

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Virtual Meeting

Meeting Date: December 7–10 and 14–15, 2021

Agenda Item 3

For:

- ☒ Approval
☐ Discussion
☐ Information

IMPROVEMENTS

Project summary	To propose minor improvements to IPSAS to address issues raised by stakeholders and to align, where appropriate, with amendments made to International Financial Reporting Standards.	
Task Force members	<ul style="list-style-type: none"> Not assigned 	
Meeting objectives	Topic	Agenda Item
Project management	Improvements: Project Roadmap	3.1.1
	Instructions up to Previous Meeting	3.1.2
	Decisions up to Previous Meeting	3.1.3
Decisions required at this meeting	Review of Responses to Exposure Draft (ED) 80: General Improvements to IPSAS	3.2.1
	Review of Responses to ED 80: IFRS Alignment Improvements to IPSAS	3.2.2
	Approval of <i>Improvements to IPSAS, 2021</i>	3.2.3
Other supporting items	Supporting Document 1 – ED 80: Analysis of Respondents by Region, Function and Language, and List of Respondents	3.3.1
	Supporting Document 2 – [draft] <i>Improvements to IPSAS, 2021</i>	3.3.2
	Supporting Document 3 – IPSASB Due Process Checklist for <i>Improvements to IPSAS, 2021</i>	3.3.3

**IMPROVEMENTS:
PROJECT ROADMAP**

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
June 2021	<ol style="list-style-type: none">1. General Improvements to IPSAS2. IFRS Alignment Improvements to IPSAS Included in [draft] ED 803. IFRS Amendments not Included in [draft] ED 804. Approval of ED 80, <i>Improvements to IPSAS, 2021</i>
September 2021	<ol style="list-style-type: none">1. Consultation period
December 2021	<ol style="list-style-type: none">1. Review of Responses to Exposure Draft (ED) 80: General Improvements to IPSAS2. Review of Responses to ED 80: IFRS Alignment Improvements to IPSAS3. Approval of <i>Improvements to IPSAS, 2021</i>

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
June 2021	All instructions given at the June 2021 meeting were reflected in Exposure Draft 80, Improvements to IPSAS, 2021 .	
N/A	No instructions given to date.	

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
June 2021	All decisions at the June 2021 meeting were reflected in Exposure Draft 80, Improvements to IPSAS, 2021 .	

Review of Responses to ED 80: General Improvements to IPSAS

Question

1. Does the IPSASB agree with the staff's recommendation to proceed with the General Improvements to IPSAS as proposed in ED 80?

Recommendation

2. Staff recommends the IPSASB to proceed with the General Improvements to IPSAS as proposed in ED 80.

Background

3. On July 30, 2021, the IPSASB issued [ED 80, *Improvements to IPSAS 2021*](#) with comments due by September 30, 2021. The analysis of respondents by region, function, and language can be found [Appendix A of Agenda Item 3.3.1](#), and the list of the 11 respondents can be found at [Appendix B of Agenda Item 3.3.1](#). The [draft] *Improvements to IPSAS, 2021* can be found at [Agenda Item 3.3.2](#).
4. This Agenda Item addresses the General Improvements to IPSAS included in Part I of ED 80.

Analysis

5. The table below shows that all respondents that provided comments to the proposals in Part I of ED 80 supported them with no issues being raised.

General Improvements to IPSAS

Improvement	IPSAS	Summary of Proposed Change in ED 80	Agree	No comment	Issues Raised
Part I-1	IPSAS 22, <i>Disclosure of Financial Information About the General Government Sector.</i>	Refer to the latest edition of the <i>System of National Accounts, 2008</i> (2008 SNA).	8	3	0
Part I-2	IPSAS 39, <i>Employee Benefits.</i>	Delete the word "composite" from the term "composite social security programs" ¹ because it is no longer an IPSAS defined term.	8	3	0

¹ The IPSASB defined term of "Composite Social Security Programs" and the respective requirements were deleted when finalizing IPSAS 39, *Employee Benefits*.

Improvement	IPSAS	Summary of Proposed Change in ED 80	Agree	No comment	Issues Raised
Part I-3	RPG 1, <i>Reporting on the Long-Term Sustainability of an Entity's Finances</i> .	Add paragraph BC7A in the Basis for Conclusions (BCs) to indicate that the Conceptual Framework and Social Benefits projects were completed in October 2014 and January 2019, respectively, because the BCs mentioned these projects as ongoing when RPG 1 was issued in July 2013.	8	3	0
Part I-4 ²	IPSAS 29, <i>Financial Instruments: Recognition and Measurement</i> (as applicable prior to the adoption of IPSAS 41, <i>Financial Instruments</i>).	Add to IPSAS 29 (as applicable prior to the adoption of IPSAS 41) the hedging amendments proposed to IPSAS 29 (as amended by IPSAS 41) (see Part II-1b and Part II-2b) and the changes in the contractual cash flows amendments proposed to IPSAS 41 (see Part II-2a).	8	3	0

Staff's Recommendation

- Staff recommends the IPSASB to proceed with the General Improvements to IPSAS as proposed in Part I of ED 80.

Decision Required

- Does the IPSASB agree with the staff's recommendation?

² These IBOR amendments are included in Part I-4 because IPSAS 29, *Financial Instruments: Recognition and Measurement* (as applicable prior to the adoption of IPSAS 41) is still effective until December 31, 2022. The IBOR improvements included in Part II-1b and Part II-2b are related to IPSAS 29 as amended by IPSAS 41. The IBOR amendments to IPSAS 41 related to contractual cashflows in Part II-2a are also included in Part I-4 because IPSAS 29 is still effective until December 31, 2022.

Review of Responses to ED 80: IFRS Alignment Improvements to IPSAS

Question

1. Does the IPSASB agree with the staff's recommendations to proceed with the IFRS Alignment Improvements to IPSAS as proposed in ED 80, except for Part II-4a?

Recommendation

2. Staff recommend the IPSASB to:
 - (a) Proceed with the IFRS Alignment Improvements to IPSAS as proposed in ED 80:
 - (i) Part II-1a, Part II-1c, Part II-2a, Part II-2c, Part II-3a, Part II-3b because there were no issues raised by respondents;
 - (ii) Part II-1b and Part II-2b because the current version of IPSAS 29 is already linked to the application of IPSAS 41; and
 - (iii) Part II-4b and Part II-4c because the issues raised are not public sector specific reasons that warrant a departure from IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IAS 16, *Property, Plant, and Equipment*, respectively; and
 - (b) Not to proceed with the proposals in Part II-4a because these are being revised by the IASB and are likely to change in the near term. Staff recommend waiting until these are finalized and then reconsidered in a future improvements project.

Background

3. On July 30, 2021, the IPSASB issued [ED 80, Improvements to IPSAS 2021](#) with comments due by September 30, 2021. The analysis of respondents by region, function, and language can be found [Appendix A of Agenda Item 3.3.1](#), and the list of the 11 respondents can be found at [Appendix B of Agenda Item 3.3.1](#). The [draft] *Improvements to IPSAS, 2021* can be found at [Agenda Item 3.3.2](#).
4. This Agenda Item addresses the IFRS Alignment Improvements to IPSAS included in Part II of ED 80.

Analysis

5. The table in [Appendix A](#) shows that respondents strongly supported the proposals in ED 80. However, some respondents raised specific issues related to the proposed improvements. The issues are considered as follows:
 - (a) Staff recommend that the proposed ED 80 improvements are adopted, where no issues were raised. These improvements are shown as shaded in the table in [Appendix A](#) and are not discussed any further.
 - (b) Where issues were raised, staff has analyzed the feedback and made a recommendation on how to proceed.
6. [Appendix B](#) provides the detailed staff analysis of the issues raised on ED 80 and the respective recommendations on the issues highlighted.
7. Staff recommends the IPSASB:
 - (a) To proceed with ED 80 proposals on:

- (i) Issue A: *Part II-1b and Part II-2b – Effective Date Paragraphs of IPSAS 29* because IPSAS 29 is already linked to the application of IPSAS 41, *Financial Instruments* through the scoping paragraph 2 of IPSAS 29; and
 - (ii) Issue C: *Part II-4b – Cost of fulfilling an onerous contract in IPSAS 19* and Issue D: *Part II-4c – Proceeds from selling items produced before the asset is available for use in IPSAS 17* because the issues raised are not public sector specific reasons that warrant a departure from IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IAS 17, Property, Plant, and Equipment, respectively;
- (b) Not to proceed with the proposals in *Part II-4a – Classification of Liabilities as Current or Non-current in IPSAS 1* (Issue B) because these are being revised by the IASB and are likely to change in the near future. Staff recommend waiting until these are finalized and then reconsidered in a future Improvements project.
8. Regarding *Issue E: Approach to Improvements Project*, staff asserts that the IPSASB followed the due process in the development of ED 80, and the IPSASB's approach to the Basis for Conclusions to [draft] *Improvements to IPSAS, 2021* is consistent with current IPSASB's practice. No issue was raised by respondents to ED 80 on the technical content of IBOR amendments.

Decision Required

9. Does the IPSASB agree with the staff's recommendations?

Appendix A – Summary of Responses to IFRS Alignment Improvements to IPSAS

Improvement	IPSAS	Summary of Proposed Change in ED 80	Agree	Disagree	Issues Raised
Interest Rate Benchmark Reform (Phase One and Phase Two)					
Part II-1a	IPSAS 41, <i>Financial Instruments</i> ;	Amendments to provide temporary relief not to discontinue hedge accounting in IPSAS 41.	8	0	0
Part II-1b	IPSAS 29, <i>Financial Instruments: Recognition and Measurement</i> (as amended by IPSAS 41 when it was first published in 2018)	Amendments to provide temporary relief not to discontinue hedge accounting in IPSAS 29.	9	0	1
Part II-1c	IPSAS 30, <i>Financial Instruments: Disclosures</i>	Amendments to provide additional disclosure requirements in IPSAS 30.	8	0	0
Part II-2a	IPSAS 41, <i>Financial Instruments</i>	Amendments to provide a practical expedient not to treat changes in the contractual cash flows of a financial asset or financial liability as a modification in IPSAS 41.	8	0	0
Part II-2b	IPSAS 29, <i>Financial Instruments: Recognition and Measurement</i> (as amended by IPSAS 41 when it was first published in 2018)	Amendments to provide Additional relief not to discontinue hedge accounting in IPSAS 29.	9	0	1
Part II-2c	IPSAS 30, <i>Financial Instruments: Disclosures</i>	Amendments to provide further disclosure requirements in IPSAS 30.	8	0	0
Annual Improvements to IFRS Standards 2018–2020 Cycle					
Part II-3a	IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i> .	Amendments to extend the exemption in IPSAS 33 to include components of net assets/equity such as cumulative translation differences.	8	0	0

Improvement	IPSAS	Summary of Proposed Change in ED 80	Agree	Disagree	Issues Raised
Part II-3b	IPSAS 41, <i>Financial Instruments</i> .	Amendments to clarify the fees that an entity includes when it applies the '10 percent' test to derecognize a financial liability in IPSAS 41.	8	0	0
Other IFRS Alignment Improvements					
Part II-4a	IPSAS 1, <i>Presentation of Financial Statements</i>	Amendments to clarify the classification of liabilities as current or non-current in IPSAS 1.	8	1	1
Part II-4b	IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Amendments to clarify the costs of fulfilling a contract that an entity includes when assessing whether a contract will be loss-making or onerous in IPSAS 19.	8	0	1
Part II-4c	IPSAS 17, <i>Property, Plant, and Equipment</i>	Amendments to prohibit proceeds from selling items produced before the asset is available for use to be deducted from the cost of property, plant, and equipment.	8	1	1

Appendix B – Detailed Analysis of the Issues Raised on ED 80

Issue A: Part II-1b and Part II-2b – Effective Date Paragraphs of IPSAS 29

1. Although agreeing with the proposals in Part II-1b and Part II-2b, Respondent (R) 05 suggests adding a description in the respective effective date paragraphs (paragraphs 125I in Part II-1b and 125J in Part II-2b) that those paragraphs are conditional on the adoption of IPSAS 41.
2. Staff notes that the current version of IPSAS 29 is already linked to the application of IPSAS 41. In fact, the scope section of IPSAS 29.2 states that this Standard shall be applied by all entities to all financial instruments within the scope of IPSAS 41, *Financial Instruments* if, and to the extent that IPSAS 41 permits the hedge accounting requirements of the Standard to be applied.
3. Therefore, staff recommends the IPSASB to proceed with the effective date paragraphs as set out in ED 80.

Issue B: Part II-4a – Classification of Liabilities as Current or Non-current in IPSAS 1

4. Two respondents commented on Part II-4a proposals, as follows:
 - (a) R08 disagrees with amending IPSAS 1 for these improvements because they are under consideration by the IASB;
 - (b) R10 suggests that the IPSASB considers “in addition to the existence of the right to roll over the obligation, the probability to exercise that right should be taken into account for the classification of the liability as current or non-current.”
5. Staff notes that the IASB started in June 2021 a new project with the objective to amend IAS 1 *Presentation of Financial Statements* in response to new information provided by respondents to the tentative Agenda Decision [Classification of Debt with Covenants as Current or Non-current](#).
6. The proposed amendments to IAS 1 would:
 - (a) Modify the requirements introduced by *Classification of Liabilities as Current or Non-current* (2020 amendments) (included in Part II-4a of ED 80) on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances; and
 - (b) Defer the effective date of the 2020 amendments (included in Part II-4a of ED 80) to no earlier than January 1, 2024 (one more year).
7. An Exposure Draft is expected to be issued in November 2021.
8. Staff recommends the IPSASB to not proceed with the proposed amendments in Part II-4a because:
 - (a) They are under revision by the IASB with a new ED to be issued in November 2021; and
 - (b) The new proposed effective date for the 2020 amendments (included in Part II-4a of ED 80) will be January 1, 2024.
9. Staff has deleted Part II-4a from the [draft] *Improvements to IPSAS, 2021* consistent with this recommendation and will continue to monitor progress on these IASB narrow scope amendments.

Issue C: Part II-4b – Cost of fulfilling an onerous contract in IPSAS 19

10. Although agreeing with the proposals in Part II-4b, R02:

- (a) Is “concerned that it may be difficult for entities to identify and allocate all fixed and direct costs that may relate to each contract, because entities are unlikely to budget and record information at a contract level and the actual information may not be available.”
 - (b) Notes “that it may be helpful to clarify whether impairment losses assessed and recognized before establishing a provision for an onerous contract are also considered as part of the indirect costs to establish the cost of fulfilling a contract”; and
 - (c) Proposes “that the IPSASB considers amending the requirement to allocate fixed and direct costs to the cost of fulfilling a contract. We propose that it should be a recommendation in instances where an entity manages contract costs by including allocated fixed cost and the information is available. We are of the view that the benefits of providing the information in the financial statements may outweigh the resources required from entities to generate the information (when the information is not already available). We are of the view it may be appropriate to depart from the IFRS requirements, as entities in the public sector likely have limited “exchange” contracts in the scope of these amendments.”
11. Staff recommends the IPSASB to proceed with the proposals as set out in ED 80 because the issues raised by R02 are not public sector specific reasons that warrant depart from IAS 37.

Issue D: Part II-4c – Proceeds from selling items produced before the asset is available for use in IPSAS 17

12. R04 states that, although it does not have a public sector specific reason to disagree with proposed amendments to IPSAS 17, disagrees for the following main reasons:
- (a) It is inconsistent with IPSAS 5.23 that requires “an entity to capitalize eligible borrowing costs net of any investment income earned from investments of those borrowings (in case qualifying asset takes substantial period of time to get ready for their intended use)”;
 - (b) It is inconsistent with IPSAS 17.30(b) that “prescribes to include “any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management” as an element of cost.”; and
 - (c) “Recognizing sale proceeds of item produced during testing phase in statement of income and expenditure will lead to recognition of abnormally large revenue which may mislead users of the financial statements in assessing the financial performance and position of the entity”.
13. Staff recommends the IPSASB to proceed with the proposals as set out in ED 80 because:
- (a) The issues raised by R04 in paragraphs 18(a) and 18(c) are not a public sector specific reasons to depart from IAS 1; and
 - (b) IAS 16.16(b) (from which IPSAS 17.30(b) was drawn) was not amended by the IASB.

