# TRACKING TABLE—IPSASS AND GFS REPORTING GUIDELINES: COMPARISON OF RECOGNITION AND MEASUREMENT REQUIREMENTS

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## Introduction

Government Finance Statistics (GFS) reporting guidelines and International Public Sector Accounting Standards (IPSASs) have different objectives for the two sets of financial information produced, as described in the *Summary Table*.

The following tables are organized using the relevant headings in the *Summary Table*:

Table 1: Potential differences that can be resolved now through adopting a GFS-aligned IPSAS option

Table 2: Differences currently needing to be managed that could be resolved in future through an existing IPSASB work-plan project

Table 3: Differences currently needing to be managed that could potentially be resolved through future developments in IPSAS and/or SNA/GFS, or that do not appear capable of resolution.

Table 4: Key definitions

## Guidance References

a) IPSASs issued up to April 30, 2016, (http://www.ifac.org/publications-resources/2014-handbook-international-public-sector-accounting-pronouncements);

b) System of National Accounts, 2008 (2008 SNA), (http://unstats.un.org/unsd/nationalaccount/docs/SNA2008.pdf);

c) Government Finance Statistics Manual (GFSM 2014), (http://www.imf.org/external/Pubs/FT/GFS/Manual/2014/gfsfinal.pdf):

d) European System of Accounts (ESA 2010), (http://ec.europa.eu/eurostat/documents/3859598/5925693/KS-02-13-269-EN.PDF); and,

e) Manual on Government Deficit and Debt (MGDD) – Implementation of ESA 2010 (2014 version), (http://ec.europa.eu/eurostat/documents/3859598/5937189/KS-GQ-14-010-EN.PDF/).

## Summary Table: Comparison of IPSASs and GFS

There is considerable commonality between IPSASs and GFS reporting guidelines. There are also some important conceptual differences within each area below.

| IPSASs | Government Finance Statistics |
|---|---|
| **Objectives** | |
| **Evaluate financial performance and position:** General purpose financial statements are used to evaluate financial performance and financial position, hold management accountable, and inform decision making by users of the general purpose financial statements. | **Evaluate economic impact:** Government finance statistics are used to (a) analyze and evaluate the outcomes of fiscal policy decisions, (b) determine the impact on the economy, and (c) compare national and international outcomes. The GFS reporting framework was developed specifically for public sector input to other macroeconomic datasets. |
| **Reporting Entity** | |
| **Economic entity and consolidation:** The reporting unit for financial statements is an economic entity, defined as a group of entities that includes one or more controlled entities. Control is the main criterion that determines consolidation. The whole of government reporting entity, at the highest level of consolidation, may include, in addition to government departments, sub-national bodies such as state governments, and government owned businesses that primarily engage in market activities. | **Institutional units and sectors:** The statistical reporting unit is an institutional unit, defined as an entity that is capable, in its own right, of owning assets, incurring liabilities, and engaging in economic activities in its own name. The reporting entity may be an institutional unit, but the primary focus is on a group of institutional units (consolidated sector or subsector). Control and the nature of economic activities determine consolidation and the scope of the reporting entity. The General Government Sector does not include institutional units primarily engaged in market activities. |
| **Recognition Criteria**<br>The key difference relates to some liabilities. | |
| **Past events with probable outflows recognized:** IPSASs recognize liabilities, including provisions, when:<br>• A past economic event has taken place;<br>• The amount can be reliably estimated; and<br>• Future outflows are probable.<br>These factors allow, in certain cases, recognition of items that do not involve a counterparty recognizing a symmetrical amount. For example, so long as criteria are met, IPSASs require recognition of restructuring provisions. | **Economic events recognized:** GFS recognize economic events on the accrual basis of recording when economic value is created, transformed, exchanged, transferred, or extinguished. To maintain symmetry for both parties to the transaction, some provisions recognized in IPSAS reporting may not be recognized under GFS reporting. While not recognized, those provisions may instead be disclosed as GFS memorandum items as is the case, for example, with exposures to explicit one-off guarantees and provisions for doubtful debts. |
| **Valuation (Measurement)** | |
| **Fair value, historic cost and other bases:** Fair value, historic cost or other bases are used for the measurement of assets and liabilities. Similar assets and liabilities must be valued consistently and the bases disclosed. Where an entity reports an item using historic cost, IPSASs often encourage disclosure of fair value if there is a material difference between the reported cost and the item's fair value. Often IPSASs also allow entities to choose between fair value and historic cost. | **Current market prices:** Current market prices are used for all flows, and stocks of assets/liabilities, but allowance is made for the use of alternative valuation methods where an active market does not exist. |
| **Revaluations and Other Value Changes** | |
| **Realized and unrealized gains and losses:** Some gains or losses due to revaluations or changes in volume of assets are reported in the Statement of Financial Performance, while others are reported directly in the Statement of Changes in Net Assets/Equity. Some other gains and losses, for example market value changes for PP&E carried at historic cost, are not reported at all. | **Record all revaluations and changes in volume in the Statement of Other Economic Flows:** Separating all these "other economic flows" is viewed as useful for fiscal analysis, on the basis that revaluations and changes in volume do not represent fiscal policy decisions directly within the control of government. GFS distinguishes between value changes and volume changes. |

| Table 1: Potential differences that can be resolved now through adopting a GFS-aligned IPSAS option | | | | | |
|---|---|---|---|---|---|
| **Issue** | **IPSAS** | **2008 SNA/ESA 2010/MGDD/GFSM 2014** | **2005 Report Ref** | **2012 CP Ref** | **Comments / GFS-aligned IPSAS option** |
| **A) REPORTING ENTITY** | | | | | |
| **1.A1**<br>The reporting entity | IPSAS 22, *Disclosure of Financial Information About the General Government Sector*<br>IPSAS 1, *Presentation of Financial Statements*<br>IPSAS 35, *Consolidated Financial Statements*<br>For financial reporting purposes, an economic entity "is the controlling entity and one or more controlled entities". A whole of government report prepared under IPSASs for a central government of a country is not the total public sector for that country, to the extent that other levels of government are not controlled by the central government. | *2008 SNA paras 1.9 and 4.127-4.148*<br>*ESA 2010 paras 1.57 and 2.111-2.117*<br>*GFSM 2014 paras 2.22-2.25*<br>A statistical unit is an institutional unit, i.e. an (economic) entity that is capable, in its own right, of owning assets, incurring liabilities, and engaging in economic activities and in transactions with other entities. (*GFSM 2014* para 2.22)<br>The reporting entity may be an institutional unit or a group of institutional units. The scope of the reporting entity is not necessarily determined by the notion of control.<br>*2008 SNA* and *ESA 2010: same as GFSM 2014.* | 1.1 | A1<br>B1 and D1 | By prescribing disclosure requirements for governments that elect to present information about the General Government Sector (GGS) IPSAS 22 provides the guidance necessary for Governments to present the analysis necessary for GFS purposes within their IPSAS-compliant financial statements. |
| **1.A2**<br>Reporting component sectors of the public sector, particularly the general government sector (GGS) | IPSAS 1, *Presentation of Financial Statements*<br>IPSAS 18, *Segment Reporting*<br>IPSAS 22, *Disclosure of Financial Information About the General Government Sector*<br>IPSAS 35, *Consolidated Financial Statements*<br>IPSAS 18 requires the presentation of financial information by segments.<br>A segment is a "distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of evaluating the entity's past performance in achieving its objectives and for making decisions about the future allocation of resources". Segments are disclosed as a note in the GPFSs. | *2008 SNA paras 4.127-4.148*<br>*ESA 2010 paras 1.57 and 2.111-2.117*<br>*GFSM 2014 paras 2.63-2.124*<br>The total economy of a country can be divided into sectors. A sector is a group of institutional units that are resident in the economy. The five sectors are: general government, nonfinancial corporations, financial corporations, non-profit institutions serving households, and households. The public sector (for the whole economy or a particular government's jurisdiction) consists of the GGS, public nonfinancial corporations (PNFC) and public financial corporations (PFC) subsectors. The GGS and PNFCs can be consolidated to get the nonfinancial public sector. (*GFSM* Chapter 2)<br>2008 *SNA* and *ESA 2010: same as GFSM 2014.* | 1.2 | B1<br>Ch. 2 | See comments on IPSAS 22 under 1.A1.<br>Active IPSASB projects with possible implications for this topic:<br>• Government Business Enterprises (identification of entities outside of GGS)<br>Potential project with implications:<br>• Revisions to IPSAS 18 *Segment Reporting*<br>• Disclosure of Financial Information about the GGS—IPSAS 22<br>*(Issue: Differences between the narrative on "control" in IPSAS 35 and the control indicators for the 2008 SNA definition. This issue was considered during development of IPSAS 35.)* |

