IPSASB International Public Sector Accounting Standards Board®

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Meeting:	International Public Sector Accounting Standards Board	**Agenda Item 10**	For: ☒ Approval ☒ Discussion ☒ Information
Meeting Location:	Abu Dhabi, United Arab Emirates		
Meeting Date:	December 10–13, 2019		

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 **Project management**	***Topic***	***Agenda Item***
	Improvements: Project Roadmap	10.1.1
	Instructions up to Previous Meeting (June 2019)	10.1.2
	Decisions up to Previous Meeting (June 2019)	10.1.3
	Improvements to IPSAS	10.2.1
	Other Matters Identified	10.2.2
	Approval of *Improvements to IPSAS, 2019*	10.2.3
Other supporting items	Analysis of Respondents by Region, Function, and Language	10.3.1
	List of Respondents	10.3.2
	[Draft] *Improvements to IPSAS, 2019*	10.3.3

Prepared by: Amon Dhliwayo (December 2019)

IMPROVEMENTS: PROJECT ROADMAP

Meeting	**Completed Actions or Discussions / Planned Actions or Discussions:**
June 2019	1. Discussion of issues 2. Review of ED 68, *Improvements to IPSAS*, 2019 3. Approval of ED 68, *Improvements to IPSAS*, 2019
July–September 2019 (Extended to October 14th)	1. Consultation Period
December 2019	1. Review of responses (ED 68) 2. Discussion of issues raised 3. Approval of *Improvements to IPSAS*, 2019

INSTRUCTIONS UP TO PREVIOUS MEETING (JUNE 2019)

Meeting	Instruction	Actioned
June 2019	All instructions given at the June 2019 meeting were reflected in Exposure Draft (ED) 68, *Improvements to IPSAS*, 2019.	

DECISIONS UP TO PREVIOUS MEETING (JUNE 2019)

Meeting	Decision
June 2019	All decisions made at the June 2019 meeting were reflected in Exposure Draft (ED) 68, *Improvements to IPSAS*, 2019.
December 2018	As part of the work plan discussions, the IPSASB agreed to consider *Improvements to IPSAS, 2019* in June 2019 as there was availability of both staff resources and agenda time.
December 2018	The IPSASB approved the final pronouncement, *Long-term Interests in Associates and Joint Ventures* (Amendments to IPSAS 36*) and Prepayment Features with Negative Compensation* (Amendments to IPSAS 41).
September 2018	The IPSASB approved the final pronouncement, *Improvements to IPSAS, 2018.*
March 2018	The IPSASB approved ED 66, *Long-term Interests in Associates and Joint Ventures* (Amendments to IPSAS 36) and *Prepayment Features with Negative Compensation* (Amendments to IPSAS 41).
March 2018	The IPSASB approved ED 65, *Improvements to IPSAS, 2018.*
December 2017	As part of the work plan discussions, the IPSASB agreed to consider *Improvements to IPSAS, 2018* 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 *Improvements* project until 2018 as a way of reducing the workload on both the IPSASB and respondents.

Improvements to IPSAS

Question

1. Whether the IPSASB agrees with the staff recommendations on the items to include in *Improvements to IPSAS, 2019*.

Detail

2. Exposure Draft (ED) 68, *Improvements to IPSAS, 2019* was issued in July 2019, with comments due by September 30, 2019.

   (a) The analysis of the comments raised by respondents are included in Appendix to Agenda Item 10.2.1.
   (b) The analysis of respondents by region, function and language are included in Agenda Item 10.3.1.
   (c) The list of the eight respondents are included in Agenda Item 10.3.2.
   (d) The [Draft] *Improvements to IPSAS, 2019* are included in Agenda Item 10.3.3.

Staff Analysis

3. The ED 68 improvements were strongly supported by respondents with no significant issues raised. Staff highlights the following minor comments raised and provides recommendations:

   (a) Issue #1: Amendments to IPSAS 30, *Financial Instruments: Disclosures*

   Respondent 01 questioned the suitability of the proposed illustrative example that refers to 'residential mortgage loans'. Staff does not recommend the change to the example because it was supported by constituents and a specific jurisdiction confirmed the applicability of 'residential mortgage loans' to the public sector.

   (b) Issue #2: Amendments to IPSAS 21, *Impairment of Non-Cash-Generating Assets* and IPSAS 26, *Impairment of Cash-Generating Assets*.

