *First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*.

Amendment: Part I-4a

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

Paragraphs 54A and 69 are amended and paragraph 82J is added. New text is underlined and deleted text is struck through.

...

Recognizing and Measuring an Impairment Loss

...

54A. An impairment loss on a non-revalued asset is recognized in surplus or deficit. However, an impairment loss on a revalued asset is recognized in revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that individual asset or class of assets in accordance with the relevant standard. Such an impairment loss on a revalued asset reduces the revaluation surplus for that individual asset or class of assets in accordance with the relevant standard.

...

Reversing an Impairment Loss for an Individual Asset or Class of Asset

...

69A. A reversal of an impairment loss on a revalued asset is recognized directly in the revaluation reserve and increases the revaluation surplus for that individual asset or class of assets in accordance with the relevant standard. However, to the extent that an impairment loss on the same individual revalued asset or class of revalued assets was previously recognized in surplus or deficit, a reversal of that impairment loss is also recognized in surplus or deficit in accordance with the relevant standard.

...

Effective Date

...

82J. Paragraphs 54A and 69A were amended by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted.

...

Basis for Conclusions

...

Revision of IPSAS 21 as a result of [draft] *Improvements to IPSAS, 2019*

BC27. Paragraphs 54A and 69A only provide guidance for impairment of revalued assets in the scope of IPSAS 17, *Property, Plant, and Equipment*. Stakeholders have raised concerns that the standard does not provide guidance for impairment of revalued assets in the scope of IPSAS 31, *Intangible Assets*. Consequently, the IPSASB agreed to provide guidance for impairment of revalued assets in the scope of IPSAS 17 and IPSAS 31.

Amendment: Part I-4b

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

Paragraphs 73A and 108A are amended and paragraph 126L is added. New text is underlined and deleted text is struck through.

...

Recognizing and Measuring an Impairment Loss

...

73A. An impairment loss on a non-revalued asset is recognized in surplus or deficit. However, an impairment loss on a revalued asset is recognized in revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that individual asset or class of assets in accordance with the relevant standard. Such an impairment loss on a revalued asset reduces the revaluation surplus for that individual asset or class of assets in accordance with the relevant standard.

...

Reversing an Impairment Loss

...

Reversing an Impairment Loss for an Individual Asset or Class of Asset

...

108A. A reversal of an impairment loss on a revalued asset is recognized directly in the revaluation reserve and increases the revaluation surplus for that individual asset or class of assets in accordance with the relevant standard. However, to the extent that an impairment loss on the same individual revalued asset or class of revalued assets was previously recognized in surplus or deficit, a reversal of that impairment loss is also recognized in surplus or deficit in accordance with the relevant standard.

...

Effective Date

...

126L. Paragraphs 73A and 108A were amended by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted.

...

Basis for Conclusions

...

Revision of IPSAS 26 as a result of [draft] *Improvements to IPSAS, 2019*

BC21. Paragraphs 73A and 108A only provide guidance for impairment of revalued assets in the scope of IPSAS 17, *Property, Plant, and Equipment*. Stakeholders have raised concerns that the standard

does not provide guidance for impairment of revalued assets in the scope of IPSAS 31, *Intangible Assets*. Consequently, the IPSASB agreed to provide guidance for impairment of revalued assets in the scope of IPSAS 17 and IPSAS 31.

...

Amendment: Part I-5

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

Paragraph IG39 is amended. New text is underlined and deleted text is struck through.

...

Implementation Guidance

This guidance accompanies, but is not part of, IPSAS 33.

...

Deemed Cost

IG39. IPSAS 33 allows a first-time adopter to determine a deemed cost as a substitute for acquisition cost or depreciated cost at the date of adoption of IPSASs, where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets and/or liabilities. A deemed cost may however only be determined if no cost information is available about the historical cost of the asset and/or liability. When a first-time adopter initially measures these assets and/or liabilities on the date of adoption of IPSASs, or when the transitional exemptions that provided the first-time adopter with a three year relief period to not recognize and/or measure certain assets and/or liabilities have expired, it recognizes the effect: directly in accumulated surplus or deficit in the opening statement of financial position in the period in which the deemed cost is determined:

- (a) ~~As an adjustment to the opening balance of accumulated surplus or deficit in the opening statement of financial position in the period in which the deemed is determined; or [Deleted]~~
- (b) ~~In the revaluation surplus if the first-time adopter adopts the revaluation model in IPSAS 17 or in IPSAS 31, *Intangible Assets*. [Deleted]~~

...