| Table 1: Potential differences that can be resolved now through adopting a GFS-aligned IPSAS option | | | | | |
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| | | *However, ESA 2010 has developed some rules, for example, for identifying public corporations to be classified in government.* | | | |
| **1.A3**<br>Accounting for controlled entities | IPSAS 34, *Separate Financial Statements*<br>IPSAS 35, *Consolidated Financial Statements*<br>In IPSAS 35, Consolidated Financial Statements are "the financial statements of an economic entity in which the assets, liabilities, net assets/equity, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity". Exceptions (IPSAS 35, paras 5 and 7)<br>Combination, eliminations and treatment of unrealized losses. (IPSAS 35 paras 4 and 40)<br>Controlling entity's separate financial statements: (IPSAS 34 paras 11-18) | *2008 SNA paras 2.68-2.70*<br>*ESA 2010 paras 1.106-1.109*<br>*GFSM 2014 paras 3.153-3.166*<br>In GFS, Consolidation involves the elimination of all transactions and debtor-creditor relationships that occur among the units being consolidated. (GFSM 2014 paras 3.153-3.166)<br>In the GGS's financial statements the investment in controlled entities in other sectors should be valued at the current prices of the shares on stock exchanges for traded shares. For equity held in public corporations with untraded shares or quasi-corporations it is equal to the total value of a corporation's and quasi-corporation's assets less the total value of its other liabilities (*GFSM 2014* para 7.229)<br>In contrast, *2008 SNA states that "*As a matter of principle, flows and stocks between constituent units within subsectors or sectors must not be consolidated. However, consolidated accounts may be built up for complementary presentations and analyses.<br>Consolidation maybe useful, for example, for the government sector as a whole, thus showing the net relations between government and the rest of the economy*".*<br>*ESA 2010 same as 2008 SNA but both differ from GFSM 2014.* | 1.3 | B1<br>D1<br>B6 | See comments on IPSAS 22 under 1.A1.<br>There is divergence in consolidation practices between GFSM 2014, 2008 SNA, and IPSAS. |

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| | | *GFSM 2014 explains the reasons for divergence from 2008 SNA as follows:*<br>"The 2008 SNA recommends, as a matter of principle, that statistics of institutional units should not be consolidated in the national accounts, but that consolidated accounts may be compiled for complementary presentations and analyses. Even then, transactions appearing in different accounts of the national accounts are never consolidated. The difference between the 2008 SNA and this Manual reflects the different uses of the statistics. The GFS framework is designed to produce statistics suitable for use in the analysis of the net relations between government and the rest of the economy. In particular, assessing the overall impact of government operations on the total economy or the sustainability of government operations is more effective when the measure of government operations is a set of consolidated statistics rather than unconsolidated statistics. The GFS framework also is not intended to produce a measure of production. The 2008 SNA, on the other hand, serves a range of other uses, including a comprehensive measure of production and relations among all the sectors of the economy." (*GFSM 2014 para 3.167*) | | | |

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| **1.A4**<br>Outside equity interest | IPSAS 1, *Presentation of Financial Statements*<br>IPSAS 35, *Consolidated Financial Statements*<br>See IPSAS 35 paras 47-50 and IPSAS 1 paras 88 (n) , 95 (d) and 97, 103, 118 (c)<br>IPSAS recognizes outside equity interest as net assets/equity. | *GFSM 2014 paras 7.165 –177*<br>GFSM 2014 adopts what is commonly referred to as an entity view. *GFSM 2014* recognizes outside equity interest as a liability (listed equity at market values and other equity and investment fund shares or units at net asset value).<br>*2008 SNA and ESA 2010: Same as GFSM 2014.* | 2.1 | D9 | In GFS equity is presented as a sub-item of liabilities while in IPSAS equity is separately presented. Nevertheless, under both systems it is always possible to identify equity in the financial statements. |
| **B) RECOGNITION CRITERIA** | | | | | |
| **1.B1**<br>Borrowing costs | IPSAS 5, *Borrowing Costs*<br>The benchmark treatment in IPSAS 5 requires immediate expensing of borrowing costs. Para 6 states:<br>"Borrowing costs may include:<br>(a) Interest on bank overdrafts and short-term and long-term borrowings;<br>(b) Amortization of discounts or premiums relating to borrowings;<br>(c) Amortization of ancillary costs incurred in connection with the arrangement of borrowings;<br>(d) Finance charges in respect of finance leases; and<br>(e) Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs." | *2008 SNA paras 7.113-7.126*<br>*ESA 2010 paras 4.42-4.52*<br>*GFSM 2014 paras 6.62-6.83*<br>"Borrowing costs" is not a classification item in *GFSM 2014*. These costs are broken down into their constituent components and each component is treated separately. If an intermediary is involved, all service charges, fees, commissions, and similar payments for services provided in carrying out transactions are expensed. If there is no intermediary, i.e., the government is dealing directly with the lender, the borrowing costs are likely to be inseparable from interest – an expense also, but a different classification within expense.<br>For securities issued at a discount or premium, the difference between the issue price and price at maturity is treated as interest accruing over the life of the securities, once again, as an expense.<br>*2008 SNA and ESA 2010: Same as GFSM 2014.* | 10.4 | A5 | Aligned treatment: Choose the "expense borrowing costs" option in IPSAS 5 and list components of borrowing costs separately. |
| **C) MEASUREMENT (VALUATION)** | | | | | |

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| **Issue** | **IPSAS** | **2008 SNA/ESA 2010/MGDD/GFSM 2014** | **2005 Report Ref** | **2012 CP Ref** | **Comments / GFS-aligned IPSAS option** |
| **1.C1**<br>Investments in associates | IPSAS 36, *Investments in Associates and Joint Ventures*.<br>IPSAS 34, *Separate Financial Statements*<br>IPSAS 41, *Financial Instruments*<br>IPSASs requirements:<br>• Application of the equity method of accounting in consolidated financial statements with the exceptions in paras 23 to 25 (para 22);<br>• In the financial statements of the investor (other than consolidated financial statements), an investment in an associate is accounted for either by the equity method or as an investment (IPSAS 36, para 49 and IPSAS 34, paras 12 and 13). However, if the investment is held for resale it is accounted for by either the cost method or as investment. (IPSAS 36 para 49, IPSAS 34,12 and 13, IPSAS 41, para 48)<br>The equity method requires that the investment is initially recorded at cost and the carrying amount is increased or decreased to recognize the investor's share of the surplus or deficit of the investee after the date of acquisition. The investor's share of the investee's surplus or deficit is recognized in the investor's surplus or deficit. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's equity that have not been recognized in | *2008 SNA paras 13.16–13.25 and 13.69-13.75*<br>*ESA 2010 paras 7.33-7.41 and 7.71-7.79*<br>*GFSM 2014 paras 7.24-7.33*<br>Information from markets may be used to value similar securities that are not traded, by analogy. Other methods are to use net asset value or directors' valuation. Changes in market value of traded shares and changes in the investor's share of the corporation's net worth are recorded as other economic flows.<br>*2008 SNA and ESA 2010: Same principle as GFSM 2014.* | 5.6 | B6 | See comments on IPSAS 22 under 1.A1. |

| Table 1: Potential differences that can be resolved now through adopting a GFS-aligned IPSAS option | | | | | |
|---|---|---|---|---|---|
| **Issue** | **IPSAS** | **2008 SNA/ESA 2010/MGDD/GFSM 2014** | **2005 Report Ref** | **2012 CP Ref** | **Comments / GFS-aligned IPSAS option** |
| | the investee's surplus or deficit. (IPSAS 36 para 16) | | | | |
| **1.C2** Measurement of investments in unquoted shares (entities that are not controlled or subject to significant influence) | IPSAS 41, *Financial Instruments*<br><br>IPSAS 41 para 43 requires a financial asset to be measured at fair value where the cash flows are not solely payments of principles and interest (as is the case with equity instruments). | *2008 SNA paras 13.70-13.73 and 12.113 – 12.114;*<br>*ESA 2010 paras 7.33-7.41 and 7.73-7.75*<br>*GFSM 2014 paras 7.24-7.33 and 7.172-7.173*<br>The 2008 SNA adopts a "current market price" (fair value) hierarchy across all assets. Information from markets may be used to value similar securities that are not traded, by analogy. Other methods are to use net asset value or directors' valuation.<br>*2008 SNA and ESA 2010: Same as GFSM 2014.* | 5.7 | B8<br>D4 | |
| **1.C3** Depreciation vs. consumption of fixed capital | IPSAS 17, *Property, Plant, and Equipment*<br>The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. (para 66)<br>The depreciation method shall reflect the pattern in which the asset's future economic benefits or service potential is expected to be consumed by the entity. (para 76)<br>A variety of depreciation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method, and the units of production method. Straight-line depreciation results in a constant charge over the useful life if the asset's residual value does not change. The diminishing balance method results in a decreasing charge over the useful life. | *2008 SNA paras 6.240-6.257*<br>*ESA 2010 paras 3.139-3.145*<br>*GFSM 2014 paras 6.53-6.61*<br>Consumption of fixed capital is the decline, during the course of the accounting period, in the current value of the stock of fixed assets owned and used by a producer as a result of physical deterioration, normal obsolescence or normal accidental damage.<br>The concept of consumption of fixed capital in GFS is identical to the concept used in the 2008 SNA. However, the amount of consumption of fixed capital expense recorded in GFS may differ from the amount recorded in the production account of the 2008 SNA because of the GFS treatment of own-account capital formation. When nonfinancial assets are produced on own-account, the consumption of fixed capital related to that production process is recorded in | | No ref | If assets are valued at market value and if the useful life of the asset is determined based on economic life and not on some tax rule or company law, depreciation will be the same than consumption of fixed capital. A difference may exist depending on the choice of accounting policy employed.<br>While conceptually the same, there is divergence in the amounts recorded between GFSM 2014 and 2008 SNA in relation to own-account capital formation. |