   Respondent 01 questioned the insertion of the words "individual asset or class of assets in accordance with the relevant Standard". Staff does not recommend the change because these amendments were proposed based on constituent feedback that further clarification was needed to address the ambiguity in the relevant paragraphs.

4. The remainder of the comments were editorial. Staff made the editorials where it was deemed appropriate. The detailed staff comment analysis and recommendations are in Appendix to Agenda Item 10.2.1.

Staff Recommendation

5. Staff recommends that the ED 68 improvements be included in *Improvements to IPSAS, 2019* because these were supported by respondents without any significant issues noted.

Decisions required

6. Does the IPSASB agree with the staff recommendation?

Appendix 10.2.1: Detailed Analysis - Improvements to IPSAS

Question

1. Whether the IPSASB agrees with the staff recommendations on the items to include in *Improvements to IPSAS, 2019*.

Detail

2. ED 68, *Improvements to IPSAS, 2019* included a number of improvements to IPSAS. Respondents supported the proposals, although some minor comments were raised. For those proposals for which no comments were raised, staff recommends that the improvements are adopted (the shaded items in Table 1 below).

3. Comments raised by constituents have been analyzed with a corresponding staff recommendation provided.

Table 1

Issue #	IPSAS	Summary of Change	Agree	Issue Raised
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments				
None	IPSAS 5, *Borrowing Costs*.	Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued (see **Part 1a**).	8	0
Issue #1	IPSAS 30, *Financial Instruments: Disclosures*.	Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued (see **Part 1b**).	7	1
None	IPSAS 30, *Financial Instruments: Disclosures*.	Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued (see **Part 1c**).	8	0
Editorial #1	IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*.	Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued (see **Part 1d**).	7	1

Issue #	IPSAS	Summary of Change	Agree	Issue Raised
Other Improvements to IPSAS				
None	IPSAS 13, *Leases*	Amendments to IPSAS 13 to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks (see **Part 2**).	8	0
Editorial #2	IPSAS 13, *Leases* and IPSAS 17, *Property, Plant, and Equipment*.	Amendments to remove transitional provisions which should have been deleted when IPSAS 33, *First Time Adoption of Accrual Basis International Public Sector Accounting Standards* (IPSASs) was approved (see **Part 3a and Part 3b**).	7	1
Issue #2 and **Editorial #3**	IPSAS 21, *Impairment of Non-Cash-Generating Assets* and IPSAS 26, *Impairment of Cash-Generating Assets.*	Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, *Property, Plant, and Equipment* and IPSAS 31, *Intangible Assets* (see **Part 4a and Part 4b**).	6	2
None	IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*.	Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard (see **Part 5**).	8	0
None	IPSAS 40, *Public Sector Combinations*.	Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued (see **Part 6**).	8	0

Issue #1: Amendments to IPSAS 30 (see **Part 1b**)

4. ED 68 included amendments to the Implementation Guidance (IG) of IPSAS 30. Respondent 01 argued that the example in IG22B which refers to 'residential mortgage loans' is an unlikely example for the public sector.

5. Staff recommends retaining the residential mortgage loans example because some jurisdictions have public sector entities that provide mortgage loans.

Issue #2: Amendments to IPSAS 21 and IPSAS 26 **(**see **Part 4a and Part 4b).**

6. ED 68 included amendments to IPSAS 21 and IPSAS 26 to ensure consistency of impairment guidance for revalued assets in the scope of IPSAS 17 and IPSAS 31. Respondent 01 questioned the insertion of the words "individual asset or class of assets in accordance with the relevant Standard" because the term 'asset' is neutral and does not mean an individual asset or a group of assets.

7. Staff notes the comment. However, this improvement was proposed to provide a specific clarification raised by a constituent. Based on the support received from respondents, staff recommends the proposal to be included in the final pronouncement.

Editorial #1: Amendments to IPSAS 33 **(see Part 1d)**

8. Respondent 03 noted that ED 68 proposed an amendment to 114A, which is paragraph reference already used and that it be updated to 114B. Staff agrees and has included this editorial in the pronouncement (see **Part 1d**).

Editorial #2: Amendments to IPSAS 13 and IPSAS 17 (see **Part 3a and Part 3b**)

9. ED 68 included amendments to IPSAS 13 and IPSAS 17 to remove transitional provisions which should have been deleted when IPSAS 33 was approved.

10. Respondent 01 proposed an editorial to paragraphs BC10 of IPSAS 13 and BC 15 of IPSAS 17 to clarify that the existing transitional provisions were removed as a result of IPSAS 33. Staff agrees and has included this editorial in the final pronouncement (see **Part 3a and Part 3b**).

