

**Meeting:** International Public Sector Accounting  
Standards Board

**Meeting Location:** Lisbon, Portugal

**Meeting Date:** September 9–12, 2025

## Agenda Item 10

For:

☐ Approval

☒ Discussion

☐ Information

### IPSASB APPLICATION GROUP


<b>Project summary</b>	<p>The objective of the IPSASB Application Group is to:</p> <ul style="list-style-type: none"> <li>• Assist in ensuring consistent application of IPSAS Standards by considering application questions submitted by stakeholders; and</li> <li>• Assist the IPSASB in identifying areas where changes to existing guidance, or additional guidance, may be required.</li> </ul>	
<b>Project staff lead</b>	<ul style="list-style-type: none"> <li>• Edwin Ng, Principal</li> </ul>	
<b>Group members</b>	<ul style="list-style-type: none"> <li>• Andrew van der Burgh, IPSASB Member (Group Chair)</li> <li>• Liang Yang, Partner, Deloitte China</li> <li>• Mohamed Saadique Merchant, Chief Financial Specialist, Department of Finance – Government of Dubai</li> </ul>	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Project management</b>	<a href="#">IPSASB Application Group Dashboard</a>	<a href="#">10.1.1</a>
	<a href="#">Instructions up to Previous Meeting</a>	<a href="#">10.1.2</a>
	<a href="#">Decisions up to Previous Meeting</a>	<a href="#">10.1.3</a>
	<a href="#">IPSASB Application Group: Project Roadmap</a>	<a href="#">10.1.4</a>
<b>Decisions required at this meeting</b>	<a href="#">Summary of IPSASB Application Group Activities</a>	<a href="#">10.2.1</a>
	<a href="#">Reporting: IPSASB Application Group</a>	<a href="#">10.2.2</a>
<b>Other supporting items</b>	<a href="#">Supporting Document 1 - Queries Not Analyzed by IPSASB Application Group</a>	<a href="#">10.3.1</a>
	<a href="#">Supporting Document 2 - IFRIC Activities Not Analyzed by IPSASB Application Group</a>	<a href="#">10.3.2</a>

Prepared by: Edwin Ng (August 2025)

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## IPSASB APPLICATION GROUP: PROJECT MANAGEMENT DASHBOARD

Overall Project Management	Past Meetings	Ongoing
Introduction of the IPSASB Application Group (IAG)	✓	
Finalize the Initial Operating Procedures for the IAG	✓	
Commence Operation of the IAG	✓	
Analysis of Queries and Updates from the IASB or IFRIC		

Legend	
✓	Task Completed
	Planned IPSASB Discussion
	Page-by-page Review

**INSTRUCTIONS UP TO PREVIOUS MEETING**

Meeting	Instruction	Actioned
June 2025	1. Amend the IAG reporting framework for the comments from members.	1. Changes have been incorporated into Agenda Item 10.2.2.

**DECISIONS UP TO PREVIOUS MEETING**

<b>Meeting</b>	<b>Decision</b>	<b>BC Reference</b>
June 2025 and prior	1. N/A – all prior decisions have been reflected in the IPSASB Application Group website and operating procedures.	1. N/A

**IPSASB APPLICATION GROUP:  
PROJECT ROADMAP**

<b>Meeting</b>	<b>Completed Actions or Discussions / Planned Actions or Discussions:</b>
September 2023	1. Present key considerations document regarding the IPSASB Application Group (IAG) to the IPSASB
December 2024	1. Finalize the process documentation for the IAG
March 2025	1. Commence operation of the IAG
June 2025	1. Analysis of IPSAS issues submitted and Updates from the IASB or IFRS Interpretations Committee (IFRIC) (If Applicable)
September 2025	a) Analysis of IPSAS issues submitted and Updates from the IASB or IFRIC (If Applicable)
December 2025	a) Analysis of IPSAS issues submitted and Updates from the IASB or IFRIC (If Applicable)

## **Summary of IPSASB Application Group Activities**

### **Purpose**

1. To update on the work of the IPSASB Application Group (IAG) during the current quarter.

### **Background**

2. At the June 2025 meeting, the IPSASB was updated on the appointment of Ms. Liang Yang and Mr. Saadique Merchant to the IAG. The IPSASB also discussed the public launch of the IAG in July 2025. This paper summarizes the key activities of the IAG in the third quarter of 2025.