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| **Issue** | **IPSAS** | **2008 SNA/ESA 2010/MGDD/GFSM 2014** | **2005 Report Ref** | **2012 CP Ref** | **Comments / GFS-aligned IPSAS option** |
| | The units of production method results in a charge based on the expected use or output The entity selects the method that most closely reflects the expected pattern of consumption of the future economic benefits or service potential embodied in the asset. That method is applied consistently from period to period unless there is a change in the expected pattern of consumption of those future economic benefits or service potential. (para 78) | GFS as part of the cost of acquisitions of the fixed assets rather than expense. (GFSM 2014 para 6.53)<br><br>GFSM 2014 uses the perpetual inventory model (PIM) to estimate the consumption of fixed capital.<br>*2008 SNA same as ESA 2010: Same as GFSM 2014.* | | | |
| **1.C5**<br>Measurement of non-cash-generating assets<br>*2012 CP*: A4, D3 | IPSAS 16, *Investment Property*<br>IPSAS 17, *Property, Plant, and Equipment*<br>IPSAS 31, *Intangible Assets*<br>Revaluation options in IPSAS 17 and IPSAS 31. IPSASs make recognition of heritage assets optional. | *2008 SNA paras 13.16-13.25*<br>*ESA 2010 paras 7.33-7.41*<br>*GFSM 2014 paras 7.20-7.33*<br>2008 SNA: All assets are to be valued at market value. The *GFSM 2014* provides some guidance on ways to estimate market value for assets that are noncash flow assets. (*GFSM 2014* paras 7.20-7.33)<br>With respect to heritage assets, statistical reporting recognizes heritage assets,<br>*2008 SNA and ESA 2010: Same as GFSM 2014.* | 10.7 | A4<br>D3 | *Option:* Choose the heritage asset recognition option in IPSASs 17 and 31. Apply revaluation options in IPSASs. |

| Table 2: Differences currently needing to be managed that could be resolved in future through an existing IPSASB work-plan project | | | | | |
|---|---|---|---|---|---|
| **Issue** | **IPSAS** | **2008 SNA/ESA 2010/MGDD/GFSM 2014** | **2005 Report Ref** | **2012 CP Ref** | **Comments** |
| **B) RECOGNITION CRITERIA** | | | | | |
| **6: FINANCIAL INSTRUMENTS** | | | 6 | | |
| **2.B2**<br>Recognition and derecognition of financial instruments:<br>(e) Securitization undertaken by SPEs/SPVs<br>*2012 CP*: A7 | (e) Securitization undertaken by SPEs/SPVs<br>When an entity assumes a liability, it will:<br>• first consider whether the debit to the transaction meets the definition of a financial instrument (financial claim or an equity instrument),<br>• secondly, the entity will consider whether it there is any other type of asset to be recognised, and<br>• failing the above, recognize the debit as an expense.<br>The application of the above IPSAS principles may result in the same treatment as required in terms of the GFSM/SNA.<br>In terms of IPSAS 41 (para 35 and 37) a financial liability is derecognized when the obligation is discharged, waived, cancelled or when it expires. When the liability is derecognized the borrower would do the same as specified in IPSAS 23 (para 84 – 87). | (e) Special Purpose Vehicles (SPVs) can be set up when governments undertake securitization. The classification of SPVs requires clarification. *(e) ESA 2010: MGDD provides rulings on the treatment of securitization.* | 6.1 | A7 | (e) Securitization undertaken by SPEs/SPVs<br>Securitisation has been raised as an issue in the public financial instruments project, where it has been noted that the EU approach is very strict.<br>Securitization of future flows are within the scope of the public sector financial instruments project. |
| **2.B3**<br>Currency on issue/ seigniorage:<br>(a) notes<br>(b) coins<br>*2012 CP*: B2 | No applicable IPSAS | *2008 SNA paras 11.52-11.53*<br>*ESA 2010 paras 5.77-5.78 and B5.2.1-B5.2.2*<br>*GFSM 2014 paras 6.48, 7.135-7.136 and 9.33-9.34*<br>There is a liability for notes and coins on issue by the central bank or government. | 6.2 | B2<br>D11 | *Current project*: Public Sector Financial Instruments.<br>This project is considering the guidelines of the statistical basis of reporting in developing the standard. |

| Table 2: Differences currently needing to be managed that could be resolved in future through an existing IPSASB work-plan project | | | | | |
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| **Issue** | **IPSAS** | **2008 SNA/ESA 2010/MGDD/GFSM 2014** | **2005 Report Ref** | **2012 CP Ref** | **Comments** |
| *2014: Central Bank issue from 2012 here:*D11 | | For notes it is often the central bank and not the GGS that has the liability and for coins often the treasury and therefore the GGS. In some countries, commercial banks are also able to issue currency under the authorization of the central bank or government. (*GFSM 2014* para 7.135).<br>*GFSM 2014* indicates that seigniorage for the issuer of currency are implicitly included under currency and deposits and are not treated as revenue. Therefore, paragraph 6.48 states "The issuance of the coins or notes is a financial transaction that does not involve revenue or expense."<br>Seigniorage is the profit on the issue of token coinage by a government, representing the difference between the face value of currency issued and its costs of production including the cost of base metals. (*GFSM 2014*, Chapter 9 footnote 8).<br>Paragraph 6.48 of *GFSM 2014* states that "Materials to produce coins or notes of the national currency or amounts payable to contractors to produce the currency are included as use of goods and services."<br>*ESA 2010: The ESA 2010 diverge and has introduced the explicit convention that central banks hold a liability for coins, but then hold a claim on the government for that liability.* | | | |
| **2.B4**<br>"Subscriptions" to international organizations<br>*2012 CP*: B3, C5 | Apply IPSAS concepts. (No IPSAS explicitly addresses the topic.) The costs of subscriptions will be recognized as an asset if they satisfy the definition and recognition criteria for assets, including the reliability of measurement. Whether | *SNA 2008 paras 8.128, 8.132 and 11.88, 22.99-22.100*<br>*ESA 2010 paras 3.89, 4.126 and 7.76*<br>*GFSM 2014 paras 6.123, 6.42 and 7.169* | 10.6 | B3<br>C5 | *Current project*: Public Sector Financial Instruments |

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| | an asset is recognized will depend on whether the subscription provides future economic benefit or service potential. If it does not, an expense is recognized. | 2008 SNA guidance indicates that transactions with international and supranational organizations, including membership dues and subscription fees payable to international organizations, may not be treated as transfers but as payments for a service, recorded on an accrual basis. Exceptionally, and when there is a possibility even if unlikely, of repayment of the full amount, the payment may be represented as a financial asset (para 22.100).<br>Similar guidance in GFSM 2014, paragraph 6.42 clarify that, depending on their nature, "subscriptions" to international organizations could give rise to expenses (classified as either use of goods and services or transfers), or equity assets. | | | |
| **2.B5**<br>IMF Special Drawing Rights (SDRs) | | | 10.13 | No ref | *Current project*: Public Sector Financial Instruments |
| **C) MEASUREMENT (VALUATION)** | | | | | |
| **2.C1**<br>Measurement of non-cash-generating assets<br>*2012 CP*: A4, D3 | IPSAS 16, *Investment Property*<br>IPSAS 17, *Property, Plant, and Equipment*<br>IPSAS 31, *Intangible Assets*<br>Revaluation options in IPSAS 17 and IPSAS 31. IPSASs make recognition of heritage assets optional. | *2008 SNA paras 13.16-13.25*<br>*ESA 2010 paras 7.33-7.41*<br>*GFSM 2014 paras 7.20-7.33*<br>2008 SNA: All assets are to be valued at market value. The *GFSM 2014* provides some guidance on ways to estimate market value for assets that are non-cash flow assets. (*GFSM 2014* paras 7.20 - 7.33)<br>With respect to heritage assets, statistical reporting recognizes heritage assets,<br>*2008 SNA and ESA 2010: Same as GFSM 2014.* | 10.7 | A4<br>D3 | *Option:* Choose the heritage asset recognition option in IPSASs 17 and 31. Apply revaluation options in IPSASs.<br>*Consultation project-no link*: See page 24 of Strategy CP; Heritage Assets; *Consultation project-linked*: See page 25 of Strategy CP; Measurement–public sector specific assets. (Related to A4 in Table 2) |