Editorial #3: Amendments to IPSAS 21 and IPSAS 26 **(**see **Part 4a and Part 4b).**

11. Respondent 03 commented that while the proposed Basis for Conclusions in ED 68 describes a "provision of guidance on impairment of revalued assets in the scope of IPSAS 31," the core text of the standard only adds the term "relevant standard". The titles of IPSAS 17 and IPSAS 31 should be clearly referred in the core text.

12. Staff agrees and has included this editorial in the final pronouncement (see **Part 4a and Part 4b**).

Decisions required

13. Does the IPSASB agree with the staff recommendations?

Other Matters Identified

Question

1. Whether the IPSASB agrees with the staff recommendations for other matters raised.

Detail

2. The following matters were identified by staff when reviewing the responses to ED 68, *Improvements to IPSAS, 2019.*

Other Matter #1: IFRS Alignment

3. Respondent 04 advised the IPSASB to amend the definition of material to align with IFRS. Staff notes that this amendment will be considered during the Limited Scope Review of the Conceptual Framework project.

4. Respondent 01 added that the definition of operation should be considered in the next Improvements project. Staff notes that this amendment will be considered as a future Improvements or narrow scope project.

Other Matter #2: Limit Improvement projects

5. Respondent 01 advised that the Improvements project should be undertaken every other year. Staff does not recommend completing improvements on a biennial basis because the IPSASB agreed to undertake this project annually[1].

Other Matter #3: Extend comment period

6. Respondent 01 urged the IPSASB to consider publishing documents earlier or to extend the comment period for consultation. Staff notes that the exposure period for ED 68 was in line with due process because it was published on July 31, 2019 with a comment period deadline of September 30th, which was later extended to October 14th[2].

Other Matter #4: Prioritize the review of the Conceptual Framework

7. Respondent 01 advised that the review of the Conceptual Framework should be prioritized. Staff highlights that the Limited Scope Review of the Conceptual Framework project was added to the IPSASB work program. This project will be discussed at the IPSASB CAG meeting in December 2019. The project brief will be considered at the IPSASB March 2020 meeting.

Decisions required

8. Does the IPSASB agree with the staff recommendations?

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[1] Theme B of the *Strategy and Work Plan 2019-2023.*

[2] The IPSASB's Due process states that *"Improvements exposure drafts generally have a 60 day exposure period as a result of the consequential nature of the changes"*.

Approval of *Improvements to IPSAS, 2019*

Question

1. Whether the IPSASB approves *Improvements to IPSAS, 2019* and agrees the due process and proposed effective date(s).

Due process

2. Staff highlights that due process has been followed effectively, noting that:

   (a) ED 68, *Improvements to IPSAS, 2019*, was issued for consultation;
   (b) Responses to the ED were received and made publicly available on the IPSASB website;
   (c) The IPSASB deliberated significant matters raised in the comment letters at this meeting, and decisions taken will be minuted; and
   (d) The IPSASB has considered any issues raised by respondents, in addition to those summarized by staff in these papers.

3. The Technical Director asserts to the IPSASB that due process has been followed effectively at the meeting. If *Improvements to IPSAS, 2019* is approved, the Technical Director will advise the IPSASB as to whether the *[Draft] Improvements to IPSAS, 2019*, or part thereof, needs to be re-exposed.

Effective Date

4. Staff notes that the IPSASB's usual practice with respect to improvements is to set an effective date of January 1[3] of the year following publication.

5. Staff recommends an effective date of January 1, 2021, for all improvements except for those related to IPSAS 41, *Financial Instruments*, because *Improvements to IPSAS, 2019* is expected to be published in January 2020.

6. For those improvements related to IPSAS 41, an effective date of January 1, 2022 is recommended to align those changes with the effective date of that standard.

Decisions required

7. The IPSASB is asked to:

   (a) Confirm that it is satisfied that due process has been followed effectively;
   (b) Approve *Improvements to IPSAS, 2019*; and
   (c) Agree an effective date for *Improvements to IPSAS, 2019* of:

      (i) January 1, 2021 for improvements related to other IPSAS; and

      (ii) January 1, 2022 for improvements resulting from IPSAS 41.