Issue E: Approach to Improvements Project

14. R02’s stakeholders and R10 questioned the inclusion of the Interest Rate Benchmark Reform amendments in an Improvements project as they appear more substantive in nature than other amendments. These respondents were of the view that they should have been published in a separate Exposure Draft. Staff notes that these amendments:

- (a) Provide a clear guidance and in some instances a relief to public sector entities through temporary exceptions in addressing the replacement of interest rate benchmarks with alternative, nearly risk-free interest rates that are based, to a greater extent, on transaction data, which will benefit public sector entities;
 - (b) Are only extensive because of the several areas of application of the temporary exceptions provided; and
 - (c) Followed the IPSASB's standard-setting due process.
15. R10 stated that "the Basis for Conclusion of these amendments refer indirectly to the conclusions made by the IASB, but there is no reference to the analysis and discussions that the IPSASB conducted in relation to this important topic for the public sector."
16. Staff notes that the IPSASB's approach to the Basis for Conclusions in an Improvements project related to IFRS Alignment Improvements to IPSAS is on an exception basis. In this specific case, as the IPSASB did not find any public sector specific reason to depart from IFRS, the Basis for Conclusions simply refer to that and is consistent with current IPSASB's practice. No issue was raised by respondents to ED 80 on the technical content of IBOR amendments.

Approval of *Improvements to IPSAS, 2021*

Question

1. Does the IPSASB:
 - (a) Agree with IPSASB's Program and Technical Director assertion that due process has been followed effectively in developing [draft] *Improvements to IPSAS, 2021*;
 - (b) Vote to approve *Improvements to IPSAS, 2021*;
 - (c) Agree on the proposed effective date of:
 - (i) January 1, 2022 for Part I-1, Part I-2, Part I-4, Part II-1b, Part II-2b, Part II-3a, renumbered Part II-4a, renumbered Part II-4b; and
 - (ii) January 1, 2023 for Part II-1a, Part II-2a, Part II-3b?

Recommendation

2. Staff recommends the IPSASB:
 - (a) Vote to approve *Improvements to IPSAS, 2021*;
 - (b) An effective date of:
 - (i) January 1, 2022 for Part I-1, Part I-2, Part I-4, Part II-1b, Part II-2b, Part II-3a, renumbered Part II-4a, renumbered Part II-4b; and
 - (ii) January 1, 2023 for Part II-1a, Part II-2a, Part II-3b.

Background

3. The Agenda Item deals with the due process for approval of *Improvements to IPSAS, 2021* and proposed effective dates.

Analysis

Due Process

4. The IPSASB has followed due process throughout this project. As such, the final steps in due process are noted below. The full analysis supporting the assertions and recommendation noted below is in [Appendix A](#).
5. The IPSASB released [ED 80, *Improvements to IPSAS, 2021*](#) in July 2021. The IPSASB received 11 comment letters.
6. When the staff are satisfied a proposed final international standard is ready for approval, IPSASB's [Due Process and Working Procedures](#) sets out the necessary steps to facilitate its approval (bolded procedures require action by the IPSASB):
 - (a) **Staff present the revised content of the exposed international standard to the IPSASB;**
See [draft] final pronouncement in [Agenda Item 3.3.2](#).
 - (b) **The IPSASB Program and Technical Director advises the IPSASB on whether due process has been followed effectively;**

- The IPSASB will be asked to consider whether there are any issues raised by respondents, in addition to those summarized by staff, that it considers should be discussed by the IPSASB and agree there are none.

(c) The IPSASB confirms whether or not it is satisfied the due process has been followed effectively;

The IPSASB Chair asks the IPSASB confirmation on due process.

(d) The IPSASB votes on the approval of final international pronouncement *Improvements to IPSAS, 2021* in accordance with its [terms of reference](#);

Staff recommends the approval of final international pronouncement *Improvements to IPSAS, 2021*.

(e) The IPSASB considers whether there has been a substantial change to the exposed document such that a vote on re-exposure is necessary;

The IPSASB Program and Technical Director, in consultation with the Chair of the IPSASB, advises the IPSASB that no substantial changes have been made to ED 80, *Improvements to IPSAS, 2021*, such that necessitate re-exposure. Changes to ED 80 reflect matters raised in comment letters. No principles were altered.

(f) The IPSASB sets the effective date of the application of *Improvements to IPSAS, 2021*;

The IPSASB will need to consider the effective date of final international pronouncement *Improvements to IPSAS, 2021*. 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.

Staff notes that the IPSASB's usual practice with respect to Improvements is to set an effective date of January 1 in the year following publication, subject to any additional implementation period required for specific improvements.

Improvements to IPSAS, 2021 is expected to be published in January 2022. If the IPSASB were to follow its usual practice, this would result in an effective date of January 1, 2022 for Part I-1, Part I-2, Part I-4, Part II-1b, Part II-2b, Part II-3a, renumbered Part II-4a, renumbered Part II-4b. Staff considers this effective date is appropriate and recommends that the IPSASB adopts this effective date.

Regarding Part II-1a and Part II-2a, and Part II-3b staff recommends an effective date of January 1, 2023 because it is when IPSAS 41 will be effective.

Staff notes that:

- (i) Part I-3 does not have an effective date because it only amends Basis for Conclusions; and
- (ii) Part II-1c and Part II-2c do not have an effective date because they are dependent on the application of IPSAS 29 or IPSAS 41.

(j) The IPSASB issues Basis for Conclusions with respect to comments received on an exposure draft.

The IPSASB Program and Technical Director asserts due process has been followed effectively.

- (c) **The IPSASB confirms whether or not it is satisfied the due process has been followed effectively;**

The IPSASB Chair asks the IPSASB confirmation on due process.

- (d) **The IPSASB votes on the approval of *Improvements to IPSAS, 2021* in accordance with its [terms of reference](#);**

Staff, in consultation with the Task Force Chair, recommend the approval of *Improvements to IPSAS, 2021*.

- (e) **The IPSASB considers whether there has been a substantial change to the exposed document such that a vote on re-exposure is necessary;**

Staff confirms that there have been no substantial changes that would require a vote on re-exposure by the IPSASB.

- (f) **The IPSASB sets the effective date of the application of *Improvements to IPSAS, 2021*;**

Staff recommends the IPSASB an effective date for *Improvements to IPSAS, 2021*:

- (i) January 1, 2022 for Part I-1, Part I-2, Part I-4, Part II-1b, Part II-2b, Part II-3a, renumbered Part II-4a, renumbered Part II-4b; and
- (ii) January 1, 2023 for Part II-1a, Part II-2a, Part II-3b.

- (j) **The IPSASB issues Basis for Conclusions with respect to comments received on an exposure draft.**

Staff highlights that [draft] *Improvements to IPSAS, 2021* includes the Basis for Conclusions (see [Agenda Item 3.3.2](#)).

Decision Required

7. Does the IPSASB agree with the staff's recommendations?

Appendix A – Detailed Due Process for Approval of *Improvements to IPSAS, 2021*

1. The IPSASB has followed due process throughout this project. As such, the detail of the final steps in due process are noted below.
2. The IPSASB released [ED 80, *Improvements to IPSAS, 2021*](#) in July 2021. The IPSASB received 11 comment letters. During Q4 2021:
 - (a) Staff reviewed and analyzed the 11 comment letters received;
 - (b) Staff have made several editorial amendments to the text (shown in [Agenda Item 3.3.2](#) in mark-up) related to:
 - (i) Correction of typographical errors;
 - (ii) Amendments to ensure consistency with other IPSAS;
 - (iii) Adding the expected publication date and effective dates;
 - (iv) Removing references to [draft];
 - (v) Renumbering Part II-4b and Part II-4c as Part II-4a and Part II-4b, respectively, consistent with staff's recommendation in [Agenda Item 3.2.2](#) to remove Part II-4a of ED 80 from the [draft] *Improvements to IPSAS, 2021*; and
 - (vi) Removing the introduction section of ED 80; and
 - (c) The IPSASB discussed the issues raised by respondents to ED 80.
3. When the staff are satisfied a proposed new final international standard is ready for approval, IPSASB's [Due Process and Working Procedures](#) sets out the necessary steps to facilitate its approval (bolded procedures require action by the IPSASB):
 - (a) **Staff present the revised content of the exposed international pronouncement to the IPSASB;**

[Agenda Item 3.3.2](#) includes all changes in mark-up from Exposure Draft (ED) 80, *Improvements to IPSAS, 2021* and is consistent with staff recommendations in this Agenda Item. Changes to ED 80 reflect matters raised in comment letters. These changes enhance the interpretation of ED 80 to help constituents apply the final pronouncement (*Improvements to IPSAS, 2021*) in practice. No principles were altered.
 - (b) **The IPSASB Program and Technical Director advises the IPSASB on whether due process has been followed effectively;**

The IPSASB Program and Technical Director asserts due process has been followed effectively, noting that:

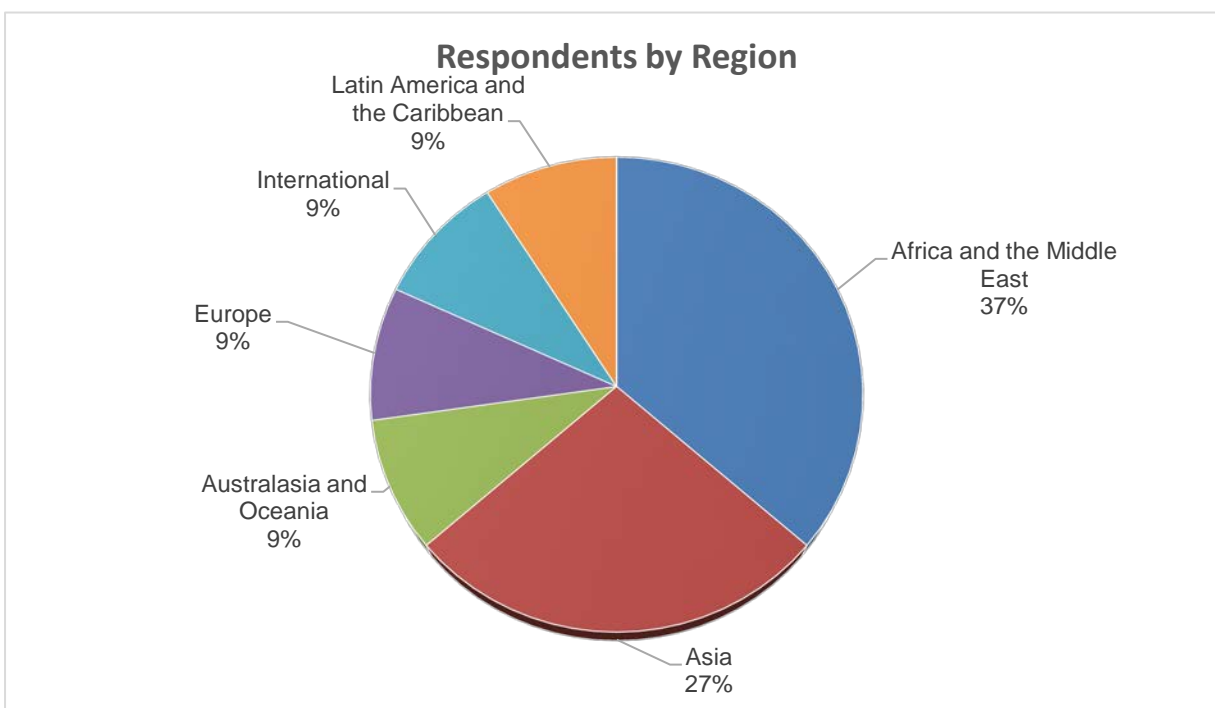
 - [ED 80, *Improvements to IPSAS, 2021*](#) was issued for consultation;
 - Responses to the ED were received and made publicly available on the [IPSASB website](#);
 - The IPSASB has deliberated significant matters raised in the comment letters at its December 2021 virtual meeting, and decisions taken will be minuted;

Supporting Document 1 – ED 80: List of Respondents and Analysis of Respondents by Region, Function and Language

Appendix A: Analysis of Respondents by Region, Function and Language

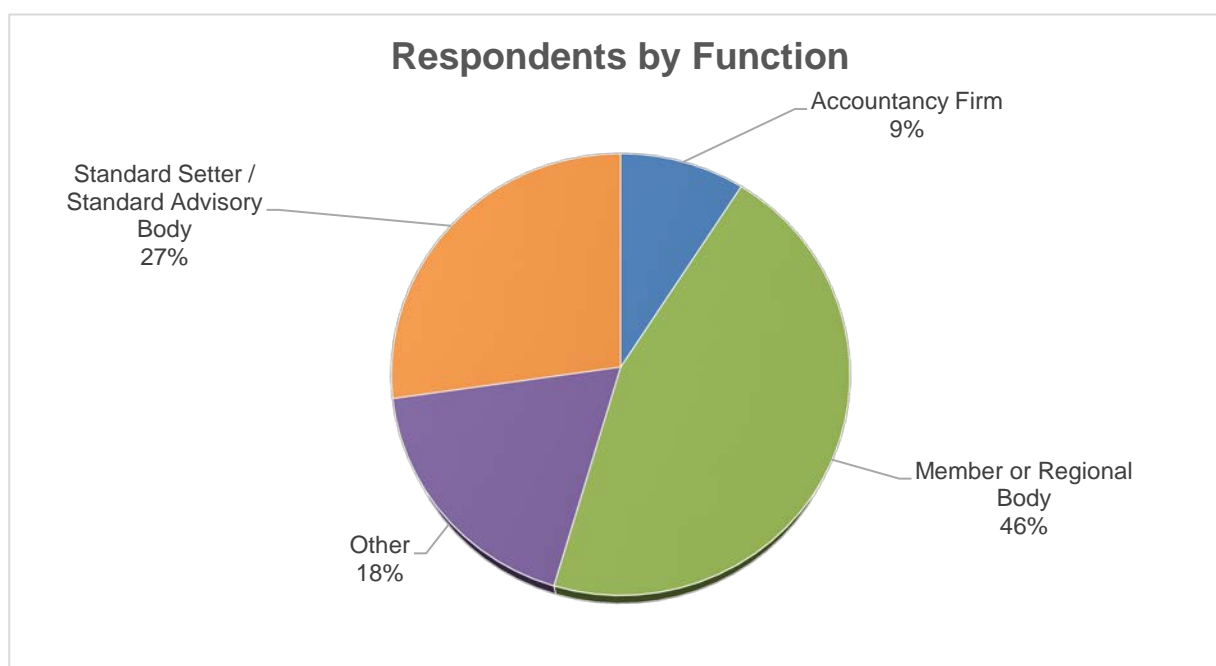
Geographic Breakdown

Region	Comment letter(s)	Total Respondents
Africa and the Middle East	R02, R03, R06, R07	4
Asia	R01, R04, R05	3
Australasia and Oceania	R08	1
Europe	R11	1
Latin America and the Caribbean	R09	1
International	R10	1
Total		11



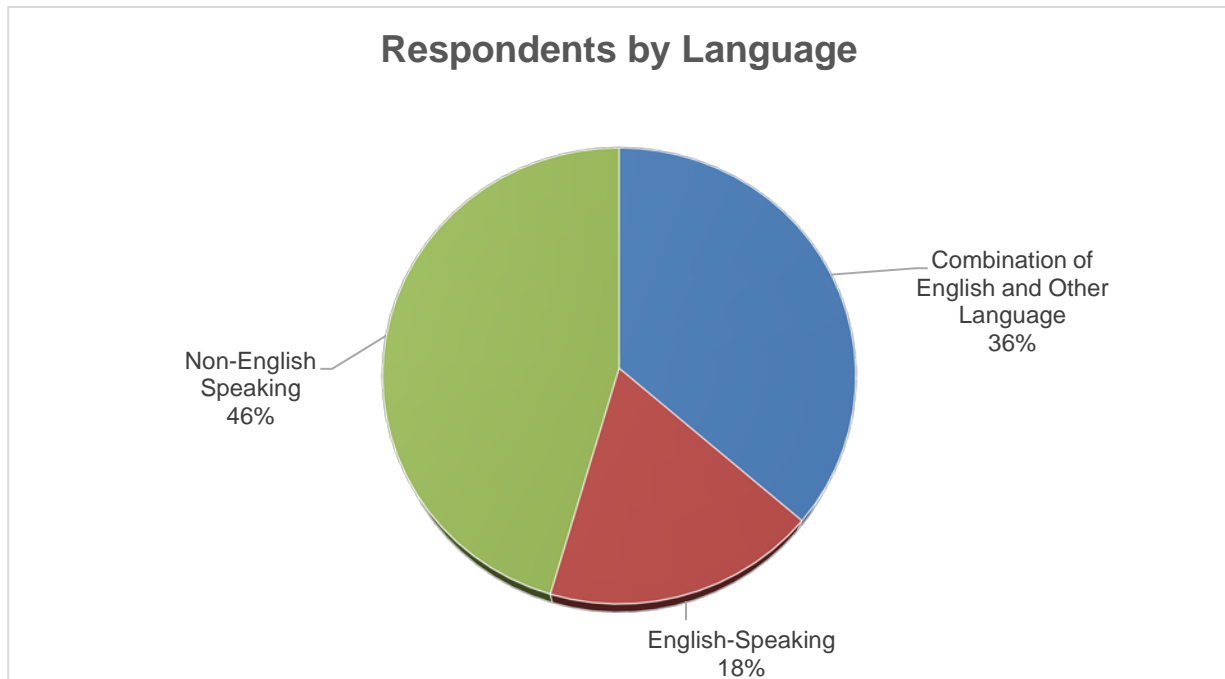
Functional Breakdown

Function	Comment letter(s)	Total Respondents
Member or Regional Body	R01,R04, R05, R06, R09	5
Accountancy Firm	R10	1
Standard Setter / Standard Advisory Body	R02, R07, R11	3
Other	R03, R08	2
Total		11