| Table 2: Differences currently needing to be managed that could be resolved in future through an existing IPSASB work-plan project | | | | | |
|---|---|---|---|---|---|
| **Issue** | **IPSAS** | **2008 SNA/ESA 2010/MGDD/GFSM 2014** | **2005 Report Ref** | **2012 CP Ref** | **Comments** |
| **2.C2**<br>Transaction costs:<br>(a) acquisition of nonfinancial assets | IPSAS 17, *Property, Plant, and Equipment*<br>IPSAS 41, *Financial Instruments*<br>(a) IPSAS 17 prescribes that "an item of property, plant and equipment which qualifies for recognition as an asset should initially be measured at its cost." Cost includes any directly attributable costs of bringing the asset to working condition for its intended use, e.g. cost of site preparation, initial delivery and handling costs, installation costs, and professional fees for architects and engineers. (paras 22 and 26) | *SNA 2008 paras 10.158-10.160, 11.35 13.16, 13.44 and 14.104*<br>*ESA 2010 paras 3.127, 3.133, 3.135-3.138 and 7.45*<br>*GFSM 2014 paras 6.60, 7.22, 8.6-8.8, 8.42, 9.8 and 10.83*<br>Transactions costs are called costs of ownership transfer in *GFS.*<br>(a) Costs of ownership transfer (includes all transport and installation charges and others) are included in the cost of acquisition for nonfinancial assets. (*GFSM 2014* paras 6.60, 7.22, 8.6, 8.42 & 10.83) | 10.9 | B7 | *Consultation project- linked*: See page 25 of Strategy CP; Measurement-public sector specific |
| (b) acquisition of financial assets | (b) IPSAS 41, requires that "at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability" (para 57). | (b) Costs of ownership transfer are expensed for financial assets and liabilities. They are excluded from the current market value as counterpart financial assets and liabilities refer to the same financial instrument and should have the same value. (*GFSM 2014* paras 9.8)<br>*2008 SNA and ESA 2010: Same as GFSM 2014* | | | |

| Table 3: Differences currently needing to be managed | | | | | |
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| **Issue** | **IPSAS** | **2008 SNA/ESA 2010/MGDD/GFSM 2014** | **2005 Report Ref** | **2012 CP Ref** | **Comments** |
| **A) REPORTING ENTITY** | | | | | |
| **2: OUTSIDE OWNERSHIP RELATIONSHIPS** | | | | | |
| **3.A.1**<br>Determination of:(a) net worth/net assets/ equity; and | IPSAS 1, *Presentation of Financial Statements*<br>IPSAS 23, *Revenue from Non-Exchange Transactions* | *(a) Net assets/equity*: 2008 SNA continues to treat equity as a liability. This difference is expected to remain, and will need to be managed. | 2.2 | D9<br>D10 | *Consultation project-no link*: See page 27 of Strategy CP; Role of Government as Owner rather than Government. Disclosure of sufficient source data will allow IPSAS and GFS data to be reconcilable. |
| (b) contributions from owners for commercial government operations<br>*CP 2012:* No reference, see D9 and D10. | IPSAS 28, *Financial Instruments: Presentation* | *2008 SNA paras 7.131 and 11.83-11.93*<br>*ESA 2010 paras 20.194-20.204*<br>*GFSM 2014 paras 6.91, 9.47-9.52 and Box 6.3* | | | IPSASs and 2008 SNA agree conceptually on capital injections and both make identification by reference to economic substance rather than legal form. |
| **3.A.2**<br>(a) Distributions payable to owners as holders of equity instruments<br>(b) Distributions receivable from controlled entities. | IPSAS 28, *Financial Instruments: Presentation*<br>IPSAS 9, *Revenue from Exchange Transactions*, para 33-34<br>IPSAS 14, *Events After the Reporting Date*, para 13 | *2008 SNA paras 7.23, 7.127,7.135 and 11.83-11.93*<br>*ESA 2010 paras 4.53-4.63, and 20.205-20.209*<br>*GFSM 2014 paras 5.111-5.119, 6.109-6.112, 9.48 and Box 6.3*<br>The relevant MGDD references are to be found in Chapters III.2, III.3 and III.4. The overall rules are in III.2 (there's a helpful decision tree), whereas the other two deal with specific cases of injections into public quasi-corporations and injections in kind. | 2.3 | No ref | This issue could be disclosed as a reconciling difference (to the extent that *GFSM 2014* recognises a return of capital that IPSASs would treat as a dividend, or vice versa). A consistent way to distinguish dividends from return of contributed capital is needed; IPSAS could consider *GFSM and EMGDD* principles for distinguishing between dividends and withdrawal of equity.<br>(a) Distributions payable: Original issue was difference between GFSM 2001 expensing dividends and IPSASs treating them as a direct reduction of net assets/equity. In addition, the amounts of dividends recognized and the timing of their recognition may be different under GFSM and IPSASs. |
| **B) RECOGNITION CRITERIA** | | | | | |
| **3: RECOGNITION OF ASSETS (OTHER THAN FINANCIAL INSTRUMENTS)** | | 2005 Matrix: *GFSM 2014* para 3.42-3.50 defines assets: Paragraph 6.1 defines expense. | 3 | D2 | *Table 2, 2012 Consultation Paper* |

| Table 3: Differences currently needing to be managed | | | | | |
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| **3.B1**<br>Costs of intangibles: (a) Research and development; (b) Other intangibles: (i) computer software. (ii) other classes<br>*2012 CP:* A8, C6, D12 | IPSAS 31, *Intangible Assets*<br>No intangible asset arising from research (or from the research phase of an internal project) shall be recognized. Expenditure on research (or on the research phase of an internal project) shall be recognized as an expense when it is incurred. (para 52) | *2008 SNA paras 10.98-10.117, 13.33, and 13.36*<br>*ESA 2010 paras 3.22, 3.132 and 22.108*<br>*GFSM 2014 paras 6.46, 7.66 and 8.37-8.41*<br>Statistical guidelines capitalize government investment in research and development in the category intellectual property products (i.e., when it creates an asset) except in cases where it is clear that the activity does not create any future economic benefits for its owners.<br>ESA 2010 has a phased treatment to research and development. Expenditure on research and development is only to be recorded as fixed capital formation when a sufficiently high level of reliability and comparability of the estimates across the Member States has been achieved. (para 3.22)<br>ESA 2010 will use satellite accounts on research and development first and after it will be capitalized in the core accounts of the Member States.<br>*2008 SNA and ESA 2010 (principles): Same as GFSM 2014.* | 3.1 | A8<br>C6<br>D12 | *Consultation project-linked*: See page 25 of Strategy CP; Intangible Assets–Public Sector |
| **3.B2**<br>Public private partnerships (such as BOOT schemes) | IPSAS 32, *Service Concession Arrangements: Grantor*<br>IPSAS 32 approach focuses on control.<br>The grantor shall recognize an asset provided by the operator and an upgrade to an existing asset of the grantor as a service concession asset if:<br>(a) The grantor controls or regulates what services the operator must provide with | *2008 SNA paras 22.154-22.163*<br>*ESA 2010 paras 15.41, 20.276-20.290*<br>*GFSM 2014 paras A4.58-A4.65*<br>First principles based on economic ownership of the assets are applied to the contract arrangements. Such economic ownership is determined by assuming the majority of the risks and rewards. *MGDD also provides rulings on the treatment of* | 3.4 | C4 | Note that the SNA has this issue on its research agenda, and may in future consider whether there is scope to align with IPSAS 32, *Service Concession Arrangements: Grantor*.<br>Para A4.63 of GFSM 2014 states that "The macroeconomic statistics approach is broadly consistent with considerations listed by the International Public Sector Accounting Standards Board (IPSASB) for the recognition and measurement of a service concession asset. While it is not |

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| | the asset, to whom it must provide them, and at what price; and<br>(b) The grantor controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the asset at the end of the term of the arrangement. (para 9) | *public private partnerships based on a risk and reward approach.* | | | possible to prescribe rules applicable to every PPP type of arrangement, the considerations presented in Box A4.4 should guide the decision on which party is the economic owner of the asset(s) during and at the end of the PPP contract period. The International Public Sector Accounting Standards (IPSASs) considerations of control of the asset include aspects of risks and rewards, and should, in principle, lead to the same conclusions on economic ownership". |
| **4: COUNTER-PARTY/ SYMMETRY AND RECOGNITION** | | | 4 | D2, Ch 2 | |
| **3.B3**[1]<br>Decommissioning/ restoration costs<br>*2012 CP:* C3 | IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*<br>IPSAS 17, *Property, Plant and Equipment*, paras 22 and 27, Appendix C example 3. IPSAS 17 para 26(e))<br>IFRIC Interpretation 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities* | *2008 SNA paras 10.51-1055*<br>*ESA 2010 para 3.129*<br>*GFSM 2014 para 8.6*<br>GFSM 2014 includes decommissioning/restoration costs as costs incurred on acquisition and disposal of assets.<br>*2008 SNA and ESA 2010: Same as GFSM 2014* | 4.2 | C3 | C3 Consider whether revisions to related GFS guidelines could further reduce differences. |
| **3.B4**<br>Extractive Industries (exploration and evaluation)<br>*2012 CP*: C2 | IPSAS 41, *Financial Instruments*<br>There is no IPSAS on extractive industries.<br>IFRS 6 applies, through the IPSAS hierarchy. IPSAS 41 requires recognition at fair value for contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument (para 5). | *2008 SNA paras 10.106-10.108, 13.49-13.50*<br>*ESA 2010 paras 3.127 and 7.43*<br>*GFSM 2014 paras 6.47, 7.68 and 8.39*<br>Exploration costs are treated as investment.<br>*2008 SNA and ESA 2010: Same as GFSM 2014.* | 3.2 | C2 | *Consultation project-no link*: See page 32 of Strategy CP; Extractive Industries<br>Consider whether scope to clarify statistical guidance. |