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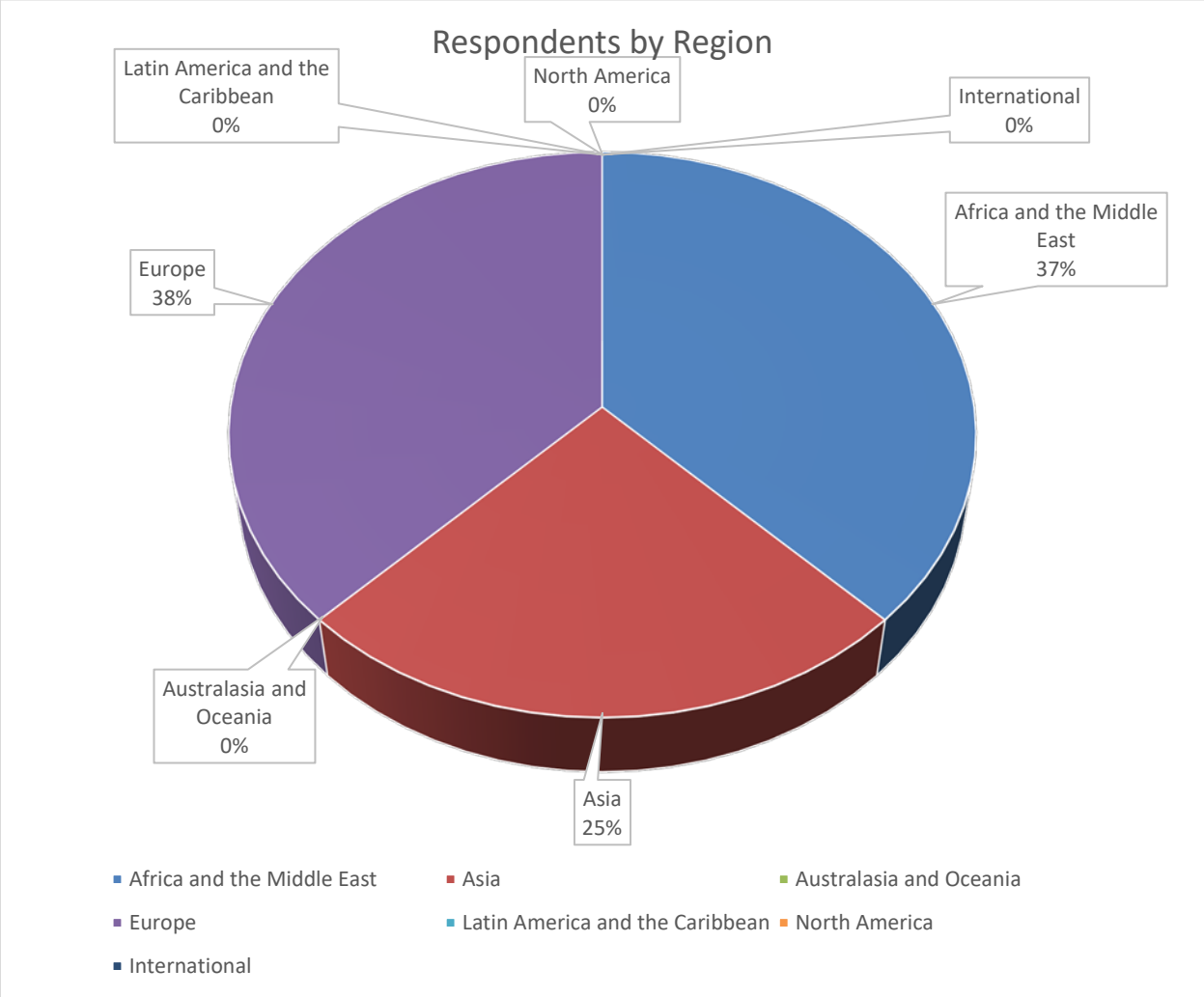
[3] Paragraph A44 of the IPSASB's Due Process and Working Procedures requires the IPSASB to consider the reasonable expected minimum period for effective implementation, including the need for translation into national languages