Amendment: Part I-6

Amendments to IPSAS 40, *Public Sector Combinations*

Paragraphs 126C and 126D are added. New text is underlined.

...

Effective Date

...

126C. When an entity adopts the accrual basis IPSASs as defined in IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*, for financial reporting purposes subsequent to this effective date, this Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption of IPSASs.

126D. Paragraph 126C was amended by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted.

...

Basis for Conclusions

...

Revision of IPSAS 40 as a result of [draft] *Improvements to IPSAS, 2019*

BC95. The paragraph related to IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)* was not actioned during the approval of IPSAS 40. The IPSASB added paragraph 126C to ensure consistency with IPSAS 33...

PART II: IFRS ALIGNMENT AMENDMENTS

Objective

1. The objective of Part II of the Exposure Draft (ED) is to propose Improvements to IPSAS in order to align with amendments to International Financial Reporting Standards based on the IASB's *Improvements to IFRSs* projects, *Narrow Scope Amendments* projects, and Interpretations of the IFRS Interpretations Committee.

Request for Comments

2. The IPSASB would welcome comments on all the changes proposed in the ED. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

IPSAS Addressed

3. The Improvements project deals with non-substantive changes to IPSAS through a collection of amendments which are unrelated. Amendments included in Part II arise through consideration of the annual improvements and narrow scope amendments projects of the IASB, and Interpretations of the IFRS Interpretations Committee.

The amendments proposed in part II are from the following IASB amendments:

IFRS	Equivalent IPSAS	Summary of Proposed Change in ED 68
Definition of Material (Amendments to IAS 1 and IAS 8) (issued October 2018)		
IAS 1, <i>Presentation of Financial Statements</i> and IAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> .	IPSAS 1, <i>Presentation of Financial Statements</i> and IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> .	Clarify the definition of material to resolve difficulties that entities experience in making materiality judgements when preparing financial statements and align the definition of material in IPSAS 1 and IPSAS 3 (see Part II-1a and Part II-1b in ED 68).
Definition of Material (Amendments to Other IFRS Standards) (issued October 2018)		
IAS 10, <i>Events after the Reporting Period</i> and IAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i> .	IPSAS 14, <i>Events after the Reporting Period</i> and IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> .	The amendments to IPSAS 14 and IPSAS 19 are a consequence of the amendments to the definition of material in IPSAS 1 and IPSAS 3 (see Part II-1c and Part II-1d in ED 68).
Definition of a Business (Amendments to IFRS 3) (issued October 2018)		

<p>IFRS 3, <i>Business Combinations</i></p>	<p>IPSAS 40, <i>Public Sector Combinations</i></p>	<p>Amendments to IFRS 3 clarify the definition of a business and resolve the difficulties that arise when an entity distinguishes whether it has acquired a business or a group of assets.</p> <p>IPSAS 40 does not include the definition of a business, as it includes a public sector specific definition of an operation instead. Therefore, this proposed amendment is not appropriate to be included in the improvements.</p>
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Amendment–Part II-1a

Amendments to IPSAS 1, *Presentation of Financial Statements*

Paragraphs 7 and 13 are amended and paragraph 153N is added. New text is underlined and deleted text is struck through.

...

Definitions

...

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

...

Material ~~Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature and size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.~~

Material Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- (a) Information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- (b) Information regarding a material item, transaction or other event is scattered throughout the financial statements;
- (c) Dissimilar items, transactions or other events are inappropriately aggregated;
- (d) Similar items, transactions or other events are inappropriately disaggregated; and
- (e) The understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements, an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential service recipients and resource providers do not possess the authority to require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of the entity and economic activities and who review and analyze the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.

...

Materiality

13. ~~Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. Users are assumed to have a reasonable knowledge of the public sector and economic activities and accounting, and a willingness to study the information with reasonable diligence. Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions. [Deleted]~~

...

Effective Date

...

153N. Paragraphs 7 and 13 were amended by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted. When the entity first applies those amendments, it is not required to provide comparative information for preceding periods.