[1] Item 4.3 (tax effect accounting) excluded from table on basis that there is no applicable IPSAS.

| Table 3: Differences currently needing to be managed | | | | | |
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| **Issue** | **IPSAS** | **2008 SNA/ESA 2010/MGDD/GFSM 2014** | **2005 Report Ref** | **2012 CP Ref** | **Comments** |
| **3.B5**<br>Provisions arising from constructive obligations<br>*2012 CP:* D5 | IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*<br>IPSAS 19 recognizes all constructive obligations. | *2008 SNA paras. 17.207-17.224:*<br>*ESA 2010 paras 5.188-5.197*<br>*GFSM 2014 paras 5.149-5.150, 6.107, 6.125, 7.201-7.202*<br>The 2008 SNA (paragraphs 17.207-17.214) has a three-way treatment of guarantees. Standardized guarantees are treated similarly to non-life insurance and provisions for such claims are recognized. In all other cases constructive obligations are not recognized. Contingencies are recorded as memorandum items.<br>*2008 SNA and ESA 2010: Same as GFSM 2014.* | 4.1 | D5 | This issue remains a fundamental difference that needs to be managed/reconciled. |
| **3.B6**<br><br>Employee Benefits | IPSAS 39, *Employee Benefits*<br><br><br><br>*Defined benefit plans*<br>• IPSAS 39 requires the recognition of the net defined benefit liability (asset) in the statement of financial position of the employer. | *2008 SNA, paras. 17.151-17.186, 17.191-17.206*<br>*ESA 2010, 17.40-17.183*<br>*GFSM 2014, paras. 7.189-7.200*<br>*Defined benefit plans*<br>• 2008 SNA (paras. 17.193-17.194) has an optional recognition of pension entitlements of unfunded pension schemes provided by government in the core accounts.<br>• ESA 2010 (para. 17.48) does not recognize pension entitlements for government employee social security schemes in the core accounts.<br>• GFSM 2014 (para. 7.189) requires the recognition of "liabilities for employment related pensions, regardless of whether there are actually assets set aside to meet the entitlements but recognizes reserves for employment-related non- | | | • This issue remains a fundamental difference that needs to be managed/reconciled depending on which statistical guidelines the country applies.<br>The non-European Union countries which do include entitlements for unfunded government employees, and use the projected benefit obligation approach are closer to IPSAS 39.<br>For European Union countries there is a difference to reconcile.<br>2008 SNA provides a supplementary table (Table 17.10) showing the extent of pensions schemes included and |

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| | | pension benefits only when these reserves actually exist."<br><br>• 2008 SNA, ESA 2010 and GFSM 2014 does not recognize an interest imputation between the pension manager and the pension administrator when the pension entitlements are unfunded (deficit) or overfunded (surplus). | | | excluded from the SNA sequence of accounts.<br>ESA 2010 provides a supplementary table (Table 17.5) on accrued-to date pension entitlements in social insurance.<br>• This issue remains a fundamental difference that needs to be managed/reconciled. |
| • IPSAS 39 requires the recognition of interest expense/revenue on the net defined benefit liability (asset). | | | | | |
| **C) MEASUREMENT (VALUATION)** | | | | | |
| **3.C1**[2]<br>Transaction costs:<br>(a) costs of issuing equity instruments<br>(b) determination of carrying amount – costs of disposing of non-financial assets<br>(c) determination of carrying amount – costs of disposing of financial assets<br>2012 CP: B7 | IPSAS 16, *Investment Property*<br>IPSAS 17, *Property, Plant, and Equipment*<br>IPSAS 27, *Agriculture*<br>IPSAS 28, *Financial Instruments: Presentation*<br>IPSAS 41, *Financial Instruments*<br>IPSAS 31, *Intangible Assets*<br>a) IPSAS 28 requires transaction costs to be a direct deduction from equity, net of any related income tax benefit (para 40).<br>b) IPSAS 16 requires "Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset, and shall be recognized in surplus or deficit (unless IPSAS 13 requires otherwise on a sale and leaseback) in | 2008 SNA paras 10.158-10.160, 11.35, *13.16, 13.44 and 14.104*<br>*ESA 2010 paras 3.127, 3.133, 3.135-3.138, 7.45 and 7.61*<br>*GFSM 2014 paras 6.60, 7.22, 8.6-8.8, 8.42, 9.8 and 10.83*<br>*Transactions costs* are called *costs of ownership transfer* in *GFS.*<br>(a) Costs of ownership transfer are expensed for financial assets and liabilities. (*GFSM 2014* para 9.8) *ESA 7.61: Same as GFSM.*<br>(b) Transactions costs (including costs of disposing of assets) are included in cost of ownership transfer) are capitalized for nonfinancial assets. (*GFSM 2014* paras 6.60, 7.22, 8.6, 8.42 & 10.83) These costs should be written off over the time the asset is used. If not, costs of ownership transfer (COT) on disposal are capitalised (transaction in nonfinancial assets) then immediately written-off as a | 5.2 | B7 | *Consultation project-linked*: See page 25 of Strategy CP; Measurement-public sector specific |

[2] 5.1 from the Matrix has been excluded because the differences related to presentation i.e. taking losses to income versus treating them as another economic flow.

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| | the period of the retirement or disposal" (para 80).<br>IPSAS 17 requires "The gain or loss arising from the derecognition of an item of property, plant, and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item (para 86).<br>IPSAS 27, *Agriculture*, requires assets to be measured at fair value less point of sale costs.<br>IPSAS 31, *Intangible Assets*, requires "The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognized in surplus or deficit when the asset is derecognized" (para 112).<br>c) IPSAS 41 at initial recognition, an entity shall measure a financial instrument at its fair value plus or minus, in the case of a financial instrument not at fair value through surplus or deficit, transaction costs (para 57). After initial recognition, financial assets are measured at fair value without any deduction for transaction costs it may occur on sale or other disposal or amortized cost (para 61).<br>In the majority of cases there is no difference with both types of reporting stating that transaction costs should be excluded from measurement of the asset when the asset is measured at fair value. But IPSAS requires that transaction costs be included in the asset's measurement, | revaluation loss on disposal. The balance sheet value of the asset immediately before the disposal (and incurrence of any COT associated with the disposal) was the exchange value of the asset plus any COT that would have had to be incurred to acquire the asset at that time and in its existing condition. The difference between the balance sheet value and the disposal value (exchange value less COT on disposal) is the sum of the two types of COT. To bridge this difference, a holding loss is recorded, at time of disposal. (*GFSM 2014* para 10.20)<br>*2008 SNA and ESA 2010: Same as GFSM 2014.*<br>(c) 2008 and ESA 2010: *Same as GFSM 2014.* | | | |

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| | when subsequent measurement is at cost. | | | | |
| **3.C2**<br>Inventory<br>2012 CP: B4 | IPSAS 12, *Inventories*<br><br>IPSAS 12 requires inventories to be measured at the lower of cost and net realisable value for inventories held for sale, and at the lower of cost and current replacement cost for inventories held for distribution in a non-exchange transaction. (paras 11 and 12) | *2008 SNA paras 10.118-10.148 and 13.38-13.41*<br>*ESA 2010 paras 3.146-3.153 and 7.46-7.48*<br>*GFSM 2014 paras 7.75-7.86 and 8.44-8.47*<br>Inventories are valued at current market prices on the balance sheet date. Additions and withdrawals to inventory are recorded as transactions in non-financial assets. Withdrawals are valued at current market prices prevailing at the time of the transaction rather than acquisition prices. Any change in the value of inventories between the time of acquisition and withdrawal are recorded as holding gains or losses. (*GFSM 2014* paras 7.75–7.86, 8.44–8.47)<br>*2008 SNA and ESA 2010: Same as GFSM 2014.* | 5.5 | B4 | *Consultation project-linked*: See page 25 of Strategy CP; Measurement-public sector specific |
| **3.C3**<br>Loans | IPSAS 41, *Financial Instruments*<br>"at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability." (para 57)<br>"The fair value of a financial instrument at initial recognition is normally the transaction price. However, if part of the consideration given or received is for something other than the financial instrument, the fair value of the financial instrument is estimated, using a valuation | *2008 SNA paras 13.62-13.65*<br>*ESA 2010 paras 5.112-5.138, 6.58 and 7.70*<br>*GFSM 2014 paras 7.157-7.163*<br>All loans are recorded at nominal value in GFSM 2014.<br>*2008 SNA and ESA 2010: Same as GFSM 2014.* | | | IPSAS 41 applies the amortized cost method to loans using the prevailing market rate(s) of interest for a similar instrument (similar as to currency, term, type of interest rate and other factors) with a similar credit rating, where there is no active market to determine the fair value of the loan.<br><br>GFSM 2014 records loans at nominal value for the following reasons:<br><br>"The use of nominal values is partly influenced by pragmatic concerns about data availability. In addition, because loans are generally not intended for trading on the secondary market, estimating a market price can be subjective. Nominal value is also useful because it shows actual legal liability |