Linguistic Breakdown

Language	Comment letter(s)	Total Respondents
English-Speaking	R07, R08	2
Non-English Speaking	R01, R02, R05, R09, R11	5
Combination of English and Other Language	R03, R04, R06, R10	4
Total		11



Agenda Item 3.3.1

Appendix B: List of Respondents

Comment Letter #	Respondent	Country	Function
01	Malaysian Institute of Certified Public Accountants (MICPA)	Malaysia	Member or Regional Body
02	Secretariat of the South African Accounting Standards Board	South Africa	Standard Setter / Standard Advisory Body
03	Accrual Accounting Center	Saudi Arabia	Member or Regional Body
04	Institute of Chartered Accountants of India	India	Member or Regional Body
05	Japanese Institute of Certified Public Accountants (JICPA)	Japan	Member or Regional Body
06	National Board of Accountants and Auditors of Tanzania	Tanzania	Member or Regional Body
07	Public Sector Accounting Standards Board	Kenya	Standard Setter / Standard Advisory Body
08	David Hardidge	Australia	Other
09	Conselho Federal de Contabilidade (CFC)	Brazil	Member or Regional Body
10	Ernest & Young	International	Accountancy Firm
11	Swiss Public Sector Financial Reporting Advisory Committee	Switzerland	Standard Setter / Standard Advisory Body

Supporting Document 2 – [draft] *Improvements to IPSAS, 2021*

Final Pronouncement
January 2022

IPSAS®

International Public Sector Accounting Standard®

Improvements to IPSAS, 2021

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 International Public Sector Accounting Standards™ (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, 2021

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INTRODUCTION

1. ~~Exposure Draft (ED) 80, *Improvements to IPSAS, 2021* deals with non-substantive changes to IPSAS that arise both through:~~
 - ~~(a) Comments received from stakeholders—see Part I: General Improvement to IPSAS; and~~
 - ~~(b) Publications of the International Accounting Standards Board (IASB)—see Part II: IFRS Alignment Improvements to IPSAS.~~
2. ~~Regarding the IASB's projects, the IPSASB considered several IASB's publications during the development of this ED that were issued since the last Improvements to IPSAS cycle and that either have not been considered in another IPSASB's project or that have no equivalent IPSAS.~~
3. ~~Table 1 identifies the IASB's publications, the subject of the amendment, and the IPSASB's rationale for not including them in Part II of this ED.~~

Table 1: IASB's Publications not Included in ED 80

<i>IASB's Publication</i>	<i>Subject of Amendment</i>	<i>Rationale for non-inclusion in ED 80</i>
<i>Amendment to IAS 41, Agriculture</i> (Issued in May 2020).	Remove the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique to align with IFRS 13, <i>Fair Value Measurement</i> .	Amendments included as a consequential amendment (Amendments to Other IPSAS) to IPSAS 27, <i>Agriculture</i> in ED 77, <i>Measurement</i> .
<i>Reference to the Conceptual Framework</i> (Amendments to IFRS 3) (Issued in May 2020).	<ul style="list-style-type: none"> • Replaces the references to the old IASB's Framework with references to the 2018 IASB Conceptual Framework in IFRS 3; • Adds an exception in IFRS 3 to the recognition principle to recognize liabilities and contingent liabilities in terms of IAS 37 and IFRS 21 on acquisition date to eliminate "Day 2 gains"; and • Adds an explicit statement in IFRS 3 that an acquirer does not recognize contingent assets acquired in a business combination since this prohibition for recognition of contingent assets was implied in IFRS 3. 	<ul style="list-style-type: none"> • IPSAS 40 refers to the IPSASB's Conceptual Framework; • The definition of liability in the IPSASB's Conceptual Framework is being considered in the Limited Scope Review of the Conceptual Framework project and afterwards will be considered in a narrow scope amendment project to IPSAS 40; and • The amendment to include an explicit statement for contingent assets will be considered in a narrow scope amendment project to IPSAS 40.
<i>Amendment to Illustrative Examples Accompanying IFRS 16, Leases</i> (Issued in May 2020).	Deletes the reimbursement relating to leasehold improvements from the fact pattern of Illustrative Example (IE) 13 to address the confusion in applying IFRS 16.	Amendments are included in ED 75, <i>Leases</i> .

<i>IASB's Publication</i>	<i>Subject of Amendment</i>	<i>Rationale for non-inclusion in ED-80</i>
<i>Covid-19-Related Rent Concessions</i> (Amendment to IFRS 16) (Issued in May 2020).	Practical expedient for lessees not to account for rent concessions because of the covid-19 pandemic as lease modifications.	Amendments are included in ED 75.¹
<i>Amendments to IFRS 17</i> (Issued in June 2020).	Address implementation challenges identified when applying IFRS 17, <i>Insurance Contracts</i>.	There is no equivalent IPSAS for IFRS 17.
<i>Interest Rate Benchmark Reform—Phase 2</i> (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (Issued in August 2020).	 <ul style="list-style-type: none"> • Adds a practical expedient in IFRS 16, <i>Leases</i> for accounting for lease modifications that occur because of the reform; and • Adds relief in IFRS 4, <i>Insurance Contracts</i> for insurers who apply IAS 39. 	 <ul style="list-style-type: none"> • Amendments will be reconsidered at a future date after the final IPSAS based on ED 75 is approved; and • There is no equivalent IPSAS for IFRS 4.²
<i>Disclosure of Accounting Policies</i>, (Amendments to IAS 1 and IFRS Practice Statement 2) (Issued in February 2021).	Requires entities to disclose “material accounting policy information” instead of “significant accounting policies because IAS 1 does not define the term “significant”.	The subsection on materiality in Chapter 3 of the IPSASB's Conceptual Framework is under revision in the Limited Scope Review of the Conceptual Framework project.
<i>Definition of Accounting Estimates</i> (Amendments to IAS 8) (Issued in February 2021).	Introduced the definition of accounting estimates to distinguish changes in accounting estimates from changes in accounting policies.	Amendments will be reconsidered at a future date after the final IPSAS based on ED 77 is approved as a pronouncement.

¹—~~Covid-19 amendments issued in March 2021 will be considered after the final IPSAS based on ED 75, *Leases* is approved as a pronouncement.~~

²—~~*Interest Rate Benchmark Reform—Phase 2*, amendments to IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 7, *Financial Instruments: Disclosures* were included in ED 80, *Improvements to IPSAS, 2021* and made to corresponding IPSAS 41, *Financial Instruments* (see [Part II-2a](#)), IPSAS 29, *Financial Instruments: Recognition and Measurement* (as amended by IPSAS 41 when it was first published in 2018, see [Part II-2b](#)) and IPSAS 30, *Financial Instruments: Disclosures* (see [Part II-2c](#)).~~

PART I: GENERAL IMPROVEMENTS TO IPSAS

Objective

1. The objective of Part I of *Improvements to IPSAS, 2021* is to make improvements to IPSAS to address issues raised by stakeholders.

IPSAS Addressed

2. *Improvements to IPSAS, 2021* deals with non-substantive changes to IPSAS through a collection of amendments which are unrelated. Amendments included in Part I arise from comments received from stakeholders.

General Improvements to IPSAS

IPSAS	Summary of Proposed Change in ED 80
IPSAS 22, <i>Disclosure of Financial Information About the General Government Sector</i> .	Refer to the latest edition of the <i>System of National Accounts, 2008</i> (2008 SNA) (see Part I-1).
IPSAS 39, <i>Employee Benefits</i> .	Delete the word “composite” from the term “composite social security programs” ³ because it is no longer an IPSAS defined term (see Part I-2).
RPG 1, <i>Reporting on the Long-Term Sustainability of an Entity’s Finances</i> .	Add paragraph BC7A in the Basis for Conclusions (BCs) to indicate that the Conceptual Framework and Social Benefits projects were completed in October 2014 and January 2019, respectively, because the BCs mentioned these projects as ongoing when RPG 1 was issued in July 2013 (see Part I-3).
IPSAS 29, <i>Financial Instruments: Recognition and Measurement</i> (as applicable prior to the adoption of IPSAS 41, <i>Financial Instruments</i>).	Add in the current effective IPSAS 29 (as applicable prior to the adoption of IPSAS 41, see Part I-4), the hedging amendments proposed to IPSAS 29 (as amended by IPSAS 41, see Part II-1b and Part II-2b) and changes in the contractual cash flows amendments proposed to IPSAS 41 (see Part II-2a).

³ The IPSASB defined term of “Composite Social Security Programs” and the respective requirements were deleted when finalizing IPSAS 39, *Employee Benefits*.

Amendment: Part I-1

Amendments to IPSAS 22, *Disclosure of Financial Information About the General Government Sector*

Paragraphs 5, 18, 28 and BC1 are amended and paragraph 47G is added. New text is underlined and deleted text is struck through.

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Scope

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5. In some jurisdictions, financial statements and budgets for the government, or sectors thereof, may also be issued in accordance with statistical bases of financial reporting. These bases reflect requirements consistent with, and derived from, the ~~System of National Accounts 1993 (SNA 93)~~ System of National Accounts, 2008 (2008 SNA) prepared by the United Nations and other international organizations. These statistical bases of financial reporting focus on the provision of financial information about the GGS. The GGS comprises those non-profit entities that undertake nonmarket activities and rely primarily on appropriations or allocations from the government budget to fund their service delivery activities (hereafter referred to as nonmarket entities or activities). The statistical bases of financial reporting may also provide information about (a) the corporations sector of government that primarily engages in market activities (usually characterized as the public financial corporations (PFC) sector and the public nonfinancial corporations (PNFC) sector), and (b) the public sector as a whole. The major features of the PFC and PNFC sectors are outlined at paragraphs 19 and 20 of this Standard.

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Definitions

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General Government Sector

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18. The GGS is defined in the ~~SNA 93~~ 2008 SNA (and updates) as consisting of (a) all resident central, state, and local government units, (b) social security funds at each level of government, and (c) nonmarket non-profit institutions controlled by government units. Under statistical bases of financial reporting, the GGS encompasses the central operations of government, and typically includes all those resident nonmarket non-profit entities that have their operations funded primarily by the government and government entities. As such, the financing of these entities is sourced primarily from appropriation or allocation of the government's taxes, dividends from government corporations, other revenues, and borrowings. The GGS typically includes entities such as government departments, law courts, public educational institutions, public health care units, and other government agencies. The GGS does not include PFCs or PNFCs. Disclosure of GGS information will be made in those jurisdictions where strengthening the link between IPSASs and statistical bases of financial reporting is considered useful and relevant to users of financial statements. Governments electing to make GGS disclosures will therefore need to ensure that the information about the GGS included in the financial statements is consistent with the definition of

GGs, and any interpretations thereof, adopted for statistical bases of financial reporting in their jurisdiction.

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Accounting Policies

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28. Financial statements prepared consistent with statistical bases of financial reporting portray the impact of the GGS on the public sector as a whole and, in the context of the ~~SNA 93~~ 2008 SNA (and updates), on a national economy. Consistent with that focus, statistical bases of financial reporting require the GGS financial statements to present public sector entities outside that sector as investments in other sectors. In addition, under statistical bases of financial reporting, transactions of the GGS with entities in other sectors are not eliminated from the statement of government operations or a similar statement.

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Effective Date

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47G. Paragraphs 5, 18, and 28 were amended by ~~[draft]~~ *Improvements to IPSAS, 2021*, issued in ~~[Month]~~ ~~[Year]~~ January 2022. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, ~~[Year]~~ 2022. Earlier application is permitted.

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Basis for Conclusions

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Introduction

BC1. When this Standard was issued, it referred to ~~The System of National Accounts 1993~~ (SNA 1993) (and updates), *Government Finance Statistics Manual 2001* (GFSM) 2001, and the *European System of Accounts 1995* (ESA 1995), which all required governments to publish financial information about the GGS. For statistical purposes, the GGS comprises government-controlled entities primarily engaged in nonmarket activities. The GGS is sometimes described as comprising those entities that fulfill the core functions of government as their primary activity. The GGS does not include public corporations, even when all the equity of such corporations is owned by the government or government entities. In developing ~~[draft]~~ *Improvements to IPSAS, 2021*, the IPSASB noted that IPSAS 22 referred to an older edition of the System of National Accounts (SNA). Therefore, the IPSASB amended the Standard to refer to the latest edition of the SNA. Paragraph BC17 provides the rationale for including these amendments to IPSAS 22 through ~~[draft]~~ *Improvements to IPSAS, 2021*.

...

Revision of IPSAS 22 as a result of ~~[draft]~~ *Improvements to IPSAS, 2021*

BC17. Stakeholders noted that IPSAS 22 still referred to the 1993 edition of the SNA, instead of its most recent edition, the 2008 SNA. Therefore, the IPSASB agreed to amend paragraphs 5, 18, 28 and BC1 to refer to the latest edition of the SNA, that is, the 2008 SNA.

Amendment: Part I-2

Amendments to IPSAS 39, *Employee Benefits*

Paragraphs 3 and 4 are amended and paragraph 176C is added. Paragraphs BC5 and BC6 have been included for ease of reference but are not amended. New text is underlined and deleted text is struck through.

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Scope

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3. This Standard does not deal with reporting by employee retirement benefit plans (see the relevant international or national accounting standard dealing with employee retirement benefit plans). This Standard does not deal with benefits provided by ~~composite~~ social security programs that are not consideration in exchange for service rendered by employees or past employees of public sector entities.
4. The employee benefits to which this Standard applies include those provided:
 - (a) Under formal plans or other formal agreements between an entity and individual employees, groups of employees, or their representatives;
 - (b) Under legislative requirements, or through industry arrangements, whereby entities are required to contribute to national, state, industry, or other multi-employer plans, or where entities are required to contribute to ~~the composite~~ a social security program; or
 - (c) By those informal practices that give rise to a constructive obligation. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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Effective Date

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176C. Paragraphs 3 and 4 were amended by ~~[draft]~~ *Improvements to IPSAS, 2021*, issued in ~~[Month]~~ ~~[Year]~~ January 2022. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, ~~[Year]~~ 2022. Earlier application is permitted.

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Basis for Conclusions

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Composite Social Security Programs

- BC5. ED 59 indicated that the IPSASB was considering the deletion of the section on Composite Social Security Programs, because the IPSASB was not aware that it had been applied in any jurisdiction. The IPSASB specifically asked for comments on this issue.
- BC6. No respondent to ED 59 identified a jurisdiction where entities applied these requirements. The majority of respondents supported the deletion of the section on Composite Social Security Programs. As the IPSASB did not identify a new and compelling reason to retain the section, the IPSASB decided not to include it in IPSAS 39.

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Revision of IPSAS 39 as a result of ~~draft~~ Improvements to IPSAS, 2021

- BC24. Stakeholders noted that the word “composite” could be deleted from the term “composite social security programs” because the IPSAS defined term “composite social security programs” and related requirements were not included in the final version of IPSAS 39 (see paragraphs BC5-BC6). The IPSASB agreed with this view and decided to amend paragraphs 3 and 4 of IPSAS 39 in ~~draft~~ Improvements to IPSAS, 2021.

Amendment: Part I-3

Amendments to RPG 1, *Reporting on the Long-Term Sustainability of an Entity's Finances*

Paragraphs BC7A and BC36 are added. New text is underlined and deleted text is struck through.