...

Basis for Conclusions

...

Revision of IPSAS 1 as a result of [draft] *Improvements to IPSAS, 2019*

BC39. The IPSASB reviewed the revisions to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* included in the narrow scope amendments titled *Definition of Material* (Amendments to IAS 1 and IAS 8), issued by the IASB in October 2018, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions, and generally concurred that there was no public sector specific reason for not adopting the amendments.

...

Amendment–Part II-1b

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

Paragraphs 7 and 8 are amended and paragraph 59E is added. New text is underlined and deleted text is struck through.

...

Definitions

...

7. **Material** is defined in paragraph 7 of IPSAS 1, *Presentation of Financial Statements* and is used in this Standard with the same meaning.

Materiality

8. ~~Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. Users are assumed to have a reasonable knowledge of the public sector and economic activities and accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions. [Deleted]~~

...

Effective Date

...

- 59E. Paragraphs 7 and 8 were amended by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted. When the entity first applies those amendments, it is not required to provide comparative information for preceding periods.

...

Basis for Conclusions

...

Revision of IPSAS 3 as a result of [draft] *Improvements to IPSAS, 2019*

- BC16. The IPSASB reviewed the revisions to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* included in the narrow scope amendments titled *Definition of Material* (Amendments to IAS 1 and IAS 8) issued by the IASB in October 2018, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions, and generally concurred that there was no public sector specific reason for not adopting the amendments.

...

Amendment–Part II-1c

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

Paragraph 30 is amended and paragraph 32G is added. New text is underlined and deleted text is struck through.

...

Disclosure

...

Disclosure of Non-adjusting Events after the Reporting Date

30. If non-adjusting events after the reporting date are material, non-disclosure could reasonably be expected to influence the economic decisions that the primary users of general purpose financial statements taken on the basis of the those financial statements, which provide financial information about a specific reporting entity. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting date:
- (a) The nature of the event; and
 - (b) An estimate of its financial effect, or a statement that such an estimate cannot be made.

...

Effective Date

...

- 32G. Paragraph 30 was amended by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted. When the entity first applies those amendments, it is not required to provide comparative information for preceding periods.

...

Basis for Conclusions

...

Revision of IPSAS 14 as a result of [draft] *Improvements to IPSAS, 2019*

- BC10. The IPSASB reviewed the revisions to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* included in the narrow scope amendments titled *Definition of Material* (Amendments to IAS 1 and IAS 8) issued by the IASB in October 2018, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions, and generally concurred that there was no public sector specific reason for not adopting the amendments.

Amendment–Part II-1d

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

Paragraph 87 is amended and paragraph 111J is added. New text is underlined and deleted text is struck through.

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Application of the Recognition and Measurement Rules

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Restructuring

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87. A decision by management or the governing body to restructure, taken before the reporting date, does not give rise to a constructive obligation at the reporting date unless the entity has, before the reporting date:

- (a) Started to implement the restructuring plan; or
- (b) Announced the main features of the restructuring plan to those affected by it in a sufficiently specific manner to raise a valid expectation in them that the entity will carry out the restructuring.

If an entity starts to implement a restructuring plan, or announces its main features to those affected, only after the reporting date, disclosure may be required under IPSAS 14, *Events after the Reporting Date*, if the restructuring is material and non-disclosure could reasonably be expected to influence the ~~economic~~ decisions that the primary of users of general purpose financial statements taken on the financial statements, which provide financial information about a specific reporting entity.

...

Effective Date

...

- 111J. Paragraph 87 is amended by [draft] *Improvements to IPSAS, 2019*, issued in [Month] [Year]. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted. If an entity applies this amendment for a period beginning before January 1, [Year], it shall disclose that fact.

...

Basis for Conclusions

...

Revision of IPSAS 19 as a result of [draft] *Improvements to IPSAS, 2019*

- BC3. The IPSASB reviewed the revisions to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* included in the narrow scope amendments titled *Definition of Material* (Amendments to IAS 1 and IAS 8) issued by the IASB in October 2018, and the IASB's rationale for making these amendments as set out in its Basis for

Conclusions, and generally concurred that there was no public sector specific reason for not adopting the amendments.

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