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| | technique. For example, the fair value of a long-term loan or receivable that carries no interest can be measured as the present value of all future cash receipts discounted using the prevailing market rate(s) of interest for a similar instrument (similar as to currency, term, type of interest rate and other factors) with a similar credit rating. Any additional amount lent is an expense or a reduction of revenue unless it qualifies for recognition as some other type of asset. (para AG115)<br><br>a) Low interest and interest free loans<br>IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*<br>IPSAS 41, *Financial Instruments*<br>IPSAS 23 and IPSAS 41 deal with concessional loans. The entity needs to assess whether an arrangement is an exchange or non-exchange transaction. Normal impairment applies.<br>Under IPSAS 41, an entity is required to determine the fair value of the loan by discounting the expected cash flows using a market-related rate of interest for a similar instrument. The difference between this fair value and the transaction price represents the concessionary element of the loan and is either recognised as non-exchange revenue (where the public sector entity is the recipient of the loan) or as an expense (where the public sector entity is the lender). The expense would be classified as a current transfer. | a) Low interest and interest free loans<br>*2008 SNA paras 22.123-22.124 and A4.44*<br>*ESA 2010 paras 20.239-20.241*<br>*GFSM 2014 paras 7.246 and 9.12*<br>The 2008 SNA deals specifically with concessional loans, with impairment and write off rules. In practice there is no difference except in respect to impairment. 2008 SNA, (paragraph 22.123-22.124) defines concessional terms and states that concessional interest rates to a foreign government could be seen as providing a transfer equal to the difference between the actual interest and the market equivalent interest. If such a transfer is recognized, it is usually recorded as current international cooperation. The interest recorded would be adjusted by the same amount. But the means of incorporating the impact into the SNA has not been developed and, until this is done, | 5.4 | C7 | and the starting point of creditor recovery behavior. In some cases, loans may be traded, often at discount, or a fair value may exist or could be estimated. It is recognized that nominal value provides an incomplete view of the financial position of the creditor, particularly when the loans are nonperforming. In such cases, information on the nominal value, as well as the fair value, of nonperforming loan assets should be included as a memorandum item to the GFS balance sheet - see paragraph 7.264". (para 7.163)<br><br>a) Low interest and interest free loans<br>Note that the treatment of concessionary loans is on the research agenda of the SNA, and Eurostat is trying to resolve this issue. Not classified as Group 2 because resolution does not relate to IPSAS changes.<br>Eurostat decision on 16 January 2013, states that "Eurostat considers that, for low interest rate loans granted by a government unit in the context of its usual public policy activities, the interest has to be recorded on the basis of the contractually agreed interest rate. Consequently, no implicit benefit for the debtor is recorded in national accounts." |
| a) Low interest and interest free loans<br>*2012 CP*: C7 | | | | | |

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| b) Nonperforming loans<br>*2012 CP*: D7 | b) Nonperforming loans<br>IPSAS 41, *Financial Instruments*<br>IPSAS 41 requires an entity recognize a loss allowance for expected credit losses on a financial asset that is measured at amortized cost or fair value through net assets/equity, a lease receivable, or a loan commitment and a financial guarantee contract to which the impairment requirements (para 73). At each reporting date, the loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition (para 75). If the credit risk on a financial instrument has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses (para 77). | information on concessional debt is shown in supplementary tables.<br>*2008 SNA and ESA 2010: Same as GFSM 2014.*<br>b) Nonperforming loans<br>*2008 SNA paras. 11.130 and 13.66-13.68*<br>*ESA 2010 paras 7.99-7.108*<br>*GFSM 2014 paras 7.262-7.263*<br>2008 SNA (para 11.130) recommends nonperforming loans to be disclosed as memorandum items, rather than recognized, while para 13.66 elaborates on identifying these. In practice, no provision will exist until both counter parties agree to debt relief (a mutually agreed write off).<br>Thus, loans remain on balance sheet until a debt cancellation, write-off, or write-down has taken place. (*GFSM 2014, para 7.262-7.263*) | 5.3 | D7 | b) Nonperforming loans<br>The difference is between financial assets measured at amortised cost in terms of IPSAS 41 and loans measured at nominal value in the terms of the SNA. |
| (c) Debt rescheduling | c) Debt rescheduling<br>IPSAS 41, *Financial Instruments*<br>IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*<br>*Recognition and derecognition of financial liability* (para 35-38)<br>In a debt restructuring, financial liabilities are derecognized when the terms and conditions of the arrangement are substantially modified (para 36).<br>A substantial modification of the liability happens when the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the | *2008 SNA and ESA 2010: Same as GFSM 2014.*<br>c) Debt rescheduling<br>*2008 SNA paras 22.109-22.115 and 26.107b*<br>*ESA 2010 paras 4.165*<br>*MGDD 2010 section VII.3*<br>*GFSM 2014 paras A3.10-A3.13*<br>*Recognition and derecognition of financial liability*<br>"With debt rescheduling, the applicable existing debt is recorded as being repaid and a new debt instrument (or instruments) created with new terms and conditions. This treatment does not apply, | 6.1 | A7 | c) Debt rescheduling<br>*Different focus on debt rescheduling in IPSAS 41 and GFSM 2014.*<br>Under GFSM 2014, debt rescheduling involves rearrangements on the same type of instrument, with the same principal value and the same creditor as with the old debt (para A3.10).<br>IPSASs requirements are focused on the present value of estimated future cash flows.<br>*Different conditions for derecognition of financial liabilities in IPSAS 41 and GFSM 2014.*<br>IPSASs require the terms and conditions of the arrangement to be substantially modified (10 per cent threshold difference from the discounted |

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| **Issue** | **IPSAS** | **2008 SNA/ESA 2010/MGDD/GFSM 2014** | **2005 Report Ref** | **2012 CP Ref** | **Comments** |
| | original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability (para AG.46).<br>If there is a substantial modification of the liability, the original liability is extinguished (derecognized) and the new liability is recognized and any costs and fees incurred are recognized as part of the gain or loss on that extinguishment.<br>If there is not a substantial modification of the liability, the original liability is not extinguished and any costs or fees incurred adjust the carrying amount and are amortized over the remaining term of the modified financial liability.<br>"The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in surplus or deficit. Where an obligation is waived by the lender or assumed by a third party as part of a non-exchange transaction, an entity applies IPSAS 23." (para 37) | however, to interest arrears that are rescheduled when the conditions in the existing debt contract remain unchanged. In such a case, the existing debt contract is not considered as rescheduled, only the interest arrears. A new debt instrument is recorded for the rescheduled interest arrears. (GFSM 2014 para A3.12)<br>*Conditions to record a capital transfer (gain or loss)*<br>It is only if the outstanding principal amount of the claim (generally loans), recorded at its nominal value, is diminished, that a capital transfer has to be recorded in favor of the defaulting debtor, for the amount of the claim which is cancelled: this amounts to a debt cancellation (see chapter VII.2 Debt assumption and debt cancellation).<br>It is not necessary in the other cases, in particular:<br>• if the payment of the claim is only delayed or rescheduled;<br>• if only the amount of interest is renegotiated. (MGDD, VII.3.2, paras 5-6) | | | present value of the remaining cash flows of the original financial liability) in order to exist a derecognition of the existing liability.<br>GFSM 2014 does not have this condition. GFSM 2014 para A3.11 states that "*Debt rescheduling is a bilateral arrangement between the debtor and the creditor that constitutes a formal postponement of debt service payments and the application of new and generally extended maturities*".<br>"The debt rescheduling transaction is recorded at the time agreed to by both parties (the contractually agreed time), and at the value of the new debt (which, under a debt rescheduling, is the same value as that of the old debt). (para A3.13)<br>*Different conditions to record a capital transfer (gain or loss)*<br>Under IPSAS 41 there will be a gain or loss equal to the difference in the present value of future cash-flows between the old and the new liability.<br>Under MGDD 2010, only if the outstanding principal amount of the claim is diminished, that a capital transfer has to be recorded in favour of the defaulting debtor. This does not apply if the payment of the claim is only delayed or rescheduled or if only the amount of interest is renegotiated. |
| **3.C4**<br>Biological assets (that is, living animals and plants)<br>*2012 CP*: D8 | IPSAS 27, *Agriculture*<br>IPSAS 27 requires that biological assets be measured at fair value, net of point of sale costs. There is also a definitional difference: IPSAS 27 classifies animals and plants for one-time use as fixed assets, until they are harvested/slaughtered, at which point they become "agricultural produce," which is classified as inventory. | *2008 SNA paras 10.88-10.96, 10.140, 10.182-10.183, 12.19-12.30 and 13.51*<br>*ESA 2010 paras 3.127, 3.186, 6.06-6.07 and 7.54*<br>*GFSM 2014 paras 7.59-7.63, 7.101 and 8.34-8.36*<br>2008 SNA deals with biological assets. The market value hierarchy applies. SNA generally classifies animals and plants for one-time use as inventories. | 5.8 | D8 | *Consultation project-no link*: See page 24 of Strategy CP; Biological Assets Held for the Provision or Supply of Services<br>*Definitional difference: IPSAS 27 covers a wider set of assets than SNA's definition of biological and agricultural assets.* |