IMPROVEMENTS TO IPSAS, 2019

Analysis of Respondents by Region, Function, and Language

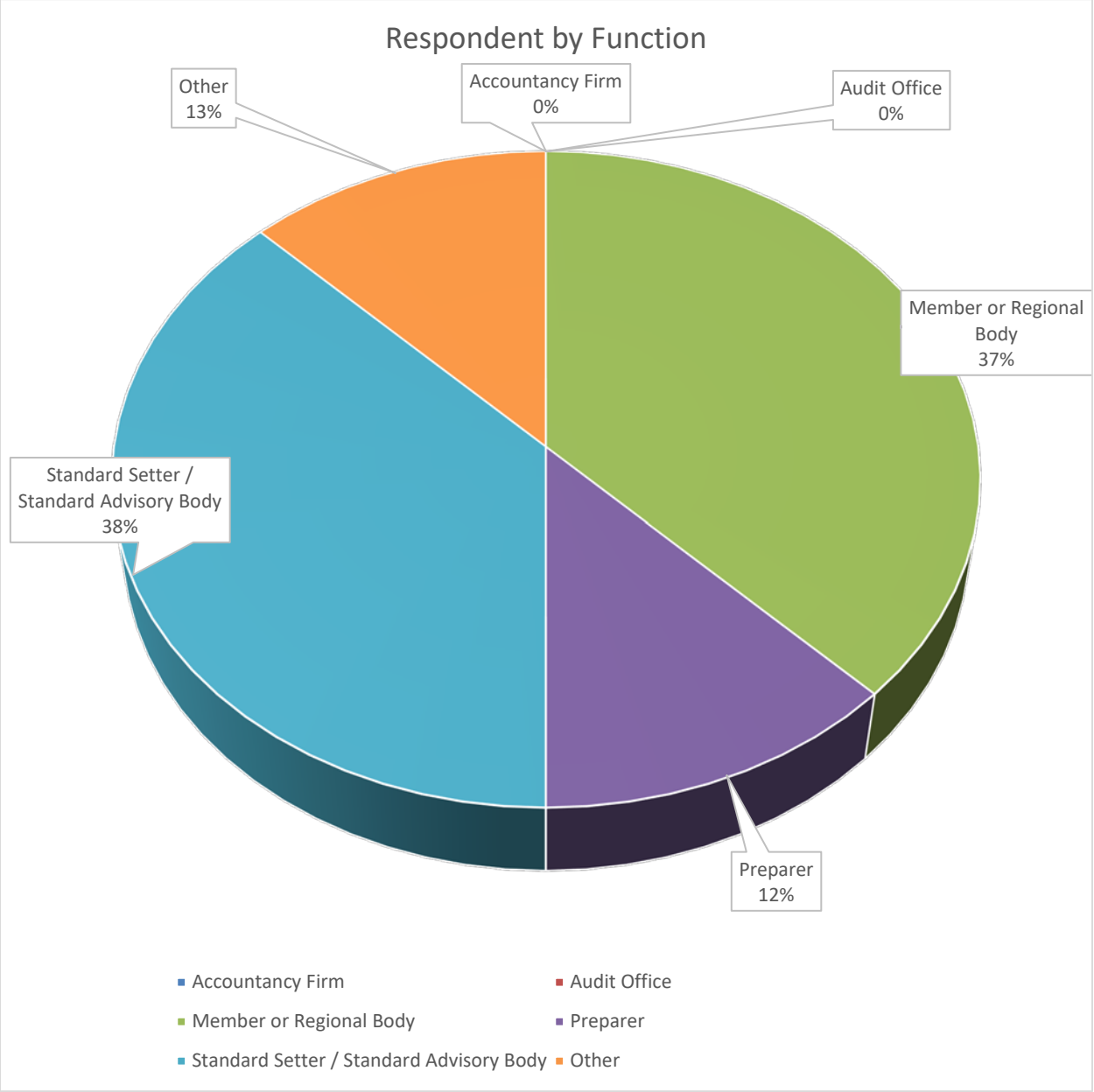
Geographic Breakdown

Region	Respondents	Total
Africa and the Middle East	01, 06, 07	3
Asia	03, 05	2
Australasia and Oceania	-	0
Europe	02, 04, 08	3
Latin America and the Caribbean	-	0
North America	-	0
International	-	0
Total		**8**