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Basis for Conclusions

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Background

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Completion of the Conceptual Framework and the Social Benefits projects

BC7A. The IPSASB recognized linkages between its work in developing RPG 1, the Conceptual Framework and accounting for social benefits. RPG 1 was published in 2013 when the work on the Conceptual Framework and Social Benefits projects were ongoing. In October 2014 and January 2019, the IPSASB finished these projects by publishing the Conceptual Framework and IPSAS 42, *Social Benefits*, respectively.

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Revision of RPG 1 as a result of ~~[draft]~~ *Improvements to IPSAS, 2021*

BC36. Stakeholders noted that the Basis for Conclusions (paragraphs BC1-BC7) in RPG 1 provided a background that highlighted the linkages between RPG 1, the Conceptual Framework and Social Benefits projects. RPG 1 indicated these projects as ongoing when RPG 1 was issued in July 2013. Since these projects have been completed, the IPSASB agreed to add paragraph BC7A in ~~[draft]~~ *Improvements to IPSAS, 2021* to indicate that the Conceptual Framework and Social Benefits projects were completed in October 2014 and January 2019, respectively.

Amendment: Part I-4**Amendments to IPSAS 29, *Financial Instruments: Recognition and Measurement*****IPSAS 29 as Applicable Prior to the Adoption of IPSAS 41, *Financial Instruments***

The IPSASB Handbook includes all IPSAS that have been approved by the IPSASB until January 31 of that year. It omits standards that are being withdrawn or are being replaced by an approved standard and reflects amendments as a result of any approved Standard.

In June 2021, the IPSASB approved changes to guidance in IPSAS 29, *Financial Instruments: Recognition and Measurement* that is no longer published since the 2018 IPSASB Handbook. While the recognition and measurement guidance in IPSAS 29 continues to be effective until January 1, 2023, it is excluded from the 2021 IPSASB Handbook because it is superseded by IPSAS 41, *Financial Instruments*.

To provide visibility into the impact of these changes, the amendments below reflect the revisions to IPSAS 29 for users that have yet to adopt IPSAS 41.

Paragraphs 113A–113ZC, 125I–125M, and AG20A–AG20E are added. New headings are inserted before paragraphs 113A and 113P. New subheadings are inserted before paragraphs 113D, 113F, 113H, 113J, 113V, 113W, 113Y, 113ZA and AG20A. New text is underlined and deleted text is struck through.

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Hedging

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Temporary Exceptions from Applying Specific Hedge Accounting Requirements

113A. An entity shall apply paragraphs 113D–113N and 125I to all hedging relationships directly affected by interest rate benchmark reform. These paragraphs apply only to such hedging relationships. A hedging relationship is directly affected by interest rate benchmark reform only if the reform gives rise to uncertainties about:

- (a) The interest rate benchmark (contractually or non-contractually specified) designated as a hedged risk; and/or
- (b) The timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument.

113B. For the purpose of applying paragraphs 113D–113N, the term ‘interest rate benchmark reform’ refers to the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board’s July 2014 report ‘Reforming Major Interest Rate Benchmarks’.⁴

⁴ The report, ‘Reforming Major Interest Rate Benchmarks’, is available at http://www.fsb.org/wp-content/uploads/r_140722.pdf.

113C. Paragraphs 113D–113N provide exceptions only to the requirements specified in these paragraphs. An entity shall continue to apply all other hedge accounting requirements to hedging relationships directly affected by interest rate benchmark reform.

Highly Probable Requirement for Cash Flow Hedges

113D. For the purpose of applying the requirement in paragraph 98(c) that a forecast transaction must be highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Reclassifying the Cumulative Gain or Loss Recognized in Net Assets/Equity

113E. For the purpose of applying the requirement in paragraph 112(c) in order to determine whether the forecast transaction is no longer expected to occur, an entity shall assume that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Effectiveness Assessment

113F. For the purpose of applying the requirements in paragraphs 98(b) and AG145(a), an entity shall assume that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

113G. For the purpose of applying the requirement in paragraph 98(e), an entity is not required to discontinue a hedging relationship because the actual results of the hedge do not meet the requirements in paragraph AG145(b). For the avoidance of doubt, an entity shall apply the other conditions in paragraph 98, including the prospective assessment in paragraph 98(b), to assess whether the hedging relationship must be discontinued.

Designating Financial Items as Hedged Items

113H. Unless paragraph 113I applies, for a hedge of a non-contractually specified benchmark portion of interest rate risk, an entity shall apply the requirement in paragraphs 90 and AG139—that the designated portion shall be separately identifiable—only at the inception of the hedging relationship.

113I. When an entity, consistent with its hedge documentation, frequently resets (i.e., discontinues and restarts) a hedging relationship because both the hedging instrument and the hedged item frequently change (i.e., the entity uses a dynamic process in which both the hedged items and the hedging instruments used to manage that exposure do not remain the same for long), the entity shall apply the requirement in paragraphs 90 and AG139—that the designated portion is separately identifiable—only when it initially designates a hedged item in that hedging relationship. A hedged item that has been assessed at the time of its initial designation in the hedging relationship, whether it was at the time of the hedge inception or subsequently, is not reassessed at any subsequent redesignation in the same hedging relationship.

End of Application

113J. An entity shall prospectively cease applying paragraph 113D to a hedged item at the earlier of:

- (a) When the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item; and
- (b) When the hedging relationship that the hedged item is part of is discontinued.

113K. An entity shall prospectively cease applying paragraph 113E at the earlier of:

- (a) When the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item; and
- (b) When the entire cumulative gain or loss recognized in net assets/equity with respect to that discontinued hedging relationship has been reclassified to surplus or deficit.

113L. An entity shall prospectively cease applying paragraph 113F:

- (a) To a hedged item, when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the hedged risk or the timing and the amount of the interest rate benchmark-based cash flows of the hedged item; and
- (b) To a hedging instrument, when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedging instrument.

If the hedging relationship that the hedged item and the hedging instrument are part of is discontinued earlier than the date specified in paragraph 113L(a) or the date specified in paragraph 113L(b), the entity shall prospectively cease applying paragraph 113F to that hedging relationship at the date of discontinuation.

113M. An entity shall prospectively cease applying paragraph 113G to a hedging relationship at the earlier of:

- (a) When the uncertainty arising from interest rate benchmark reform is no longer present with respect to the hedged risk and the timing and the amount of the interest rate benchmark-based cash flows of the hedged item and of the hedging instrument; and
- (b) When the hedging relationship to which the exception is applied is discontinued.

113N. When designating a group of items as the hedged item, or a combination of financial instruments as the hedging instrument, an entity shall prospectively cease applying paragraphs 113D–113G to an individual item or financial instrument in accordance with paragraphs 113J, 113K, 113L, or 113M, as relevant, when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the hedged risk and/or the timing and the amount of the interest rate benchmark-based cash flows of that item or financial instrument.

113O. An entity shall prospectively cease applying paragraphs 113H and 113I at the earlier of:

- (a) When changes required by interest rate benchmark reform are made to the non-contractually specified risk portion applying paragraph 113P; or
- (b) When the hedging relationship in which the non-contractually specified risk portion is designated is discontinued.

Additional Temporary Exceptions Arising from Interest Rate Benchmark Reform*Hedge Accounting*

113P. As and when the requirements in paragraphs 113D–113I cease to apply to a hedging relationship (see paragraphs 113J–113O), an entity shall amend the formal designation of that hedging relationship as previously documented to reflect the changes required by interest rate benchmark reform, i.e., the changes are consistent with the requirements in paragraphs AG20B–AG20D. In this context, the hedge designation shall be amended only to make one or more of these changes:

- (a) Designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;
- (b) Amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged;
- (c) Amending the description of the hedging instrument; or
- (d) Amending the description of how the entity will assess hedge effectiveness.

113Q. An entity also shall apply the requirement in paragraph 113P(c) if these three conditions are met:

- (a) The entity makes a change required by interest rate benchmark reform using an approach other than changing the basis for determining the contractual cash flows of the hedging instrument (as described in paragraph AG20B);
- (b) The original hedging instrument is not derecognized; and
- (c) The chosen approach is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument (as described in paragraphs AG20C and AG20D).

113R. The requirements in paragraphs 113D–113I may cease to apply at different times. Therefore, applying paragraph 113P, an entity may be required to amend the formal designation of its hedging relationships at different times, or may be required to amend the formal designation of a hedging relationship more than once. When, and only when, such a change is made to the hedge designation, an entity shall apply paragraphs 113V–113ZB as applicable. An entity also shall apply paragraph 99 (for a fair value hedge) or paragraph 107 (for a cash flow hedge) to account for any changes in the fair value of the hedged item or the hedging instrument.

113S. An entity shall amend a hedging relationship as required in paragraph 113P by the end of the reporting period during which a change required by interest rate benchmark reform is made to the hedged risk, hedged item or hedging instrument. For the avoidance of doubt, such an amendment to the formal designation of a hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

113T. If changes are made in addition to those changes required by interest rate benchmark reform to the financial asset or financial liability designated in a hedging relationship (as described in paragraphs AG20B–AG20D) or to the designation of the hedging relationship (as required by paragraph 113P), an entity shall first apply the applicable requirements in this Standard to determine if those additional changes result in the discontinuation of hedge accounting. If the additional changes do not result in the discontinuation of hedge accounting, an entity shall amend the formal designation of the hedging relationship as specified in paragraph 113P.

113U. Paragraphs 113V–113ZC provide exceptions to the requirements specified in those paragraphs only. An entity shall apply all other hedge accounting requirements in this Standard, including the qualifying criteria in paragraph 98, to hedging relationships that were directly affected by interest rate benchmark reform.

Accounting for Qualifying Hedging Relationships

Retrospective Effectiveness Assessment

113V. For the purpose of assessing the retrospective effectiveness of a hedging relationship on a cumulative basis applying paragraph 98(e) and only for this purpose, an entity may elect to reset to zero the cumulative fair value changes of the hedged item and hedging instrument when ceasing to apply paragraph 113G as required by paragraph 113M. This election is made separately for each hedging relationship (i.e., on an individual hedging relationship basis).

Cash Flow Hedges

113W. For the purpose of applying paragraph 108, at the point when an entity amends the description of a hedged item as required in paragraph 113P(b), the cumulative gain or loss in net assets/equity shall be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

113X. For a discontinued hedging relationship, when the interest rate benchmark on which the hedged future cash flows had been based is changed as required by interest rate benchmark reform, for the purpose of applying paragraph 112(c) in order to determine whether the hedged future cash flows are expected to occur, the amount accumulated in ~~other comprehensive income-net assets/equity~~ for that hedging relationship shall be deemed to be based on the alternative benchmark rate on which the hedged future cash flows will be based.

Groups of Items

113Y. When an entity applies paragraph 113P to groups of items designated as hedged items in a fair value or cash flow hedge, the entity shall allocate the hedged items to subgroups based on the benchmark rate being hedged and designate the benchmark rate as the hedged risk for each subgroup. For example, in a hedging relationship in which a group of items is hedged for changes in an interest rate benchmark subject to interest rate benchmark reform, the hedged cash flows or fair value of some items in the group could be changed to reference an alternative benchmark rate before other items in the group are changed. In this example, in applying paragraph 113P, the entity would designate the alternative benchmark rate as the hedged risk for that relevant subgroup of hedged items. The entity would continue to designate the existing interest rate benchmark as the hedged risk for the other subgroup of hedged items until the hedged cash flows or fair value of those items are changed to reference the alternative benchmark rate or the items expire and are replaced with hedged items that reference the alternative benchmark rate.

113Z. An entity shall assess separately whether each subgroup meets the requirements in paragraphs 87 and 93 to be an eligible hedged item. If any subgroup fails to meet the requirements in paragraphs 87 and 93, the entity shall discontinue hedge accounting prospectively for the hedging relationship in its entirety. An entity also shall apply the requirements in paragraphs 99 or 107 to account for ineffectiveness related to the hedging relationship in its entirety.

Designating Financial Items as Hedged Items

- 113ZA. An alternative benchmark rate designated as a non-contractually specified risk portion that is not separately identifiable (see paragraphs 90 and AG139) at the date it is designated shall be deemed to have met that requirement at that date, if, and only if, the entity reasonably expects the alternative benchmark rate will be separately identifiable within 24 months. The 24-month period applies to each alternative benchmark rate separately and starts from the date the entity designates the alternative benchmark rate as a non-contractually specified risk portion for the first time (i.e., the 24-month period applies on a rate-by-rate basis).
- 113ZB. If subsequently an entity reasonably expects that the alternative benchmark rate will not be separately identifiable within 24 months from the date the entity designated it as a non-contractually specified risk portion for the first time, the entity shall cease applying the requirement in paragraph 113ZA to that alternative benchmark rate and discontinue hedge accounting prospectively from the date of that reassessment for all hedging relationships in which the alternative benchmark rate was designated as a non-contractually specified risk portion.
- 113ZC. In addition to those hedging relationships specified in paragraph 113P, an entity shall apply the requirements in paragraphs 113ZA and 113ZB to new hedging relationships in which an alternative benchmark rate is designated as a non-contractually specified risk portion (see paragraphs 90 and AG139) when, because of interest rate benchmark reform, that risk portion is not separately identifiable at the date it is designated.

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Effective Date and Transition

- 125I. Paragraphs 113A–113N were added by ~~[draft]~~ *Improvements to IPSAS, 2021*, issued in ~~[Month]~~~~[Year]~~*January 2022*. 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 an earlier period, it shall disclose that fact. An entity shall apply these amendments retrospectively to those hedging relationships that existed at the beginning of the reporting period in which an entity first applies these amendments or were designated thereafter, and to the gain or loss recognized in net assets/equity that existed at the beginning of the reporting period in which an entity first applies these amendments.
- 125J. Paragraphs 113O–113ZC, 125K–125M and AG20A–AG20E were added by ~~[draft]~~ *Improvements to IPSAS, 2021*, issued in ~~[Month]~~~~[Year]~~*January 2022*. 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 an earlier period, it shall disclose that fact. An entity shall apply these amendments retrospectively in accordance with IPSAS 3, except as specified in paragraphs 125K–125M and AG20A–AG20E.
- 125K. An entity shall designate a new hedging relationship (for example, as described in paragraph 113ZC) only prospectively (i.e., an entity is prohibited from designating a new hedge accounting relationship in prior periods). However, an entity shall reinstate a discontinued hedging relationship if, and only if, these conditions are met:

- (a) The entity had discontinued that hedging relationship solely due to changes required by interest rate benchmark reform and the entity would not have been required to discontinue that hedging relationship if these amendments had been applied at that time; and
- (b) At the beginning of the reporting period in which an entity first applies these amendments (date of initial application of these amendments), that discontinued hedging relationship meets the qualifying criteria for hedge accounting (after taking into account these amendments).

125L. If, in applying paragraph 125K, an entity reinstates a discontinued hedging relationship, the entity shall read references in paragraphs 113ZA and 113ZB to the date the alternative benchmark rate is designated as a non-contractually specified risk portion for the first time as referring to the date of initial application of these amendments (i.e., the 24-month period for that alternative benchmark rate designated as a non-contractually specified risk portion begins from the date of initial application of these amendments).

125M. An entity is not required to restate prior periods to reflect the application of these amendments. The entity may restate prior periods if, and only if, it is possible without the use of hindsight. If an entity does not restate prior periods, the entity shall recognize any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application of these amendments in the opening net assets/equity (or other component of net assets/equity, as appropriate) of the annual reporting period that includes the date of initial application of these amendments.

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Application Guidance

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Effective Interest Rate

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Changes in the Basis for Determining the Contractual Cash Flows as a Result of Interest Rate Benchmark Reform

AG20A. An entity shall apply paragraphs AG20B–AG20E to a financial asset or financial liability if, and only if, the basis for determining the contractual cash flows of that financial asset or financial liability changes as a result of interest rate benchmark reform. For this purpose, the term ‘interest rate benchmark reform’ refers to the market-wide reform of an interest rate benchmark as described in paragraph 113B.

AG20B. The basis for determining the contractual cash flows of a financial asset or financial liability can change:

- (a) By amending the contractual terms specified at the initial recognition of the financial instrument (for example, the contractual terms are amended to replace the referenced interest rate benchmark with an alternative benchmark rate);
- (b) In a way that was not considered by—or contemplated in—the contractual terms at the initial recognition of the financial instrument, without amending the contractual terms (for

example, the method for calculating the interest rate benchmark is altered without amending the contractual terms); and/or

- (c) Because of the activation of an existing contractual term (for example, an existing fallback clause is triggered).