### **Analysis**

3. During the third quarter of 2025, the IAG completed the following activities:
  - (a) **Public Launch of the IAG.** The launch of the IAG was announced via a press release and on [social media](https://www.ipsasb.org/news-events/2025-07/ipsasb-launches-new-way-submit-technical-and-application-issues) on July 10, 2025. A copy of the press release can be found on the IPSASB website at: <https://www.ipsasb.org/news-events/2025-07/ipsasb-launches-new-way-submit-technical-and-application-issues>.
  - (b) **Issue Submission Website.** Along with the formal launch of the IAG, the website for stakeholders to submit their issues has been finalized. Members can visit the website at: <https://www.ipsasb.org/submit-issue-ipsasb-application-group>.
  - (c) **Q3 IAG Meeting.** The IAG met on August 13, 2025, to discuss the following:
    - (i) Analysis of the March 2025 IFRIC agenda decision on guarantees – see Agenda Item 10.2.2;
    - (ii) Queries received during the quarter – see Agenda Items 10.2.2 and 10.3.1; and
    - (iii) Updates from the IFRIC's June 2025 meeting – see Agenda Item 10.3.2.

### **Other Planned Activities**

4. The IPSASB staff is currently developing the following initiatives:
  - (a) **Database of Issues.** Staff is working with the IFAC Communications team to develop a database of the issues submitted to the IAG. As discussed in June 2025, the submissions will be anonymized and made publicly available on the IPSASB website; and
  - (b) **Informational materials.** To continue to raise awareness of the IAG and the issue submission website, the IAG chair is working with IPSASB staff to develop a series of information videos to explain the purpose of the IAG, what issues considers, and how to submit an issue. These videos are expected to be launched at the Public Sector Standard Setters Forum, then on social media and available on the IAG website.

### **Decision Required**

5. No decisions required.

## Reporting: IPSASB Application Group

### Purpose

1. To summarize the activities of the IPSASB Application Group (IAG) during the current quarter.

### Recommendation

2. Staff recommend:
  - (a) No changes to IPSAS Standards or educational materials regarding the measurement of equity investments. However, if the IPSASB performs a post-implementation review of the consolidation suite of standards, the assessment of significant influence will be included in the review; and
  - (b) Incorporating the IFRIC's clarification on the accounting for guarantees into the Staff Q&A on the Accounting for Contingencies and Financial Guarantees.

### Background

3. The IAG was established:
  - (a) To assist in fostering consistent application of the IPSAS Standards (by considering application questions or issues submitted by stakeholders); and
  - (b) To assist the IPSASB in identifying areas where changes to existing guidance, or additional guidance, may be required.
4. Issues discussed by the IAG are identified by stakeholders, who are expected to submit queries via the IPSASB website.

### Analysis

#### *Summary of Queries Submitted*

5. Summary of queries submitted in the current and previous quarters:

	Current Quarter	Previous Quarter
Queries carried forward from previous quarter	-	-
Queries submitted	2	1
Analyzed by IPSASB Staff Does not meet criteria for IAG analysis – see <a href="#">Agenda Item 10.3.1</a>	1	1
Analyzed by IAG	1	-
Submissions yet to be analyzed	-	-

6. The table below summarizes the queries analyzed by the IAG during the second quarter of 2025. The table includes the following activities:

**IAG's recommendations for the IPSASB's consideration.** Queries analyzed by the IAG for which a recommendation has been developed, or under development for the IPSASB's consideration at future meeting.