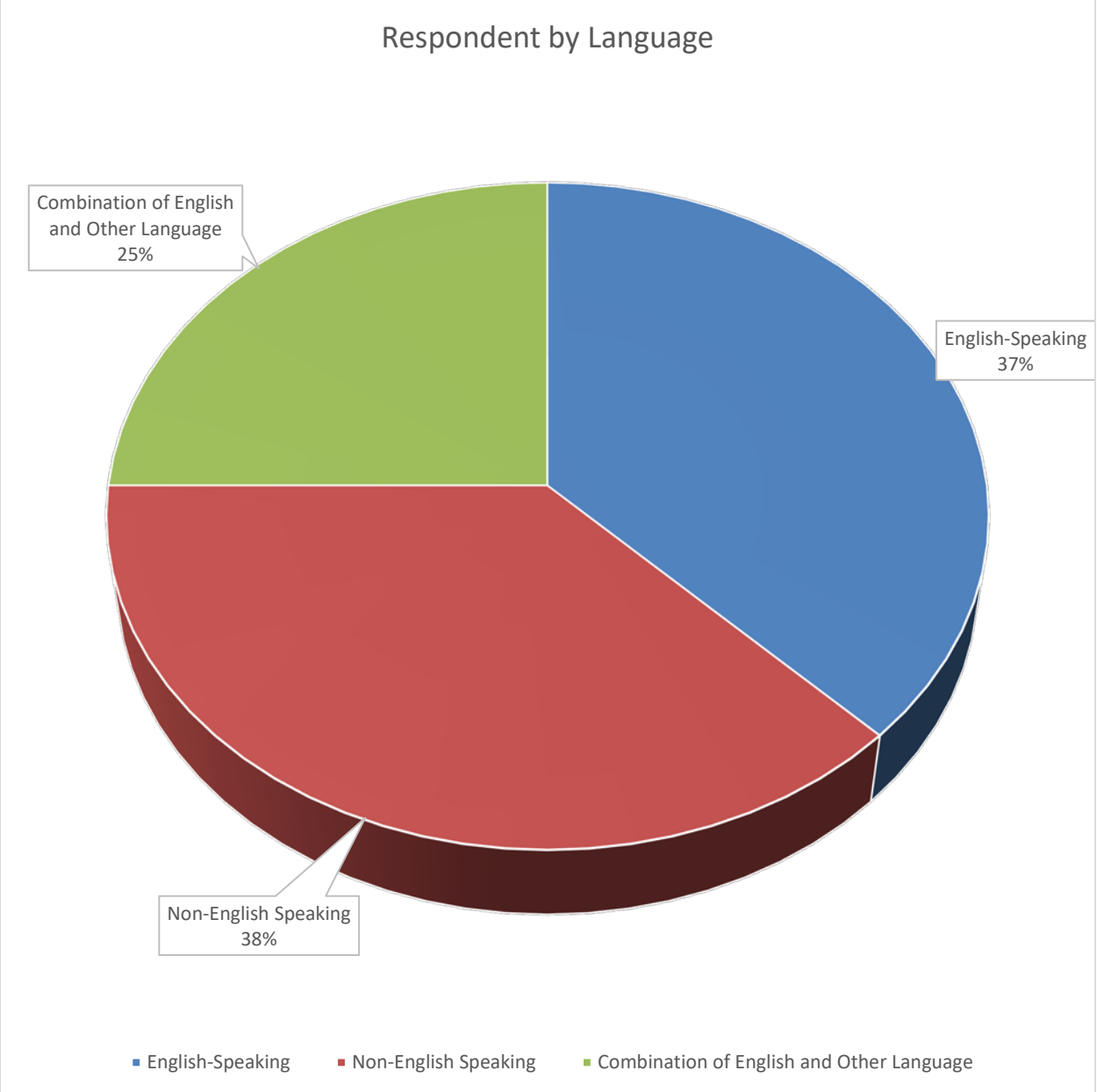
Functional Breakdown

Function	Respondents	Total
Accountancy Firm	-	0
Audit Office	-	0
Member or Regional Body	03, 04, 07	3
Preparer	08	1
Standard Setter / Standard Advisory Body	01, 02, 06	3
Other	05	1
Total		**8**



Linguistic Breakdown

Language	Respondents	Total
English-Speaking	01, 04, 06	3
Non-English Speaking	02, 03, 05	3
Combination of English and Other Language	07, 08	2
Total		**8**



LIST OF RESPONDENTS

Response #	Respondent	Country	Function
01	Staff of the Accounting Standards Board (SA)	South Africa	Standard Setter / Standard Advisory Body
02	Schweizerisches Rechnungslegungsgremium für den öffentlichen Sektor (SRS)	Switzerland	Standard Setter / Standard Advisory Body
03	Japanese Institute of Certified Public Accountants (JICPA)	Japan	Member or Regional Body
04	Institute of Chartered Accountants in England and Wales (ICAEW)	United Kingdom	Member or Regional Body
05	Shazia Mazedum Islam	Bangladesh	Other
06	Public Sector Accounting Standards Board (PSASB)	Kenya	Standard Setter / Standard Advisory Body
07	Pan African Federation of Accountants (PAFA)	Regional/International	Member or Regional Body
08	European Commission	Regional/International	Preparer

Agenda Item 10.3.3

Final Pronouncement
January 2020

IPSAS®

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.