AG20C. As a practical expedient, an entity shall apply paragraph AG19 to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform. This practical expedient applies only to such changes and only to the extent the change is required by interest rate benchmark reform (see also paragraph AG20E). For this purpose, a change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if, and only if, both these conditions are met:

- (a) The change is necessary as a direct consequence of interest rate benchmark reform; and
- (b) The new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e., the basis immediately preceding the change).

AG20D. Examples of changes that give rise to a new basis for determining the contractual cash flows that is economically equivalent to the previous basis (i.e., the basis immediately preceding the change) are:

- (a) The replacement of an existing interest rate benchmark used to determine the contractual cash flows of a financial asset or financial liability with an alternative benchmark rate—or the implementation of such a reform of an interest rate benchmark by altering the method used to calculate the interest rate benchmark—with the addition of a fixed spread necessary to compensate for the basis difference between the existing interest rate benchmark and the alternative benchmark rate;
- (b) Changes to the reset period, reset dates or the number of days between coupon payment dates in order to implement the reform of an interest rate benchmark; and
- (c) The addition of a fallback provision to the contractual terms of a financial asset or financial liability to enable any change described in (a) and (b) above to be implemented.

AG20E. If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, an entity shall first apply the practical expedient in paragraph AG20C to the changes required by interest rate benchmark reform. The entity shall then apply the applicable requirements in this Standard to any additional changes to which the practical expedient does not apply. If the additional change does not result in the derecognition of the financial asset or financial liability, the entity shall apply paragraph AG20, as applicable, to account for that additional change. If the additional change results in the derecognition of the financial asset or financial liability, the entity shall apply the derecognition requirements.

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Basis for Conclusions

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Revision of IPSAS 29 as a result of ~~draft~~ Improvements to IPSAS, 2021

- BC21. The IPSASB reviewed the revisions to IAS 39, *Financial Instruments: Recognition and Measurement*, included in *Interest Rate Benchmark Reform* (Amendments to IFRS 9, IAS 39 and IFRS 7) issued by the IASB in September 2019, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions and concurred that there was no public sector specific reason for not adopting these amendments, henceforth labelled as *Interest Rate Benchmark Reform*.
- BC22. The IPSASB reviewed the revisions to IAS 39, *Financial Instruments: Recognition and Measurement*, included in *Interest Rate Benchmark Reform—Phase 2* (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) issued by the IASB in August 2020, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions and concurred that there was no public sector specific reason for not adopting these amendments, henceforth labelled as *Interest Rate Benchmark Reform—Phase 2*.
- BC23. In addition to the above amendments to IPSAS 29 (as amended by IPSAS 41 when it was first published in 2018), the IPSASB considered that entities still applying IPSAS 29 (prior to the adoption of IPSAS 41) could benefit from the amendments to the hedging section included in paragraphs 113A-113ZC of IPSAS 29 (as amended by IPSAS 41 when it was first published in 2018) and the amendments on the practical expedient for changes in the contractual cash flows of financial instruments included in paragraphs AG20A-AG20E of IPSAS ~~44-29~~.
- BC24. While the amendments in paragraphs AG20A-AG20E of IPSAS ~~44-29~~ were unnecessary in the IASB's IPSAS 29 equivalent standard, IAS 39, they are necessary in IPSAS 29 (prior to the adoption of IPSAS 41) because the sections on contractual cash flows are effective until January 1, 2023.

PART II: IFRS ALIGNMENT IMPROVEMENTS TO IPSAS

Objective

1. The objective of Part II of *Improvements to IPSAS, 2021* is to make Improvements to IPSAS to align with amendments to International Financial Reporting Standards (IFRS) based on the IASB's *Improvements to IFRSs* projects and *Narrow Scope Amendments* projects.

IPSAS Addressed

2. *Improvements to IPSAS, 2021* deals with non-substantive changes to IPSAS through a collection of unrelated amendments. Amendments included in Part II arise through consideration of the annual improvements and narrow scope amendments projects of the IASB.⁵

The amendments in Part II are from the following IASB amendments:

#IFRS	Equivalent IPSAS	Summary of Change
<i>Interest Rate Benchmark Reform</i> (Phase One and Phase Two) ⁶		
1(a) <i>Interest Rate Benchmark Reform</i> (Amendments to IFRS 9, IAS 39 and IFRS 7). (Issued in September 2019).	IPSAS 41, <i>Financial Instruments</i> ; IPSAS 29, <i>Financial Instruments: Recognition and Measurement</i> (as amended by IPSAS 41 when it was first published in 2018); and IPSAS 30, <i>Financial Instruments: Disclosures</i> .	Amendments to provide: <ul style="list-style-type: none"> • Temporary relief not to discontinue hedge accounting in IPSAS 41 (see Part II-1a) and IPSAS 29 (see Part II-1b); and • Additional disclosure requirements in IPSAS 30 (see Part II-1c).
1(b) <i>Interest Rate Benchmark Reform—Phase 2</i> (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (Issued in August 2020).	IPSAS 41, <i>Financial Instruments</i> ; IPSAS 29, <i>Financial Instruments: Recognition and Measurement</i> (as amended by IPSAS 41 when it was first published in 2018); and IPSAS 30, <i>Financial Instruments: Disclosures</i> .	Amendments to provide: <ul style="list-style-type: none"> • A practical expedient not to treat changes in the contractual cash flows of a financial asset or financial liability as a modification in IPSAS 41 (see Part II-2a); • Additional relief not to discontinue hedge accounting in IPSAS 41 (see Part II-2a) and IPSAS 29 (see Part II-2b); and • Further disclosure requirements in IPSAS 30 (see Part II-2c).
<i>Annual Improvements to IFRS Standards 2018–2020 Cycle</i>		

⁵ IPSAS do not duplicate the Basis for Conclusions developed by the IASB. The Basis for Conclusion included in IPSAS includes considerations taken into account and conclusions drawn by the IPSASB when developing the pronouncement.

⁶ The IASB's work in this area follows the Financial Stability Board's decision to introduce new regulatory requirements to replace interest rate benchmarks (such as LIBOR) with alternative nearly risk-free rates because the financial crisis undermined the reliability and robustness of these benchmarks. Entities have had to update loan agreements and derivative contracts that referred to these interest rate benchmarks to refer to the new alternative nearly risk-free rates.

#IFRS	Equivalent IPSAS	Summary of Change
2(a) Amendment to IFRS 1, <i>First-time Adoption of International Financial Reporting Standards</i> (Issued in May 2020).	IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i> .	Amendments to extend the exemption in IPSAS 33 to include components of net assets/equity such as cumulative translation differences (see Part II-3a).
2(b) Amendment to IFRS 9, <i>Financial Instruments</i> (Issued in May 2020).	IPSAS 41, <i>Financial Instruments</i> .	Amendments to clarify the fees that an entity includes when it applies the '10 percent' test to derecognize a financial liability in IPSAS 41 (see Part II-3b).
Other IFRS Alignment Improvements		
3(a) <i>Classification of Liabilities as Current or Non-current</i> (Amendments to IAS 1) (Issued in January 2020).	IPSAS 1, <i>Presentation of Financial Statements</i>.	Amendments to clarify the classification of liabilities as current or non-current in IPSAS 1 (see Part II-4a).
3(b) <i>Onerous Contracts—Cost of Fulfilling a Contract</i> (Amendments to IAS 37) (Issued in May 2020).	IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> .	Amendments to clarify the costs of fulfilling a contract that an entity includes when assessing whether a contract will be loss-making or onerous in IPSAS 19 (see Part II-4b Part II-4a).
3(c) <i>Property, Plant and Equipment—Proceeds before Intended Use</i> (Amendments to IAS 16) (Issued in May 2020).	IPSAS 17, <i>Property, Plant, and Equipment</i> .	Amendments to prohibit proceeds from selling items produced before that asset is available for use to be deducted from the cost of property, plant, and equipment (see Part II-4c Part II-4b).

Amendment: Part II-1a

Amendments to IPSAS 41, *Financial Instruments*

Paragraphs 155A–155L and 156E are added. Paragraph 184 is amended. A new heading is inserted before paragraph 155A, and new subheadings are inserted before paragraphs 155D, 155E, 155F, 155G, and 155I. New text is underlined.

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Hedge Accounting

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Temporary Exceptions from Applying Specific Hedge Accounting Requirements

155A. An entity shall apply paragraphs 155D–155L and paragraphs 156E and 184(d) to all hedging relationships directly affected by interest rate benchmark reform. These paragraphs apply only to such hedging relationships. A hedging relationship is directly affected by interest rate benchmark reform only if the reform gives rise to uncertainties about:

- (a) The interest rate benchmark (contractually or non-contractually specified) designated as a hedged risk; and/or
- (b) The timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument.

155B. For the purpose of applying paragraphs 155D–155L, the term ‘interest rate benchmark reform’ refers to the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board’s July 2014 report, ‘Reforming Major Interest Rate Benchmarks’.⁷

155C. Paragraphs 155D–155L provide exceptions only to the requirements specified in these paragraphs. An entity shall continue to apply all other hedge accounting requirements to hedging relationships directly affected by interest rate benchmark reform.

Highly Probable Requirement for Cash Flow Hedges

155D. For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable as required by paragraph 124, an entity shall assume that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Reclassifying the Amount Accumulated in the Cash Flow Hedge Reserve

155E. For the purpose of applying the requirement in paragraph 141 in order to determine whether the hedged future cash flows are expected to occur, an entity shall assume that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

⁷ The report, ‘Reforming Major Interest Rate Benchmarks’, is available at http://www.fsb.org/wp-content/uploads/r_140722.pdf.

Assessing the Economic Relationship between the Hedged Item and the Hedging Instrument

155F. For the purpose of applying the requirements in paragraphs 129(c)(i) and AG278–AG280, an entity shall assume that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

Designating a Component of an Item as a Hedged Item

155G. Unless paragraph 155H applies, for a hedge of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the requirement in paragraphs 128(a) and AG257—that the risk component shall be separately identifiable—only at the inception of the hedging relationship.

155H. When an entity, consistent with its hedge documentation, frequently resets (i.e., discontinues and restarts) a hedging relationship because both the hedging instrument and the hedged item frequently change (i.e., the entity uses a dynamic process in which both the hedged items and the hedging instruments used to manage that exposure do not remain the same for long), the entity shall apply the requirement in paragraphs 128(a) and AG257—that the risk component is separately identifiable—only when it initially designates a hedged item in that hedging relationship. A hedged item that has been assessed at the time of its initial designation in the hedging relationship, whether it was at the time of the hedge inception or subsequently, is not reassessed at any subsequent redesignation in the same hedging relationship.

End of Application

155I. An entity shall prospectively cease applying paragraph 155D to a hedged item at the earlier of:

- (a) When the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item; and
- (b) When the hedging relationship that the hedged item is part of is discontinued.

155J. An entity shall prospectively cease applying paragraph 155E at the earlier of:

- (a) When the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item; and
- (b) When the entire amount accumulated in the cash flow hedge reserve with respect to that discontinued hedging relationship has been reclassified to surplus or deficit.

155K. An entity shall prospectively cease applying paragraph 155F:

- (a) To a hedged item, when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the hedged risk or the timing and the amount of the interest rate benchmark-based cash flows of the hedged item; and
- (b) To a hedging instrument, when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedging instrument.

If the hedging relationship that the hedged item and the hedging instrument are part of is discontinued earlier than the date specified in paragraph 155K(a) or the date specified in paragraph 155K(b), the entity shall prospectively cease applying paragraph 155F to that hedging relationship at the date of discontinuation.

- 155L. When designating a group of items as the hedged item, or a combination of financial instruments as the hedging instrument, an entity shall prospectively cease applying paragraphs 155D–155F to an individual item or financial instrument in accordance with paragraphs 155I, 155J, or 155K, as relevant, when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the hedged risk and/or the timing and the amount of the interest rate benchmark-based cash flows of that item or financial instrument.

Effective Date and Transition

Effective Date

- 156E. Paragraphs 155A–155L were added and paragraph 184 was amended by ~~[draft]~~ Improvements to IPSAS, 2021, issued in ~~[Month]~~ ~~[Year]~~ January 2022. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2023. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

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Transition

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Transition for Hedge Accounting

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184. As an exception to prospective application of the hedge accounting requirements of this Standard, an entity:

- (d) Shall apply the requirements in paragraphs 155A–155L retrospectively. This retrospective application applies only to those hedging relationships that existed at the beginning of the reporting period in which an entity first applies those requirements or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve that existed at the beginning of the reporting period in which an entity first applies those requirements.

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Basis for Conclusions

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Revision of IPSAS 41 as a result of ~~[draft]~~ Improvements to IPSAS, 2021

- BC50. The IPSASB reviewed the revisions to IFRS 9, *Financial Instruments*, included in *Interest Rate Benchmark Reform* (Amendments to IFRS 9, IAS 39 and IFRS 7) issued by the IASB in September 2019, and the IASB's rationale for making these amendments as set out in its Basis

for Conclusions and concurred that there was no public sector specific reason for not adopting these amendments, henceforth labelled as *Interest Rate Benchmark Reform*.

Amendment: Part II-1b**Amendments to IPSAS 29, *Financial Instruments: Recognition and Measurement***

Paragraphs 113A–113N, and 125I are added. A new heading is inserted before paragraph 113A, and new subheadings are inserted before paragraphs 113D, 113E, 113F, 113H, and 113J. New text is underlined.

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Hedging

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Temporary Exceptions from Applying Specific Hedge Accounting Requirements

113A. An entity shall apply paragraphs 113D–113N and 125I to all hedging relationships directly affected by interest rate benchmark reform. These paragraphs apply only to such hedging relationships. A hedging relationship is directly affected by interest rate benchmark reform only if the reform gives rise to uncertainties about:

- (a) The interest rate benchmark (contractually or non-contractually specified) designated as a hedged risk; and/or
- (b) The timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument.

113B. For the purpose of applying paragraphs 113D–113N, the term ‘interest rate benchmark reform’ refers to the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board’s July 2014 report ‘Reforming Major Interest Rate Benchmarks’.⁸

113C. Paragraphs 113D–113N provide exceptions only to the requirements specified in these paragraphs. An entity shall continue to apply all other hedge accounting requirements to hedging relationships directly affected by interest rate benchmark reform.

Highly Probable Requirement for Cash Flow Hedges

113D. For the purpose of applying the requirement in paragraph 98(c) that a forecast transaction must be highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Reclassifying the Cumulative Gain or Loss Recognized in Net Assets/Equity

113E. For the purpose of applying the requirement in paragraph 112(c) in order to determine whether the forecast transaction is no longer expected to occur, an entity shall assume that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

⁸ The report, ‘Reforming Major Interest Rate Benchmarks’, is available at http://www.fsb.org/wp-content/uploads/r_140722.pdf.

Effectiveness Assessment

- 113F. For the purpose of applying the requirements in paragraphs 98(b) and AG145(a), an entity shall assume that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.
- 113G. For the purpose of applying the requirement in paragraph 98(e), an entity is not required to discontinue a hedging relationship because the actual results of the hedge do not meet the requirements in paragraph AG145(b). For the avoidance of doubt, an entity shall apply the other conditions in paragraph 98, including the prospective assessment in paragraph 98(b), to assess whether the hedging relationship must be discontinued.

Designating Financial Items as Hedged Items

- 113H. Unless paragraph 113I applies, for a hedge of a non-contractually specified benchmark portion of interest rate risk, an entity shall apply the requirement in paragraphs 90 and AG139—that the designated portion shall be separately identifiable—only at the inception of the hedging relationship.
- 113I. When an entity, consistent with its hedge documentation, frequently resets (i.e., discontinues and restarts) a hedging relationship because both the hedging instrument and the hedged item frequently change (i.e., the entity uses a dynamic process in which both the hedged items and the hedging instruments used to manage that exposure do not remain the same for long), the entity shall apply the requirement in paragraphs 90 and AG139—that the designated portion is separately identifiable—only when it initially designates a hedged item in that hedging relationship. A hedged item that has been assessed at the time of its initial designation in the hedging relationship, whether it was at the time of the hedge inception or subsequently, is not reassessed at any subsequent redesignation in the same hedging relationship.