| Table 3: Differences currently needing to be managed | | | | | |
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| **Issue** | **IPSAS** | **2008 SNA/ESA 2010/MGDD/GFSM 2014** | **2005 Report Ref** | **2012 CP Ref** | **Comments** |
| | | *2008 SNA and ESA 2010: Same as GFSM 2014.* | | | |
| **3.C5**<br><br>Extractive Industries (development and production)<br>*2012 CP*: C2 | There is no IPSAS on extractive industries.<br>IPSAS 41, *Financial Instruments*<br>IPSAS 41 requires recognition at fair value for contracts to buy or sell non-financial items that are readily convertible to cash. | *2008 SNA paras 10.106-10.108, 13.49, 13.50*<br>*ESA 2010 paras 3.127 and 7.43*<br>*GFSM 2014 paras 6.47, 7.68 and 8.39*<br>Subsoil assets are proven reserves of oil, natural gas, coal, and metallic and nonmetallic mineral reserves. Their discovery is recorded as another volume change (*GFSM 2014* para 10.52) and their value is usually estimated as the present value of the expected net returns resulting from their commercial exploitation, but if ownership changes frequently on markets, then it may be possible to obtain appropriate market prices (*GFSM 2014* paras 7.68).Other units may extract the deposits over a specified period of time in return for a payment or series of payments. Resource leases of subsoil assets are treated as rent (*GFSM 2014* para A4.16) and depletion of these assets is treated as an other economic flow (*GFSM 2014* para 10.52).<br>Under *GFSM 2014*, the nature of the contractual arrangements needs to be examined in order to determine the classification of any receipts and depletion of subsoil assets. For example, is the subsoil asset being extracted (rent) or have the subsoil assets been sold, i.e., a sale of a non-financial asset. (*GFSM 2014* paras A4.35)<br>*2008 SNA and ESA 2010: Same as GFSM 2014.* | 5.10 | C2 | |

| Table 3: Differences currently needing to be managed | | | | | |
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| **Issue** | **IPSAS** | **2008 SNA/ESA 2010/MGDD/GFSM 2014** | **2005 Report Ref** | **2012 CP Ref** | **Comments** |
| **3.C6**<br>Extractive industries<br>(exploration and evaluation)<br>*2012 CP*: C2 | IPSAS 41, *Financial Instruments*<br>There is no IPSAS on extractive industries.<br>IPSAS 41 requires recognition at fair value for contracts to buy or sell non-financial items that readily convertible to cash. (IFRS 6 also applies through hierarchy.) | *2008 SNA 10.106-10.108 and 13.49-13.50*<br>*ESA 2010 paras 3.127 and 7.43*<br>*GFSM 2014 paras 6.47, 7.68 and 8.39*<br>For mineral exploration the value of the resulting asset is measured by the value of the resources allocated to exploration as it is not possible to value the information obtained. The resources allocated include the costs of actual test drilling and boring, pre-license, license, acquisition and appraisal costs, costs of aerial and other surveys, and transportation and other costs incurred to make exploration possible. (*GFSM 2014* para 7.68)<br>2008 SNA and *ESA 2010: Same as GFSM 2014.* | 5.9 | C2 | (Note: C2: Extractive industries—exploration and evaluation; development and production.) |
| **3.C7**<br><br>Employee Benefits | IPSAS 39, *Employee Benefits*<br><br><br><br>*Defined benefit plans*<br>IPSAS 39 requires the projected unit credit method to measure the defined benefit obligation. | *2008 SNA, paras. 17.151-17.186, 17.191-17.206*<br>*ESA 2010, 17.40-17.183*<br>*GFSM 2014, paras. 7.189-7.200*<br>*Defined benefit plans*<br>2008 SNA (17.181-17.185) refers to the use of two actuarial methods (accrued benefit obligation and projected benefit obligation) without making a recommendation on which method to use.<br>ESA 2010 (para. 17.177) recommends to use the projected benefit obligation method where the underlying benefit formula in the pension scheme includes implicitly or explicitly a factor for wages increases before or after retirement. Where such a factor is not present, the accrued benefit obligation should be used. | | | This issue remains a fundamental difference that needs to be managed/reconciled. |

| Table 3: Differences currently needing to be managed | | | | | |
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| **Issue** | **IPSAS** | **2008 SNA/ESA 2010/MGDD/GFSM 2014** | **2005 Report Ref** | **2012 CP Ref** | **Comments** |
| | | GFSM 2014 (para. A2.54) does not recommend explicitly which actuarial method should government finance statistics compilers choose to measure the net present value of future benefits. | | | |
| **D) REVALUATIONS AND OTHER VALUE CHANGES** | | | | | |
| **8: FINANCIAL STATEMENTS FOR THE REPORTING ENTITY (AND/OR SECTORS THEREOF)** | | | | | See 2005 Matrix for detailed list of specific *presentation* issues as of 2005. |
| **3.D1**<br>**General**<br>*2012 CP*: Chap. 2<br>D4, B8 | IPSAS 1, *Presentation of Financial Statements*<br>IPSAS 18, *Segment Reporting*<br>IPSAS 1 prescribes that a complete set of financial statements includes the following components - Statement of Financial Position; Statement of Financial Performance; Statement of Changes in Net Assets/Equity; Cash Flow Statement; and Accounting Policies and Notes to the Financial Statements.<br>IPSAS 1 states that financial statements must provide information about an entity's assets, liabilities, net assets/equity, revenue, expenses, and cash flows and prescribes the minimum information that must be presented on the face of the various statements and in the notes. This information is supplemented by specific disclosures in IPSASs that deal with specific issues.<br>Disclosures required include the amount of:<br>• Major classes of assets and liabilities, non-current liabilities, net assets/equity; and<br>• Revenue from operations, surplus/(deficit) from operating activities, surplus/(deficit) from | *2008 SNA paras 6.1-13.95 and 16.1-16.75*<br>*ESA 2010 paras 8.01-8.100*<br>*GFSM 2014 paras 4.8-4.50*<br>Financial information under *GFSM 2014* is presented in 4 financial statements – Statement of Operations, Statement of Sources and Uses of Cash, Statement of Other Economic Flows, and Balance Sheet (*GFSM 2014* Chapter 4)<br>The analytical framework is presented in the form of a set of interrelated statements derived from the 2008 SNA and that integrate stocks and flows. (*GFSM 2014* para 4.8-4.14)<br>In addition to the core statements of the GFSM 2014 framework, two supplementary statements are included in the framework due to their analytic usefulness. These statements are the Statement of Total Changes in Net Worth, and the Summary Statement of Explicit contingent Liabilities and net Implicit Obligations for future Social Security Benefits.<br>Key aggregates are net operating balance (being the results of transactions that change net worth), net lending/borrowing, net worth, and cash surplus/deficit. (*GFSM 2014* Chapter 4) | 8.1 | D4<br>B8 | Potential alignment<br>B8: Financial statements —presentation, including classification, and aggregates: Subject to development of the IPSASB Conceptual Framework, consider whether a project to review presentation that could reduce differences with GFS should be included in the IPSASB's work program.<br>*Consultation project-no link*: See page 30 of Strategy CP; Presentation of Financial Statements IPSAS 1 Further actions depend on outcome of consultation<br>D4: Financial statements— presentation, including classification, and aggregates: There is scope to manage presentation differences through mapping/reconciling amounts from the IPSAS financial statements to the appropriate SNA statements:<br>*Option*: Align presentation to extent possible given IPSAS 1 requirements and wider IPSAS considerations. |