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IMPROVEMENTS TO IPSAS, 2019

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IMPROVEMENTS TO IPSAS

Objective

1. The objective of ~~Exposure Draft (ED) 68,~~ *Improvements to IPSAS, 2019* is to ~~propose~~ make 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 ED 68. 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.~~2. ~~The~~ *Improvements to IPSAS, 2019* ~~project~~ deals with non-substantive changes to IPSAS through a collection of amendments which are unrelated. Amendments included in ~~ED 68~~*Improvements to IPSAS, 2019* arise from comments received from stakeholders.

Improvements to IPSAS

IPSAS	***Summary of ~~Proposed~~ Changes ~~in ED 68~~***
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	
IPSAS 5, *Borrowing Costs*.	~~Proposed a~~Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued (see **Part 1a**).
IPSAS 30, *Financial Instruments: Disclosures*.	~~Proposed a~~Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued (see **Part 1b**).
IPSAS 30, *Financial Instruments: Disclosures.*	~~Proposed a~~Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued (see **Part 1c**).
IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).*	~~Proposed a~~Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued (see **Part 1d**).

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

Amendment: Part 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.

…

Definitions

…

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]~~January 2020. 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 this amendment 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 components of borrowing costs resulting from IPSAS 41, *Financial Instruments* which were inadvertently omitted when IPSAS 41 was issued. The IPSASB agreed to include these minor amendments in ~~[draft]~~ *Improvements to IPSAS, 2019*.

…

Amendment: Part 1b

Amendments to IPSAS 30, *Financial Instruments: Disclosures*

Paragraphs IG13A–IG13C and IG22A–IG22D are added. Paragraph IG23 is amended. 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.

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

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

Cash flow hedges[(a)]	Separate line item recognized in surplus or deficit as a result of a hedge of a net position[(b)]	Change in the value of the hedging instrument recognized in net assets/equity	Hedge ineffectiveness recognized in surplus or deficit	Line item in surplus or deficit (that includes hedge ineffectiveness)	Amount reclassified from the cash flow hedge reserve to surplus or deficit	Line item affected in surplus or deficit because of the reclassification
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.

Fair value hedges	**Ineffectiveness recognized in surplus or deficit**	**Line item(s) in surplus or deficit (that include(s) hedge ineffectiveness)**
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.

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

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 percent, 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 mortgage loans are further explained below:

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

Loan credit risk exposure by internal rating grades

20XX	**Mortgage Loans**		**Agriculture Loans**	
CU'000	**Gross carrying amount**		**Gross carrying amount**	
	Lifetime	**12-month**	**Lifetime**	**12-month**
Internal Grade 1–2	x	x	x	x
Internal Grade 3–4	x	x	x	x
Internal Grade 5–6	x	x	x	x
Internal Grade 7	x	x	x	x
Total	**x**	**x**	**x**	**x**

Loan credit risk profile by external rating grades

20XX	**Mortgage Loans**		**Agriculture Loans**	
CU'000	**Gross carrying amount**		**Gross carrying amount**	
	Lifetime	**12-month**	**Lifetime**	**12-month**
AAA-AA	x	x	x	x
A	x	x	x	x
BBB-BB	x	x	x	x
B	x	x	x	x
CCC-CC	x	x	x	x
C	x	x	x	x
D	x	x	x	x
Total	**x**	**x**	**x**	**x**

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

IG22D. The Department of Agriculture provides short-term financing to both small-scale and large-scale farmers. The purpose of the financing is to purchase inputs such as fertilizers, seeds and pesticides. The Department of Agriculture discloses its small-scale farmers financing and large-scale farmers 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	**Trade receivables days past due**				
Small-scale farmers financing	**Current**	**More than 30 days**	**More than 60 days**	**More than 90 days**	**Total**
Expected credit loss rate	0.10%	2%	5%	13%	
Estimated total gross carrying amount at default	CU20,777	CU1,416	CU673	CU235	CU23,101
Lifetime expected credit losses—small-scale farmers financing	CU21	CU28	CU34	CU31	CU114
Large-scale farmers financing					
Expected credit loss rate	0.20%	3%	8%	15%	
Estimated total gross carrying amount at default	CU19,222	CU2,010	CU301	CU154	CU21,687
Lifetime expected credit losses—large-scale farmers financing	CU38	CU60	CU24	CU23	CU145

IG23. 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 ~~consumer~~ agricultural loans and ~~commercial~~ research and development loans each have different economic characteristics.