End of Application

- 113J. An entity shall prospectively cease applying paragraph 113D to a hedged item at the earlier of:
- (a) When the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item; and
 - (b) When the hedging relationship that the hedged item is part of is discontinued.
- 113K. An entity shall prospectively cease applying paragraph 113E at the earlier of:
- (a) When the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item; and
 - (b) When the entire cumulative gain or loss recognized in net assets/equity with respect to that discontinued hedging relationship has been reclassified to surplus or deficit.
- 113L. An entity shall prospectively cease applying paragraph 113F:

- (a) To a hedged item, when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the hedged risk or the timing and the amount of the interest rate benchmark-based cash flows of the hedged item; and
- (b) To a hedging instrument, when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedging instrument.

If the hedging relationship that the hedged item and the hedging instrument are part of is discontinued earlier than the date specified in paragraph 113L(a) or the date specified in paragraph 113L(b), the entity shall prospectively cease applying paragraph 113F to that hedging relationship at the date of discontinuation.

113M. An entity shall prospectively cease applying paragraph 113G to a hedging relationship at the earlier of:

- (a) When the uncertainty arising from interest rate benchmark reform is no longer present with respect to the hedged risk and the timing and the amount of the interest rate benchmark-based cash flows of the hedged item and of the hedging instrument; and
- (b) When the hedging relationship to which the exception is applied is discontinued.

113N. When designating a group of items as the hedged item, or a combination of financial instruments as the hedging instrument, an entity shall prospectively cease applying paragraphs 113D–113G to an individual item or financial instrument in accordance with paragraphs 113J, 113K, 113L, or 113M, as relevant, when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the hedged risk and/or the timing and the amount of the interest rate benchmark-based cash flows of that item or financial instrument.

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Effective Date and Transition

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125I. Paragraphs 113A–113N were added by ~~–[draft]~~ *Improvements to IPSAS, 2021*, issued in ~~[Month]~~ ~~[Year]~~ **January 2022**. 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 an earlier period, it shall disclose that fact. An entity shall apply these amendments retrospectively to those hedging relationships that existed at the beginning of the reporting period in which an entity first applies these amendments or were designated thereafter, and to the gain or loss recognized in net assets/equity that existed at the beginning of the reporting period in which an entity first applies these amendments.

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Basis for Conclusions

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Revision of IPSAS 29 as a result of ~~[draft]~~ *Improvements to IPSAS, 2021*

BC21. The IPSASB reviewed the revisions to IAS 39, *Financial Instruments: Recognition and Measurement*, included in *Interest Rate Benchmark Reform* (Amendments to IFRS 9, IAS 39 and IFRS 7) issued by the IASB in September 2019, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions and concurred that there was no public sector specific reason for not adopting these amendments, henceforth labelled as *Interest Rate Benchmark Reform*.

Amendment: Part II-1c**Amendments to IPSAS 30, *Financial Instruments: Disclosures***

Paragraphs 28H, 52K–52L are added. A new subheading is added before paragraph 28H. New text is underlined.

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Other Disclosures

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Hedge Accounting

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Uncertainty Arising from Interest Rate Benchmark Reform

28H. For hedging relationships to which an entity applies the exceptions set out in paragraphs 155D–155L of IPSAS 41 or paragraphs 113D–113N of IPSAS 29, *Financial Instruments: Recognition and Measurement* an entity shall disclose:

- (a) The significant interest rate benchmarks to which the entity's hedging relationships are exposed;
- (b) The extent of the risk exposure the entity manages that is directly affected by the interest rate benchmark reform;
- (c) How the entity is managing the process to transition to alternative benchmark rates;
- (d) A description of significant assumptions or judgments the entity made in applying these paragraphs (for example, assumptions or judgments about when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows); and
- (e) The nominal amount of the hedging instruments in those hedging relationships.

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Effective Date and Transition

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52K. Paragraphs 28H and 52L were added by ~~[draft]~~ *Improvements to IPSAS, 2021*, issued in ~~[Month]~~ ~~[Year]~~ **January 2022**. An entity shall apply these amendments when it applies the *Interest Rate Benchmark Reform* amendments to IPSAS 29 or IPSAS 41.

52L. In the reporting period in which an entity first applies *Interest Rate Benchmark Reform* amendments, an entity is not required to present the quantitative information required by paragraph 33(f) of IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Basis for Conclusions

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Revision of IPSAS 30 as a result of ~~draft~~ Improvements to IPSAS, 2021

BC12. The IPSASB reviewed the revisions to IFRS 7, *Financial Instruments: Disclosures*, included in *Interest Rate Benchmark Reform* (Amendments to IFRS 9, IAS 39 and IFRS 7) issued by the IASB in September 2019, and the IASB's rationale for making these amendments as set out in its *Basis for Conclusions* and concurred that there was no public sector specific reason for not adopting these amendments, henceforth labelled as *Interest Rate Benchmark Reform*.

Amendment: Part II-2a

Amendments to IPSAS 41, *Financial Instruments*

Paragraphs 72A–72E, 155M–155Z, 156F and 191–194 are added. A new heading is inserted before paragraph 155N and 191 and new subheadings are inserted before paragraphs 72A, 155T, 155V, and 155X. New text is underlined.

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Measurement

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Amortized Cost Measurement

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Changes in the Basis for Determining the Contractual Cash Flows as a Result of Interest Rate Benchmark Reform

72A. An entity shall apply paragraphs 72B–72E to a financial asset or financial liability if, and only if, the basis for determining the contractual cash flows of that financial asset or financial liability changes as a result of interest rate benchmark reform. For this purpose, the term ‘interest rate benchmark reform’ refers to the market-wide reform of an interest rate benchmark as described in paragraph 155B.

72B. The basis for determining the contractual cash flows of a financial asset or financial liability can change:

- (a) By amending the contractual terms specified at the initial recognition of the financial instrument (for example, the contractual terms are amended to replace the referenced interest rate benchmark with an alternative benchmark rate);
- (b) In a way that was not considered by—or contemplated in—the contractual terms at the initial recognition of the financial instrument, without amending the contractual terms (for example, the method for calculating the interest rate benchmark is altered without amending the contractual terms); and/or
- (c) Because of the activation of an existing contractual term (for example, an existing fallback clause is triggered).

72C. As a practical expedient, an entity shall apply paragraph AG160 to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform. This practical expedient applies only to such changes and only to the extent the change is required by interest rate benchmark reform (see also paragraph 72E). For this purpose, a change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if, and only if, both these conditions are met:

- (a) The change is necessary as a direct consequence of interest rate benchmark reform; and
- (b) The new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e., the basis immediately preceding the change).

72D. Examples of changes that give rise to a new basis for determining the contractual cash flows that is economically equivalent to the previous basis (i.e., the basis immediately preceding the change) are:

- (a) The replacement of an existing interest rate benchmark used to determine the contractual cash flows of a financial asset or financial liability with an alternative benchmark rate—or the implementation of such a reform of an interest rate benchmark by altering the method used to calculate the interest rate benchmark—with the addition of a fixed spread necessary to compensate for the basis difference between the existing interest rate benchmark and the alternative benchmark rate;
- (b) Changes to the reset period, reset dates or the number of days between coupon payment dates in order to implement the reform of an interest rate benchmark; and
- (c) The addition of a fallback provision to the contractual terms of a financial asset or financial liability to enable any change described in (a) and (b) above to be implemented.

72E. If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, an entity shall first apply the practical expedient in paragraph 72C to the changes required by interest rate benchmark reform. The entity shall then apply the applicable requirements in this Standard to any additional changes to which the practical expedient does not apply. If the additional change does not result in the derecognition of the financial asset or financial liability, the entity shall apply paragraph 71 or paragraph AG161, as applicable, to account for that additional change. If the additional change results in the derecognition of the financial asset or financial liability, the entity shall apply the derecognition requirements.

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Temporary Exceptions from Applying Specific Hedge Accounting Requirements

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End of Application

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155M. An entity shall prospectively cease applying paragraphs 155G and 155H at the earlier of:

- (a) When changes required by interest rate benchmark reform are made to the non-contractually specified risk component applying paragraph 155N; or
- (b) When the hedging relationship in which the non-contractually specified risk component is designated is discontinued.

Additional Temporary Exceptions Arising from Interest Rate Benchmark Reform

155N. As and when the requirements in paragraphs 155D–155H cease to apply to a hedging relationship (see paragraphs 155I–155M), an entity shall amend the formal designation of that hedging relationship as previously documented to reflect the changes required by interest rate benchmark reform, i.e., the changes are consistent with the requirements in paragraphs 72B–72D. In this context, the hedge designation shall be amended only to make one or more of these changes:

- (a) Designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;
- (b) Amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- (c) Amending the description of the hedging instrument.

155O. An entity also shall apply the requirement in paragraph 155N(c) if these three conditions are met:

- (a) The entity makes a change required by interest rate benchmark reform using an approach other than changing the basis for determining the contractual cash flows of the hedging instrument (as described in paragraph 72B);
- (b) The original hedging instrument is not derecognized; and
- (c) The chosen approach is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument (as described in paragraphs 72C and 72D).

155P. The requirements in paragraphs 155D–155H may cease to apply at different times. Therefore, in applying paragraph 155N, an entity may be required to amend the formal designation of its hedging relationships at different times, or may be required to amend the formal designation of a hedging relationship more than once. When, and only when, such a change is made to the hedge designation, an entity shall apply paragraphs 155T–155Y as applicable. An entity also shall apply paragraph 137 (for a fair value hedge) or paragraph 140 (for a cash flow hedge) to account for any changes in the fair value of the hedged item or the hedging instrument.

155Q. An entity shall amend a hedging relationship as required in paragraph 155N by the end of the reporting period during which a change required by interest rate benchmark reform is made to the hedged risk, hedged item or hedging instrument. For the avoidance of doubt, such an amendment to the formal designation of a hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

155R. If changes are made in addition to those changes required by interest rate benchmark reform to the financial asset or financial liability designated in a hedging relationship (as described in paragraphs 72B–72D) or to the designation of the hedging relationship (as required by paragraph 155N), an entity shall first apply the applicable requirements in this Standard to determine if those additional changes result in the discontinuation of hedge accounting. If the additional changes do not result in the discontinuation of hedge accounting, an entity shall amend the formal designation of the hedging relationship as specified in paragraph 155N.

155S. Paragraphs 155T–155Z provide exceptions to the requirements specified in those paragraphs only. An entity shall apply all other hedge accounting requirements in this Standard, including the qualifying criteria in paragraph 129, to hedging relationships that were directly affected by interest rate benchmark reform.

Accounting for Qualifying Hedging Relationships

Cash Flow Hedges

155T. For the purpose of applying paragraph 140, at the point when an entity amends the description of a hedged item as required in paragraph 155N(b), the amount accumulated in the cash flow hedge

reserve shall be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

- 155U. For a discontinued hedging relationship, when the interest rate benchmark on which the hedged future cash flows had been based is changed as required by interest rate benchmark reform, for the purpose of applying paragraph 141 in order to determine whether the hedged future cash flows are expected to occur, the amount accumulated in the cash flow hedge reserve for that hedging relationship shall be deemed to be based on the alternative benchmark rate on which the hedged future cash flows will be based.

Groups of Items

- 155V. When an entity applies paragraph 155N to groups of items designated as hedged items in a fair value or cash flow hedge, the entity shall allocate the hedged items to subgroups based on the benchmark rate being hedged and designate the benchmark rate as the hedged risk for each subgroup. For example, in a hedging relationship in which a group of items is hedged for changes in an interest rate benchmark subject to interest rate benchmark reform, the hedged cash flows or fair value of some items in the group could be changed to reference an alternative benchmark rate before other items in the group are changed. In this example, in applying paragraph 155N, the entity would designate the alternative benchmark rate as the hedged risk for that relevant subgroup of hedged items. The entity would continue to designate the existing interest rate benchmark as the hedged risk for the other subgroup of hedged items until the hedged cash flows or fair value of those items are changed to reference the alternative benchmark rate or the items expire and are replaced with hedged items that reference the alternative benchmark rate.
- 155W. An entity shall assess separately whether each subgroup meets the requirements in paragraph 146 to be an eligible hedged item. If any subgroup fails to meet the requirements in paragraph 146, the entity shall discontinue hedge accounting prospectively for the hedging relationship in its entirety. An entity also shall apply the requirements in paragraphs 137 and 140 to account for ineffectiveness related to the hedging relationship in its entirety.

Designation of Risk Components

- 155X. An alternative benchmark rate designated as a non-contractually specified risk component that is not separately identifiable (see paragraphs 128(a) and AG257) at the date it is designated shall be deemed to have met that requirement at that date, if, and only if, the entity reasonably expects the alternative benchmark rate will be separately identifiable within 24 months. The 24-month period applies to each alternative benchmark rate separately and starts from the date the entity designates the alternative benchmark rate as a non-contractually specified risk component for the first time (ie the 24-month period applies on a rate-by-rate basis).
- 155Y. If subsequently an entity reasonably expects that the alternative benchmark rate will not be separately identifiable within 24 months from the date the entity designated it as a non-contractually specified risk component for the first time, the entity shall cease applying the requirement in paragraph 155X to that alternative benchmark rate and discontinue hedge accounting prospectively from the date of that reassessment for all hedging relationships in which the alternative benchmark rate was designated as a non-contractually specified risk component.
- 155Z. In addition to those hedging relationships specified in paragraph 155N, an entity shall apply the requirements in paragraphs 155X and 155Y to new hedging relationships in which an alternative benchmark rate is designated as a non-contractually specified risk component (see

paragraphs 128(a) and AG257) when, because of interest rate benchmark reform, that risk component is not separately identifiable at the date it is designated.

Effective Date and Transition

Effective Date

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156F. Paragraphs 72A–72E, 155M–155Z, and 191–194 were added by ~~[draft]~~ *Improvements to IPSAS, 2021*, issued in ~~[Month]~~~~[Year]~~January 2022. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2023. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

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Transition

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Transition for Interest Rate Benchmark Reform—Phase 2

191. An entity shall apply *Interest Rate Benchmark Reform—Phase 2* amendments retrospectively in accordance with IPSAS 3, except as specified in paragraphs 192–194.

192. An entity shall designate a new hedging relationship (for example, as described in paragraph 155Z) only prospectively (i.e., an entity is prohibited from designating a new hedge accounting relationship in prior periods). However, an entity shall reinstate a discontinued hedging relationship if, and only if, these conditions are met:

(a) The entity had discontinued that hedging relationship solely due to changes required by interest rate benchmark reform and the entity would not have been required to discontinue that hedging relationship if these amendments had been applied at that time; and

(b) At the beginning of the reporting period in which an entity first applies these amendments (date of initial application of these amendments), that discontinued hedging relationship meets the qualifying criteria for hedge accounting (after taking into account these amendments).

193. If, in applying paragraph 192, an entity reinstates a discontinued hedging relationship, the entity shall read references in paragraphs 155X and 155Y to the date the alternative benchmark rate is designated as a non-contractually specified risk component for the first time as referring to the date of initial application of these amendments (i.e., the 24-month period for that alternative benchmark rate designated as a non-contractually specified risk component begins from the date of initial application of these amendments).

194. An entity is not required to restate prior periods to reflect the application of these amendments. The entity may restate prior periods if, and only if, it is possible without the use of hindsight. If an entity does not restate prior periods, the entity shall recognize any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application of these amendments in the opening net assets/equity

(or other component of net assets/equity, as appropriate) of the annual reporting period that includes the date of initial application of these amendments.

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Basis for Conclusions

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Revision of IPSAS 41 as a result of ~~[draft]~~ *Improvements to IPSAS, 2021*

BC51. The IPSASB reviewed the revisions to IFRS 9, *Financial Instruments*, included in *Interest Rate Benchmark Reform—Phase 2* (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) issued by the IASB in August 2020, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions and concurred that there was no public sector specific reason for not adopting these amendments, henceforth labelled as *Interest Rate Benchmark Reform—Phase 2*.

Amendment: Part II-2b**Amendments to IPSAS 29, *Financial Instruments: Recognition and Measurement***

Paragraphs 113O–113ZC, 125J–125M are added. New headings are inserted before paragraph 113P. New subheadings are inserted before paragraphs 113V, 113W, 113Y, 113ZA and AG20A. New text is underlined and deleted text is struck through.

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Hedge Accounting

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Temporary Exceptions from Applying Specific Hedge Accounting Requirements

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End of Application

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113O. An entity shall prospectively cease applying paragraphs 113H and 113I at the earlier of:

- (a) When changes required by interest rate benchmark reform are made to the non-contractually specified risk portion applying paragraph 113P; or
- (b) When the hedging relationship in which the non-contractually specified risk portion is designated is discontinued.