| Table 3: Differences currently needing to be managed | | | | | |
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| **Issue** | **IPSAS** | **2008 SNA/ESA 2010/MGDD/GFSM 2014** | **2005 Report Ref** | **2012 CP Ref** | **Comments** |
| | ordinary activities, and net surplus/(deficit) for the period.<br>(IPSAS 1 paras 19,75, 76, 79, 83, 86, 89, 90, 95, 97,100, 101, 104,105, 111, 113-115, 122,123, 128 & 133)<br>IPSAS 18, (issued June 2002) includes requirements for the disclosure of information about segments of the reporting entity. | Additional information is available as memorandum items, for example, other aggregates derived from the balance sheet (e.g. net financial worth, debt) or fiscal indicators not included in the balance sheet could be calculated from the framework (e.g., primary balance, fiscal burden). (*GFSM 2014, Annex to Chapter 4*)<br>The classifications of the GFS system are (1) revenue, expense, and flows and stocks in assets and liabilities by economic type, (2) expense transactions and transactions in nonfinancial assets by functions of government, and (3) transactions in financial assets and liabilities by sector. (*GFSM 2014* Appendix 8)<br>GFS distinguishes transactions from other economic flows and reports transactions (revenues, expenses and transactions in financial and nonfinancial assets and liabilities) in a Statement of Operations and other economic flows in a Statement of Other Economic Flows.<br>Flows reflect the creation, transformation, exchange, transfer, or extinction of economic value. All flows are classified as transactions or as other economic flows. A transaction is an interaction between two units by mutual agreement or an action within a unit that is analytically useful to treat as a transaction. Mutual agreement means that there was prior knowledge and consent by units, but it does not mean that both units entered into the transaction voluntarily. (*GFSM 2014*, paras 3.4 & 3.5). An “other economic flow” is a change in the volume or value of an asset or liability that does not result | | | |

| Table 3: Differences currently needing to be managed | | | | | |
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| **Issue** | **IPSAS** | **2008 SNA/ESA 2010/MGDD/GFSM 2014** | **2005 Report Ref** | **2012 CP Ref** | **Comments** |
| | | from a transaction. (*GFSM 2014*, para 3.31)<br>*2008 SNA and ESA 2010: Similar concepts to GFSM 2014 but presented as a sequence of interconnected flow accounts linked to different types of economic activity taking place within a given period of time, together with balance sheets at the beginning and end of the reference period.* | | | |
| **10: ITEMS CONSIDERED AND FOUND NOT TO OR NOT EXPECTED TO BE A CAUSE OF A DIFFERENCE[3]** | | | 10 | | *Generally issues in this section were excluded from the 2012 Table 2, because they were viewed as not causing a significant difference. They are excluded from this table, for the same reason, except where an issue did appear in Table 2.* |
| **3.D2**<br>Prior period adjustments/back casting: voluntary changes in accounting policies | | | 10.14 | No ref | |

[3] Category 10 items for which there is no reference in the 2012 CP's Table 2 have been deleted from this table, after review against CP respondents' comments.

| Table 4: Key definitions | | | |
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| **Issue** | **IPSAS** | **2008 SNA/ESA 2010/MGDD/GFSM 2014** | **Comments** |
| **A) FINANCIAL POSITION** | | | |
| | **Statement of Financial Position**<br>*Net Assets/Equity*<br>IPSAS 1, *Presentation of Financial Statements*<br>Net assets/equity is the residual interest in the assets of the entity after deducting all its liabilities. | **Balance Sheet**<br>*Net worth*<br>*2008 SNA paras 13.85-13.91 and 22.170*<br>*ESA 2010 para 7.02*<br>*GFSM 2014 paras 4.39-4.41 and 7.1*<br>The net worth of an institutional unit (or grouping of units) is the total value of its assets minus the total value of its liabilities. (GFSM 2014 para 7.1)<br>For public corporations, using changes in net worth as a fiscal indicator for assessing sustainability should be approached with caution. Because of the inclusion of shareholders' equity as a liability in the calculation of net worth, the interpretation of net worth may be counterintuitive for public corporations.<br>In cases where the market value of a public corporation's shares and equity is increasing by more than the market value of the recognized assets minus liabilities, the net worth of the public corporations will decrease in GFS (and in other macroeconomic statistics).<br>Thus, for public corporations own funds (including the value of shares and other equity and net worth) may provide a more useful fiscal indicator than net worth alone (see paragraphs 7.229-7.232 for more details on own funds). (GFSM para 4.40) | IPSASs do not have specific defined terms for "Net Worth". |
| **B) FINANCIAL PERFORMANCE** | | | |
| | **Statement of Financial Performance**<br>1 - Surplus/(deficit) for the period<br>IPSAS 1, *Presentation of Financial Statements*<br>All items of revenue and expense recognized in a period shall be included in surplus od deficit, unless and IPSAS requires otherwise. (para 99) | **Statement of Operations in GFSM 2014**<br>1 – Net Operating Balance / Gross Operating Balance<br>*2008 SNA para 22.75*<br>*ESA 2010 paras 20.115-20.117*<br>*GFSM 2014 paras 4.17-4.18 and 4.20*<br>Net operating balance is defined as revenue less expense. | IPSASs do not have specific defined terms for "Net Lending" or "Net Borrowing" |

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| **Issue** | **IPSAS** | **2008 SNA/ESA 2010/MGDD/GFSM 2014** | **Comments** |
| | | Gross operating balance is defined as revenue less expense excluding consumption of fixed capital.<br>In ESA 2010 net operating balance is called changes in net worth due to saving and capital transfers (B.101).<br>2 – Net Lending or Net Borrowing<br>*2008 SNA para 22.76*<br>*ESA 2010 paras 20.112-20.114*<br>*GFSM 2014 para 4.19*<br>Net lending or net borrowing is defined as net operating balance less the net acquisition of non-financial assets. | |
| **C) OTHER** | | | |
| | | **Memorandum items**<br>*1 – Financial Net Worth*<br>*2008 SNA para 22.170*<br>*ESA 2010 paras 7.10 and 7.91*<br>*GFSM 2014 paras 4.41 and 7.235*<br>The net financial worth of an institutional unit (or grouping of units) is the total value of its financial assets minus the total value of its liabilities. (GFSM para 7.235)<br>*2 – Gross Debt*<br>*GFSM 2014 paras 7.236-7.242*<br>Total gross debt—often referred to as "total debt" or "total debt liabilities"—consists of all liabilities that are debt instruments. A debt instrument is defined as a financial claim that requires payment(s) of interest and/or principal by the debtor to the creditor at a date, or dates, in the future. The following instruments are debt instruments:<br>• Special drawing rights (SDRs);<br>• Currency and deposits;<br>• Debt securities;<br>• Loans; | IPSASs do not have specific defined terms for "financial net worth", "debt", "gross debt" and "net debt". However, separately disclosing financial instrument components and additional information on terms and conditions related to those instruments could enable statistical classifications and reconciliation with these GFS concepts. |

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| **Issue** | **IPSAS** | **2008 SNA/ESA 2010/MGDD/GFSM 2014** | **Comments** |
| | | • Insurance, pension, and standardized guarantee<br>• schemes [GFS]; and<br>• Other accounts payable. (GFSM 2014 para 7.236)<br>3 – Net Debt<br>*GFSM 2014 paras 7.243-7.245*<br>Net debt is calculated as gross debt minus financial assets corresponding to debt instruments[4].<br>Financial assets corresponding to debt instruments are:<br>• Monetary gold and special drawing rights (SDRs);<br>• Currency and deposits;<br>• Debt securities;<br>• Loans;<br>• Insurance, pension, and standardized guarantee schemes [GFS]; and<br>• Other accounts receivable.<br>4 – Concessional Loans<br>*2008 SNA paras 22.123-22.124*<br>*ESA 2010 paras*<br>*GFSM 2014 para 7.246*<br>Loans with concessional interest rates could be seen as providing a benefit to the borrower in the form of a transfer equal to the difference between the actual interest payable and the amounts that would be payable if market-equivalent interest prevailed. If such a transfer were recognized, it would usually be recorded as current transfer/grant (depending on the type of recipient), and the interest recorded would be adjusted by the same amount. However, the means of incorporating the impact of concessional rates within | |

[4] This category calculates net debt as total debt liabilities minus all financial assets corresponding to debt instruments. For some purposes, it may be useful to net individual debt instruments against their corresponding financial assets. For other purposes, it may be useful to calculate debt net of highly liquid assets. However, in most cases, a one-on-one netting of a debt instrument against its corresponding financial asset may not be analytically useful because typically specific types of assets are not earmarked to repay specific types of liabilities. Debt net of highly liquid assets is, in most cases, equal to gross debt minus financial assets in the form of currency and deposits and high-quality tradable securities.

| Table 4: Key definitions | | | |
|---|---|---|---|
| **Issue** | **IPSAS** | **2008 SNA/ESA 2010/MGDD/GFSM 2014** | **Comments** |
| | | macroeconomic statistics have not fully evolved, although various alternatives have been advanced. Accordingly, until the treatment is agreed, information on concessional debt should be provided through supplementary information in the form of two memorandum items: The first shows the stock of *concessional loans at nominal value* (6M391). The second shows an estimate of the value of the benefit transferred to the borrower; that is, the value of *implicit transfers resulting from loans at concessional interest rates* (6M392) calculated as described in footnote 65. (GFSM 2014 para 7.2346) | |