…

Amendment: Part 1c

Amendments to IPSAS 30, *Financial Instruments: Disclosures*

Paragraph AG5 is amended and paragraph 52G is added. 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~~.

…

Effective Date

…

52G. **Paragraph AG5 was amended by ~~[draft]~~ *Improvements to IPSAS, 2019*, issued in ~~[Month] [Year]~~January 2020. 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 this amendment 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 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 inadvertently omitted when IPSAS 41 was issued. The IPSASB agreed to include these minor amendments in ~~[draft]~~ *Improvements to IPSAS, 2019*.

…

Amendment: Part 1d

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

Paragraph 114 is deleted, and paragraphs ~~114A~~ 114B and 154H are added. 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 ~~29~~41, Financial Instruments~~: Recognition and Measurement~~

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

…

114. ~~**IPSAS 29 permits a financial asset to be designated on initial recognition as available for sale or a financial instrument (provide it meets certain criteria) to be designated as a financial asset or financial liability at fair value though surplus or deficit. Despite this requirement, exceptions apply in the following circumstances:**~~**[Deleted]**

~~**(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 or liability meets the criteria in paragraph 10(b)(i), 10(b)(ii) or 13 of IPSAS 29 at that date.**~~ **[Deleted]**

114~~A~~B. **IPSAS ~~29~~41 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 though surplus or deficit. Despite this requirement, an exception~~s~~ appl~~y~~ies when 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 deleted and paragraph 114~~A~~AB was added by ~~[draft]~~ *Improvements to IPSAS, 2019*, issued in ~~[Month] [Year]~~January 2020. An entity shall apply these amendments 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 paragraphs 114 and ~~114A–~~114B update~~s~~ the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS resulting from IPSAS 41, *Financial Instruments* which were inadvertently omitted when IPSAS 41 was issued. The IPSASB agreed to include these minor amendments in ~~[draft]~~ *Improvements to IPSAS, 2019*.

Amendment: Part 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]~~January 2020. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, ~~[Year]~~2021. 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 3a

Amendments to IPSAS 13, *Leases*

Paragraph 84 is deleted 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 was deleted by ~~[draft]~~ *Improvements to IPSAS, 2019*, issued in ~~[Month] [Year]~~January 2020. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, ~~[Year]~~2021. 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 deletion of other transitional provisions~~ deleted as a result of the issuance of IPSAS 33, *First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*.

Amendment: Part 3b

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

Paragraph 5 is amended, paragraph 106 is deleted and paragraph 107P 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.~~

…

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. **Paragraph 5 was amended and paragraph 106 was deleted by ~~[draft]~~ *Improvements to IPSAS, 2019*, issued in ~~[Month] [Year]~~January 2020. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, ~~[Year]~~2021. 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~~ deleted as a result of the issuance of IPSAS 33, *First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*.

Amendment: Part 4a

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

Paragraphs 54A and 69A 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~~IPSAS 17 or IPSAS 31. 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~~IPSAS 17 or IPSAS 31.

…

Reversing an Impairment Loss

…

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~~IPSAS 17 or IPSAS 31. 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~~IPSAS 17 or IPSAS 31.

…

Effective Date

…

82J. **Paragraphs 54A and 69A were amended by ~~[draft]~~ *Improvements to IPSAS, 2019*, issued in ~~[Month] [Year]~~January 2020. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, ~~[Year]~~2021. 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 the 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 the impairment of revalued assets in the scope of IPSAS 31, *Intangible Assets*. Consequently, the IPSASB agreed to provide guidance for the impairment of revalued assets in the scope of IPSAS 17 and IPSAS 31.

Amendment: Part 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~~IPSAS 17 or IPSAS 31. 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~~IPSAS 17 or IPSAS 31.

…

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~~IPSAS 17 or IPSAS 31. 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~~IPSAS 17 or IPSAS 31.

…

Effective Date

…

126L. **Paragraphs 73A and 108A were amended by ~~[draft]~~ *Improvements to IPSAS, 2019*, issued in ~~[Month] [Year]~~January 2020. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, ~~[Year]~~2021. 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 the 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 the 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 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 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]~~January 2020. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, ~~[Year]~~2021. 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 inadvertently omitted when IPSAS 40 was issued. The IPSASB added paragraph 126C to ensure consistency with IPSAS 33.

…

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