Additional Temporary Exceptions Arising from Interest Rate Benchmark Reform*Hedge Accounting*

113P. As and when the requirements in paragraphs 113D–113I cease to apply to a hedging relationship (see paragraphs 113J–113O), an entity shall amend the formal designation of that hedging relationship as previously documented to reflect the changes required by interest rate benchmark reform, i.e., the changes are consistent with the requirements in paragraphs 72B–72D of IPSAS 41. In this context, the hedge designation shall be amended only to make one or more of these changes:

- (a) Designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;
- (b) Amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged;
- (c) Amending the description of the hedging instrument; or
- (d) Amending the description of how the entity will assess hedge effectiveness.

113Q. An entity also shall apply the requirement in paragraph 113P(c) if these three conditions are met:

- (a) The entity makes a change required by interest rate benchmark reform using an approach other than changing the basis for determining the contractual cash flows of the hedging instrument (as described in paragraph 72B of IPSAS 41);

- (b) The original hedging instrument is not derecognized; and
 - (c) The chosen approach is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument (as described in paragraphs 72C and 72D of IPSAS 41).
- 113R. The requirements in paragraphs 113D–113I may cease to apply at different times. Therefore, applying paragraph 113P, an entity may be required to amend the formal designation of its hedging relationships at different times, or may be required to amend the formal designation of a hedging relationship more than once. When, and only when, such a change is made to the hedge designation, an entity shall apply paragraphs 113V–113ZB as applicable. An entity also shall apply paragraph 99 (for a fair value hedge) or paragraph 107 (for a cash flow hedge) to account for any changes in the fair value of the hedged item or the hedging instrument.
- 113S. An entity shall amend a hedging relationship as required in paragraph 113P by the end of the reporting period during which a change required by interest rate benchmark reform is made to the hedged risk, hedged item or hedging instrument. For the avoidance of doubt, such an amendment to the formal designation of a hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.
- 113T. If changes are made in addition to those changes required by interest rate benchmark reform to the financial asset or financial liability designated in a hedging relationship (as described in paragraphs 72B–72D of IPSAS 41) or to the designation of the hedging relationship (as required by paragraph 113P), an entity shall first apply the applicable requirements in this Standard to determine if those additional changes result in the discontinuation of hedge accounting. If the additional changes do not result in the discontinuation of hedge accounting, an entity shall amend the formal designation of the hedging relationship as specified in paragraph 113P.
- 113U. Paragraphs 113V–113ZC provide exceptions to the requirements specified in those paragraphs only. An entity shall apply all other hedge accounting requirements in this Standard, including the qualifying criteria in paragraph 98, to hedging relationships that were directly affected by interest rate benchmark reform.

Accounting for Qualifying Hedging Relationships

Retrospective Effectiveness Assessment

- 113V. For the purpose of assessing the retrospective effectiveness of a hedging relationship on a cumulative basis applying paragraph 98(e) and only for this purpose, an entity may elect to reset to zero the cumulative fair value changes of the hedged item and hedging instrument when ceasing to apply paragraph 113G as required by paragraph 113M. This election is made separately for each hedging relationship (i.e., on an individual hedging relationship basis).

Cash Flow Hedges

- 113W. For the purpose of applying paragraph 108, at the point when an entity amends the description of a hedged item as required in paragraph 113P(b), the cumulative gain or loss in net assets/equity shall be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- 113X. For a discontinued hedging relationship, when the interest rate benchmark on which the hedged future cash flows had been based is changed as required by interest rate benchmark reform, for

the purpose of applying paragraph 112(c) in order to determine whether the hedged future cash flows are expected to occur, the amount accumulated in ~~other comprehensive income-net assets/equity~~ for that hedging relationship shall be deemed to be based on the alternative benchmark rate on which the hedged future cash flows will be based.

Groups of Items

113Y. When an entity applies paragraph 113P to groups of items designated as hedged items in a fair value or cash flow hedge, the entity shall allocate the hedged items to subgroups based on the benchmark rate being hedged and designate the benchmark rate as the hedged risk for each subgroup. For example, in a hedging relationship in which a group of items is hedged for changes in an interest rate benchmark subject to interest rate benchmark reform, the hedged cash flows or fair value of some items in the group could be changed to reference an alternative benchmark rate before other items in the group are changed. In this example, in applying paragraph 113P, the entity would designate the alternative benchmark rate as the hedged risk for that relevant subgroup of hedged items. The entity would continue to designate the existing interest rate benchmark as the hedged risk for the other subgroup of hedged items until the hedged cash flows or fair value of those items are changed to reference the alternative benchmark rate or the items expire and are replaced with hedged items that reference the alternative benchmark rate.

113Z. An entity shall assess separately whether each subgroup meets the requirements in paragraphs 87 and 93 to be an eligible hedged item. If any subgroup fails to meet the requirements in paragraphs 87 and 93, the entity shall discontinue hedge accounting prospectively for the hedging relationship in its entirety. An entity also shall apply the requirements in paragraphs 99 or 107 to account for ineffectiveness related to the hedging relationship in its entirety.

Designating Financial Items as Hedged Items

113ZA. An alternative benchmark rate designated as a non-contractually specified risk portion that is not separately identifiable (see paragraphs 90 and AG139) at the date it is designated shall be deemed to have met that requirement at that date, if, and only if, the entity reasonably expects the alternative benchmark rate will be separately identifiable within 24 months. The 24-month period applies to each alternative benchmark rate separately and starts from the date the entity designates the alternative benchmark rate as a non-contractually specified risk portion for the first time (i.e., the 24-month period applies on a rate-by-rate basis).

113ZB. If subsequently an entity reasonably expects that the alternative benchmark rate will not be separately identifiable within 24 months from the date the entity designated it as a non-contractually specified risk portion for the first time, the entity shall cease applying the requirement in paragraph 113ZA to that alternative benchmark rate and discontinue hedge accounting prospectively from the date of that reassessment for all hedging relationships in which the alternative benchmark rate was designated as a non-contractually specified risk portion.

113ZC. In addition to those hedging relationships specified in paragraph 113P, an entity shall apply the requirements in paragraphs 113ZA and 113ZB to new hedging relationships in which an alternative benchmark rate is designated as a non-contractually specified risk portion (see paragraphs 90 and AG139) when, because of interest rate benchmark reform, that risk portion is not separately identifiable at the date it is designated.

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Effective Date and Transition

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125J. Paragraphs 113O–113ZC, 125K–125M were added by ~~[draft]~~ *Improvements to IPSAS, 2021*, issued in ~~[Month]~~ ~~[Year]~~ **January 2022**. 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 an earlier period, it shall disclose that fact. An entity shall apply these amendments retrospectively in accordance with IPSAS 3, except as specified in paragraphs 125K–125M.

125K. An entity shall designate a new hedging relationship (for example, as described in paragraph 113ZC) only prospectively (i.e., an entity is prohibited from designating a new hedge accounting relationship in prior periods). However, an entity shall reinstate a discontinued hedging relationship if, and only if, these conditions are met:

- (a) The entity had discontinued that hedging relationship solely due to changes required by interest rate benchmark reform and the entity would not have been required to discontinue that hedging relationship if these amendments had been applied at that time; and
- (b) At the beginning of the reporting period in which an entity first applies these amendments (date of initial application of these amendments), that discontinued hedging relationship meets the qualifying criteria for hedge accounting (after taking into account these amendments).

125L. If, in applying paragraph 125K, an entity reinstates a discontinued hedging relationship, the entity shall read references in paragraphs 113ZA and 113ZB to the date the alternative benchmark rate is designated as a non-contractually specified risk portion for the first time as referring to the date of initial application of these amendments (i.e., the 24-month period for that alternative benchmark rate designated as a non-contractually specified risk portion begins from the date of initial application of these amendments).

125M. An entity is not required to restate prior periods to reflect the application of these amendments. The entity may restate prior periods if, and only if, it is possible without the use of hindsight. If an entity does not restate prior periods, the entity shall recognize any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application of these amendments in the opening net assets/equity (or other component of net assets/equity, as appropriate) of the annual reporting period that includes the date of initial application of these amendments.

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Basis for Conclusions

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Revision of IPSAS 29 as a result of ~~[draft]~~ *Improvements to IPSAS, 2021*

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BC22. The IPSASB reviewed the revisions to IAS 39, *Financial Instruments: Recognition and Measurement*, included in *Interest Rate Benchmark Reform—Phase 2* (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) issued by the IASB in August 2020, and the IASB's

rationale for making these amendments as set out in its Basis for Conclusions and concurred that there was no public sector specific reason for not adopting these amendments, henceforth labelled as *Interest Rate Benchmark Reform—Phase 2*.

- BC23. In addition to the above amendments to IPSAS 29 (as amended by IPSAS 41 when it was first published in 2018), the IPSASB considered that entities still applying IPSAS 29 (prior to the adoption of IPSAS 41) could benefit from the amendments to the hedging section included in paragraphs 113A-113ZC of IPSAS 29 (as amended by IPSAS 41 when it was first published in 2018) and the amendments on the practical expedient for changes in the contractual cash flows of financial instruments included in paragraphs 72A-72E of IPSAS 41.
- BC24. While the amendments in paragraphs 72A-72E of IPSAS 41 were unnecessary in the IASB's IPSAS 29 equivalent standard, IAS 39, they are necessary in IPSAS 29 (prior to the adoption of IPSAS 41) because the sections on contractual cash flows are effective until January 1, 2023.

Amendment: Part II-2c**Amendments to IPSAS 30, *Financial Instruments: Disclosures***

Paragraphs 28I–28J and 52M–52N are added. A new subheading is inserted before paragraph 28I. New text is underlined.

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Other Disclosures

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Hedge Accounting

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Additional Disclosures Related to Interest Rate Benchmark Reform

28I. To enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy, an entity shall disclose information about:

- (a) The nature and extent of risks to which the entity is exposed arising from financial instruments subject to interest rate benchmark reform, and how the entity manages these risks; and
- (b) The entity's progress in completing the transition to alternative benchmark rates, and how the entity is managing the transition.

28J. To meet the objectives in paragraph 28I, an entity shall disclose:

- (a) How the entity is managing the transition to alternative benchmark rates, its progress at the reporting date and the risks to which it is exposed arising from financial instruments because of the transition;
- (b) Disaggregated by significant interest rate benchmark subject to interest rate benchmark reform, quantitative information about financial instruments that have yet to transition to an alternative benchmark rate as at the end of the reporting period, showing separately:
 - (i) Non-derivative financial assets;
 - (ii) Non-derivative financial liabilities; and
 - (iii) Derivatives; and
- (c) If the risks identified in paragraph 28J(a) have resulted in changes to an entity's risk management strategy (see paragraph 26A), a description of these changes.

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Effective Date and Transition

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52M. Paragraphs 28I–28J and 52N were added by ~~[draft]~~ *Improvements to IPSAS, 2021*, issued in ~~[Month]~~ ~~[Year]~~ *January 2022*. An entity shall apply these amendments when it applies the *Interest Rate Benchmark Reform—Phase 2* amendments to IPSAS 29 or IPSAS 41.

52N. In the reporting period in which an entity first applies *Interest Rate Benchmark Reform—Phase 2* amendments an entity is not required to present the quantitative information required by paragraph 33(f) of IPSAS 3.

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Basis for Conclusions

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Revision of IPSAS 30 as a result of ~~[draft]~~ *Improvements to IPSAS, 2021*

BC13. The IPSASB reviewed the revisions to IFRS 7, *Financial Instruments*, included in *Interest Rate Benchmark Reform—Phase 2* (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) issued by the IASB in August 2020, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions and concurred that there was no public sector specific reason for not adopting these amendments, henceforth labelled as *Interest Rate Benchmark Reform—Phase 2*.

Amendment: Part II-3a**Amendments to IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)***

Paragraphs 85B and 154P are added. New text is underlined.

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

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IPSAS 4, The Effects of Changes in Foreign Exchange Rates

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85B. Instead of applying paragraph 85, a controlled entity that uses the exemption in paragraph 129(a) may elect, in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the controlling entity's consolidated financial statements, based on the controlling entity's date of adoption of IPSASs, if no adjustments were made for consolidation procedures and for the effects of the public sector combination in which the controlling entity acquired the controlled entity. A similar election is available to an associate or joint venture that uses the exemption in paragraph 129(a).

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Effective Date and Transition

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154P. Paragraph 85B was added by ~~—[draft]~~ *Improvements to IPSAS, 2021*, issued in ~~[Month]~~~~[Year]~~January 2022. An entity shall apply ~~these~~~~this~~ amendments for annual financial statements covering periods beginning on or after January 1, ~~[Year]~~2022. Earlier application is permitted. If an entity applies ~~these~~~~this~~ amendments for an earlier period, it shall disclose that fact.

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Basis for Conclusions

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Revision of IPSAS 33 as a result of ~~—[draft]~~ *Improvements to IPSAS, 2021*

BC126. The IPSASB reviewed the revisions to IFRS 1, *First-time Adoption of International Financial Reporting Standards*, included in *Annual Improvements to IFRS® Standards (2018-2020)* issued by the IASB in May 2020, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions and concurred that there was no public sector specific reason for not adopting these amendments.

Amendment: Part II-3b

Amendments to IPSAS 41, *Financial Instruments*

Paragraph AG46 is amended and paragraphs AG46A, 154G and 195 are added. A new heading is inserted above paragraph 195. New text is underlined and deleted text is struck through.

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Effective Date and Transition

Effective Date

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154G. Paragraph AG46 was amended and paragraphs AG46A and 195 were added by ~~[draft]~~ *Improvements to IPSAS, 2021*, issued in ~~[Month]~~~~[Year]~~January 2022. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2023. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

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Transition

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Transition for ~~[draft]~~ *Improvements to IPSAS, 2021*

195. An entity shall apply ~~[draft]~~ *Improvements to IPSAS, 2021* to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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Application Guidance

This Appendix is an integral part of IPSAS 41.

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Recognition and Derecognition

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Derecognition of Financial Liabilities

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AG46. For the purpose of paragraph 36, the terms are substantially different if 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 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. ~~If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the~~

~~exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability. In determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.~~

AG46A. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

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Basis for Conclusions

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Revision of IPSAS 41 as a result of ~~[draft]~~ *Improvements to IPSAS, 2021*

BC52. The IPSASB reviewed the revisions to IFRS 9, *Financial Instruments*, included in *Annual Improvements to IFRS® Standards (2018-2020)* issued by the IASB in May 2020, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions and concurred that there was no public sector specific reason for not adopting these amendments.

Amendment: Part II-4a**Amendments to IPSAS 1, *Presentation of Financial Statements***

Paragraphs 80, 84, 85 and 87 are amended and paragraphs 83A, 86A, 87A, 87B and 153T are added. Paragraphs 81, 82, 83 and 86 have been included for ease of reference but are not amended. New subheadings are inserted before paragraphs 81, 82, 83A and 87A. New text is underlined and deleted text is struck through.

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Structure and Content

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Statement of Financial Position

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Current Liabilities

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80. — A liability shall be classified as current when it satisfies any of the following criteria:

- ~~(a) — It is expected to be settled in the entity's normal operating cycle;~~
- ~~(b) — It is held primarily for the purpose of being traded;~~
- ~~(c) — It is due to be settled within twelve months after the reporting date; or~~
- ~~(d) — The entity does not have an unconditional the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting date (see paragraph 84). Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.~~

All other liabilities shall be classified as non-current.

Normal Operating Cycle (paragraph 80(a))

~~81. — Some current liabilities, such as government transfers payable and some accruals for employee and other operating costs, are part of the working capital used in the entity's normal operating cycle. Such operating items are classified as current liabilities even if they are due to be settled more than twelve months after the reporting date. The same normal operating cycle applies to the classification of an entity's assets and liabilities. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.~~

Held Primarily for the Purpose of Trading (paragraph 80(b)) or Due to be Settled within Twelve Months (paragraph 80(c))

~~82. — Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within twelve months after the reporting date or held primarily for the purpose of being traded. Examples are some financial liabilities that meet the definition of held for trading in IPSAS 41, bank overdrafts, and the current portion of non-current financial liabilities, dividends or similar distributions payable, income taxes and other non-trade payables. Financial liabilities that~~

~~provide financing on a long-term basis (i.e., are not part of the working capital used in the entity's normal operating cycle) and are not due for settlement within twelve months after the reporting date are non-current liabilities, subject to paragraphs 85 and 86.~~

~~83. An entity classifies its financial liabilities as current when they are due to be settled within twelve months after the reporting date, even if:~~

~~(a) The original term was for a period longer than twelve months; and~~

~~(b) An agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorized for issue.~~

Right to Defer Settlement for at Least Twelve months (paragraph 80(d))

~~83A. An entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and, as illustrated in paragraphs 84–86, must exist at the end of the reporting period. If the right to defer settlement is subject to the entity complying with specified conditions, the right exists at the end of the reporting period only if the entity complies with those conditions at the end of the reporting period. The entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.~~

~~84. If an entity expects, and has the discretion, right, at the end of the reporting period, to refinance or roll over an obligation for at least twelve months after the reporting date under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. However, when refinancing or rolling over the obligation is not at the discretion of the entity (for example, there is no agreement to refinance), if the entity has no such right the potential to refinance is not considered and the obligation is classified as current.~~

~~85. When an entity breaches an undertaking a condition under a long-term loan agreement on or before the reporting date, with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the reporting date and before the authorization of the financial statements for issue, not to demand payment as a consequence of the breach. The liability is classified as current because, at the reporting date, the entity does not have an unconditional the right to defer its settlement for at least twelve months after that date.~~

~~86. However, the liability is classified as non-current if the lender agreed by the reporting date to provide a period of grace ending at least twelve months after the reporting date, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.~~

~~86A. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. If a liability meets the criteria in paragraph 80 for classification as non-current, it is classified as non-current even if management intends or expects the entity to settle the liability within twelve months after the reporting period, or even if the entity settles the liability between the end of the reporting period and the date the financial statements are authorized for issue. However, in either of those circumstances, the entity may need to disclose information about the timing of settlement to enable users of its financial statements to understand the impact of the liability on the entity's financial position (see paragraphs 29(c) and 87(d)).~~

~~87. In respect of loans classified as current liabilities, if if the following events occur between the reporting date and the date the financial statements are authorized for issue, those events qualify~~

for disclosure as non-adjusting events in accordance with IPSAS 14, *Events after the Reporting Date*:

- (a) ~~Refinancing on a long-term basis of a liability classified as current (see paragraph 83);~~
- (b) ~~Rectification of a breach of a long-term loan agreement classified as current (see paragraph 85); and~~
- (c) ~~The receipt from the lender of a period of grace to rectify a breach of a long-term loan agreement ending at least twelve months after the reporting date, classified as current (see paragraph 86); and~~
- (d) ~~Settlement of a liability classified as non-current (see paragraph 86A).~~

~~Settlement (Paragraphs 80(a), 80(c) and 80(d))~~

~~87A. For the purpose of classifying a liability as current or non-current, settlement refers to a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of:~~

- ~~(a) Cash or other economic resources—for example, goods or services; or~~
- ~~(b) The entity's own equity instruments, unless paragraph 87B applies.~~

~~87B. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current if, applying IPSAS 28, *Financial Instruments: Presentation*, the entity classifies the option as an equity instrument, recognizing it separately from the liability as an equity component of a compound financial instrument.~~

...

Effective Date

...

~~153T. Paragraphs 80, 84, 85 and 87 were amended and paragraphs 83A, 86A, 87A and 87B were added by [draft] *Improvements to IPSAS, 2021*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year] retrospectively in accordance with IPSAS 3. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.~~

...

Basis for Conclusions

...

Revision of IPSAS 1 as a result of [draft] *Improvements to IPSAS, 2021*

~~BC39. The IPSASB reviewed the revisions to IAS 1, *Presentation of Financial Statements*, included in *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1) issued by the IASB in January 2020, and the IASB's rationale for making these amendments as set out in its Basis~~

~~for Conclusions and concurred that there was no public sector specific reason for not adopting these amendments.~~

Amendment: Part II-~~4b~~4a**Amendments to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets***

Paragraphs 79A, 110A and 111P are added and paragraph 80 is amended. Paragraph 79 has been included for ease of reference but is not amended. New text is underlined and deleted text is struck through.

...

Application of the Recognition and Measurement Rules

...

Onerous Contracts

...

79. This Standard defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits or service potential expected to be received under it, which includes amounts recoverable. Therefore, it is the present obligation net of recoveries that is recognized as a provision under paragraph 76. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.

79A. The cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both:

(a) The incremental costs of fulfilling that contract—for example, direct labor and materials; and

(b) An allocation of other costs that relate directly to fulfilling contracts—for example, an allocation of the depreciation charge for an item of property, plant, and equipment used in fulfilling that contract among others.

80. Before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets ~~dedicated to that~~ used in fulfilling the contract (see IPSAS 21 and IPSAS 26).

...

Transitional Provision

...

110A. ~~[Draft]~~ Improvements to IPSAS, 2021, issued in [Month] [Year] January 2022 added paragraph 79A and amended paragraph 80. An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of net assets/equity or other component of net assets/equity, as appropriate, at the date of initial application.

...

Effective Date

...

111P. Paragraphs 79A and 110A were added and paragraph 80 was amended by ~~[draft]~~ *Improvements to IPSAS, 2021*, issued in ~~[Month]~~ ~~[Year]~~ *January 2022*. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, ~~[Year]~~ *2022*. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

...

Basis for Conclusions

...

Revision of IPSAS 19 as a result of ~~[draft]~~ *Improvements to IPSAS, 2021*

BC26. The IPSASB reviewed the revisions to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, included in *Onerous Contracts—Cost of Fulfilling a Contract* (Amendments to IAS 37) issued by the IASB in May 2020, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions and concurred that there was no public sector specific reason for not adopting these amendments.

Amendment: Part II-~~4e~~4b**Amendments to IPSAS 17, *Property, Plant, and Equipment***

Paragraphs 31 and 89 are amended, paragraphs 34A, 89A, 106B and 107U are added. New text is underlined and deleted text is struck through.

...

Measurement at Recognition

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Elements of Cost

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31. Examples of directly attributable costs are:

- (a) Costs of employee benefits (as defined in IPSAS 39, *Employee Benefits*) arising directly from the construction or acquisition of the item of property, plant, and equipment;
- (b) Costs of site preparation;
- (c) Initial delivery and handling costs;
- (d) Installation and assembly costs;
- (e) Costs of testing whether the asset is functioning properly (i.e., assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes), ~~after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment)~~; and
- (f) Professional fees.

...

34A. Items may be produced while bringing an item of property, plant, and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly). An entity recognizes the proceeds from selling any such items, and the cost of those items, in surplus or deficit in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IPSAS 12.

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Disclosure

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89. **The financial statements shall also disclose for each class of property, plant, and equipment recognized in the financial statements:**

- (a) **The existence and amounts of restrictions on title, and property, plant, and equipment pledged as securities for liabilities;**

- (b) The amount of expenditures recognized in the carrying amount of an item of property, plant, and equipment in the course of its construction; and
- (c) The amount of contractual commitments for the acquisition of property, plant, and equipment; and
- (d) ~~If it is not disclosed separately on the face of the statement of financial performance, the amount of compensation from third parties for items of property, plant, and equipment that were impaired, lost or given up that is included in surplus or deficit.~~
[Deleted]

89A. If not presented separately in the statement of financial performance, the financial statements shall also disclose:

- (a) The amount of compensation from third parties for items of property, plant, and equipment that were impaired, lost or given up that is included in surplus or deficit; and
- (b) The amounts of proceeds and cost included in surplus or deficit in accordance with paragraph 34A that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of financial performance include(s) such proceeds and cost.

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Transitional Provisions

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106B. ~~[Draft]~~ *Improvements to IPSAS, 2021*, issued in ~~[Month]~~ ~~[Year]~~ January 2022 amended paragraphs 31 and 89 and added paragraphs 34A and 89A. An entity shall apply those amendments retrospectively, but only to items of property, plant, and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of net assets/equity (or other component of equity, as appropriate) at the beginning of that earliest period presented.

...

Effective Date

...

107U. Paragraphs 31 and 89 were amended and paragraphs 34A, 89A and 106B were added by ~~[draft]~~ *Improvements to IPSAS, 2021*, issued in ~~[Month]~~ ~~[Year]~~ January 2022. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, ~~[Year]~~2022. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

...

Basis for Conclusions

...

Revision of IPSAS 17 as a result of ~~[draft]~~ Improvements to IPSAS, 2021

BC17. The IPSASB reviewed the revisions to IAS 16, *Property, Plant and Equipment*, included in *Property, Plant and Equipment—Proceeds before Intended Use* (Amendments to IAS 16) issued by the IASB in May 2020, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions and concurred that there was no public sector specific reason for not adopting these amendments.

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Supporting Document 3 – IPSASB Due Process Checklist for *Improvements to IPSAS, 2021*

Project: Improvements (*Improvements to IPSAS, 2021*)

#	Due Process Requirement	Yes/No	Comments
A. Project Brief			
A1.	A proposal for the project (project brief) has been prepared, that highlights key issues the project seeks to address.	See Comment	<p>In the IPSASB Strategy and Work Plan 2019-2023 it was confirmed that maintaining alignment with International Financial Reporting Standards, under Theme B for aligned standards, and continuing to align with GFS where appropriate under both Theme A and Theme B, are key priorities of the IPSASB.</p> <p>The <i>Improvements</i> Project is therefore a 'standing project' to deal with non-substantive changes to the IPSAS through minor amendments. It addresses improvements arising from:</p> <ul style="list-style-type: none"> • The Conceptual Framework; • Government Finance Statistics; • IASB Amendments; and • Other general improvements. <p>Because of the nature of the amendments, a project proposal is not developed for each improvements project.</p>
A2.	The IPSASB has approved the project in a public meeting.	N/A	See above.
A3.	The IPSASB CAG has been consulted on the project brief.	N/A	See above
B. Development of Proposed International Standard			
B1.	The IPSASB has considered whether to issue a consultation paper or undertake other outreach activities to solicit views on matters under consideration from constituents.	Yes	Because of the nature of the amendments included in the Improvements Project, the IPSASB concluded that a CP stage is not warranted.

#	Due Process Requirement	Yes/No	Comments
B2.	If comments have been received through a consultation paper or other public forum, they have been considered in the same manner as comments received on an exposure draft.	N/A	See above.
B3.	The IPSASB CAG has been consulted on significant issues during the development of the exposure draft.	N/A	This step is not in effect for this project. Because of the nature of the amendments included in the Improvements Project, where significant issues are identified during the development of an Exposure Draft, the issue will be removed from the Exposure Draft and considered in a separate project. Consequently, there are no significant issues on which to consult the IPSASB CAG.
B4.	The IPSASB has approved the issue of the exposure draft.	Yes	<p>The IPSASB considered an issues paper and draft exposure draft (ED) for approval at its June 2021 meeting:</p> <p>https://www.ifac.org/system/files/meetings/files/4-Improvements_June_Final_0.pdf</p> <p>The IPSASB approved the issue of ED 80, <i>Improvements to IPSAS, 2021</i> at its June 2021 meeting.</p> <p>See the June 2021 minutes (section 4).</p>
C. Public Exposure			
C1.	The approved exposure draft has been posted to the IPSAS website for public comment for an appropriate period.	Yes	<p>The ED 80 was published in July 2021. Comments were requested by September 30, 2021.</p> <p>https://www.ifac.org/system/files/publications/files/ED-80-Improvements-IPSAS-2021.pdf</p>
C2.	Comments on the exposure draft have been posted to the IPSASB website after the end of the exposure period.	Yes	<p>11 comment letters to ED 80 were received. All responses were made available publicly on the IPSASB website.</p>

#	Due Process Requirement	Yes/No	Comments
<i>D. Consideration of Respondents' Comments on an Exposure Draft</i>			
D1.	Staff have provided the IPSASB, as part of the public agenda papers, with an analysis summarizing the significant issues raised by respondents, outlined their proposed disposition, and, as appropriate, explained why significant changes recommended by respondents have or have not been accepted.	Yes	<p>(To be Updated After December 2021 Meeting)</p> <p>The issues raised by respondents to the ED 80 were presented to the IPSASB.</p> <p>See Agenda Item 3 of the December 2021 meeting.</p>
D2.	The IPSASB has deliberated significant matters raised in the comment letters, and significant decisions have been minuted.	Yes	<p>(To be Updated After December 2021 Meeting)</p> <p>The IPSASB deliberated the issues raised in the comment letters to ED 80 at its December 2021 meeting. See section 3 of the December 2021 minutes.</p>
D3.	The IPSASB has considered whether there are any issues raised by respondents, in addition to those summarized by Staff, that it considers should have been discussed by the IPSASB.	Yes	<p>(To be Updated After December 2021 Meeting)</p> <p>The IPSASB considered whether there were any issues raised by respondents, that should be discussed, other than those raised by staff. The IPSASB was comfortable that all issues raised by respondents were discussed. See section 3 of the December 2021 minutes.</p>
D4.	The IPSASB CAG has been consulted on significant issues raised by respondents to the exposure draft and the IPSASB's related responses.	N/A	<p>This step is not in effect for this project.</p> <p>Because of the consequential nature of the amendments included in the Improvements Project, where significant issues are raised by respondents, the issue will be removed from the final international standard and considered in a separate project. Consequently, there are no significant issues on which to consult the IPSASB CAG as part of the Improvements project.</p>

#	Due Process Requirement	Yes/No	Comments
D5.	Significant comments received through consultation with the IPSASB CAG are brought to the IPSASB's attention. Staff have reported back to the IPSASB CAG the results of the IPSASB's deliberations on those comments received from the CAG.	N/A	This step is not in effect for this project. See above.
D6.	The IPSASB has assessed whether there has been substantial change to the exposed document such that re-exposure is necessary.	Yes	(To be Updated After December 2021 Meeting) The Program and Technical Director provided his assessment that there had been no substantial change to the exposed document such that re-exposure is necessary. The IPSASB members agreed with this assessment. See section 3 of the December 2021 minutes.
D7.	If applicable, the IPSASB has voted on a resolution in favor of re-exposure.	N/A	
D8.	The basis of the IPSASB's decision with respect to re-exposure has been minuted.	Yes	(To be Updated After December 2021 Meeting) See section 3 of the December 2021 minutes.
D9.	If the exposure draft has been re-exposed, the explanatory memorandum accompanying the re-exposure draft explained the reasoning for re-exposure and the changes made as a result of the earlier exposure.	N/A	
E. Approval			

#	Due Process Requirement	Yes/No	Comments
E1.	The Program and Technical Director has confirmed to the IPSASB that due process has been followed effectively the final standard is approved for issuance.	Yes	<p>(To be Updated After December 2021 Meeting)</p> <p>Staff's assessment that due process had been followed effectively is included in the extract from the draft minutes.</p> <p>The Program and Technical Director asserted that due process had been followed effectively, in that:</p> <ul style="list-style-type: none"> • An ED had been issued for consultation; • Responses to the ED were received and made publicly available on the IPSASB website; • The IPSASB had deliberated significant matters raised in the comment letters, and significant decisions will be minuted; and • The IPSASB had considered whether there are any issues raised by respondents, in addition to those summarized by Staff, that it considers should have been discussed by the IPSASB, and agreed there were none. <p>This is reflected in the extract from the draft minutes.</p>
E2.	The IPSASB has approved the final revised content of the exposed standard in accordance with its Terms of Reference.	Yes	<p>(To be Updated After December 2021 Meeting)</p> <p>The IPSASB approved <i>Improvements to IPSAS, 2021</i>, including the Basis for Conclusions. There were XX members in agreement, XX members against, XX abstention and XX members absent. The approval vote is reflected in the extract from the draft minutes.</p>

Agenda Item 3.3.3

#	Due Process Requirement	Yes/No	Comments
E3.	If applicable, the IPSASB has set an effective date for application of the final standard.	Yes	<p>(To be Updated After December 2021 Meeting)</p> <p>Staff's recommendation regarding the effective date is included in Agenda Item 3.2.3 of the December 2021 IPSASB meeting.</p> <p>The IPSASB set an effective date of:</p> <ul style="list-style-type: none"> (i) January 1, 2022 for Part I-1, Part I-2, Part I-4, Part II-1b, Part II-2b, Part II-3a, renumbered Part II-4a, renumbered Part II-4b; and (ii) January 1, 2023 for Part II-1a, Part II-2a, Part II-3b? <p>The decision is reflected in the extract from the draft minutes. The draft minutes will be approved at the IPSASB's March 2022 meeting.</p>
E4.	The IPSASB's basis for conclusions has been prepared and included in the final standard.	Yes	<p>(To be Updated After December 2021 Meeting)</p> <p>The basis for conclusions will be included in the final standard.</p>

Completed by:

Staff MMM DD, YYY