IAG's Recommendations for the IPSASB's consideration	
Issue Number	Issue Title
Q3 2025-1	Measurement of Equity Investments in the Public Sector: The Limitation of IPSAS 41, <i>Financial Instruments</i> , and IPSAS 46, <i>Measurement</i>
<p><b>Description</b></p> <p>The IAG received a submission asking for clarification on the accounting of equity instruments held by a public sector entity, specifically, whether an equity instrument can be measured at current operational value (COV).</p> <p><i>Summary of the Submission</i></p> <p>Entity A owns 12.2% of the outstanding shares of a corporation (Entity B) that is wholly owned by a group of 27 public sector entities.</p> <p>The key characteristics of Entity B's ownership structure and shares are as follows:</p> <ul style="list-style-type: none"> <li>• There is an agreement in place that prevents the shares from being sold by any of the shareholders;</li> <li>• The shares do not pay out dividends;</li> <li>• There is no agreement conferring joint control to the shareholders; and</li> <li>• The purpose and design of Entity B was specified in the corporation's Articles of Association, which was agreed upon by all shareholders.</li> </ul> <p>The submission also considered if paragraph AG3 of IPSAS 41, which allows the use of the equity method via IPSAS 36, <i>Investments in Associates and Joint Ventures</i>, for strategic investments, is applicable. The submitter noted that significant influence does not exist due to the following reasons:</p> <ul style="list-style-type: none"> <li>• Key decisions of Entity B require the majority of votes with a required quorum of 18 shareholders;</li> <li>• Changes to the Articles of Association require a two-third majority vote; and</li> <li>• There is a current understanding among shareholders that the current governance structure of Entity B should not be changed.</li> </ul> <p>As control, joint control, or significant influence does not exist, the submission concluded that the equity instrument is within the scope of IPSAS 41, <i>Financial Instruments</i>. The submitter noted that the equity instrument cannot be measured at amortized cost as there are no contractual cash flows. Furthermore, despite the presence of an active market for road salt, the submitter indicated that fair value is not an appropriate measurement basis as the sale of the shares is prohibited.</p> <p>In the submitter's view, holding the equity instruments for strategic reasons, together with the absence of cash flows and the restriction on sale, indicate that the instruments are held for their operational capacity and not for their financial capacity. As a result, the submission concluded that a COV, which reflects the amount an entity would pay to acquire the remaining service potential of an</p>	



asset at the measurement date (i.e., a COV based on the cost approach), would be the appropriate measurement basis. Based on their conclusion, the submission indicated that there is currently a gap in the measurement guidance for financial instruments, as IPSAS 41 requires the current value of financial instruments to be measured at fair value.

## *Analysis by the IAG*

The IAG noted that it would be important to obtain and fully understand the following information before proceeding with an analysis of the issue:

- Given the restrictions on sale and lack of dividends, in substance, what are the rights and potential returns conferred to the shareholders?
- How do the shareholders exercise their rights to direct the operations of Entity B?
- Given that there are 27 shareholders, how does Entity A's 12.2% ownership of shares compare to the percentages owned by other investors? Does this potentially higher ownership percentage confer any rights to Entity A that are not available to other shareholders? For example, can Entity A elect a member of Entity B's Board of Directors or equivalent body?

Staff is following up with the submitter and will revisit the submission with the IAG in Q4 2025. The updated analysis will be presented to the IPSASB at the December 2025 meeting.

Status	IAG Conclusion
Analysis to be completed once outstanding information has been received.	Updated analysis to be presented to the IPSASB at the December 2025 meeting.

## *Summary of IFRIC Activities*

7. Summary of IFRIC activities from the current and previous quarters:

	Current quarter	Previous quarter
IFRIC activities carried forward from previous quarter	1 (March 2025 meeting)	-
IFRIC activities	1 (June 2025 meeting)	3 (March 2025 meeting)
Analyzed by IPSASB Staff Does not meet criteria for IAG analysis – see <a href="#">Agenda Item 10.3.2</a>	1	2
Analyzed by IAG for submission to IPSASB	1	-
IFRIC activities yet to be analyzed	-	1

8. The table below summarizes the work of the IFRIC analyzed by the IPSASB staff and IAG in the current quarter.

IAG's Recommendations for the IPSASB's consideration	
Issue Number	Issue Title
March 2025 - 1	Guarantees issued on obligations of other entities
<p><b>Description</b></p> <p><i>Summary of Issue Presented in June 2025</i></p> <p>In March 2025, IFRIC finalized its agenda decision on the accounting for guarantees issued on obligations of other entities. The IFRIC decided not to add a standard setting project and clarified in the agenda decision how an entity should account for these guarantees and whether it should apply IFRS 9, <i>Financial Instruments</i>, or another IFRS Accounting Standard.</p> <p>The IFRIC noted that an entity accounts for its issued guarantees based on the terms and conditions of the guarantees, including consideration of whether these terms and conditions have substance. Based on the scoping requirements in IFRS, an entity considers the guidance below in the following order:</p> <ol style="list-style-type: none"> <li>1. Is the guarantee a financial guarantee contract within the scope of IFRS 9?</li> <li>2. Is the guarantee an insurance contract within the scope of IFRS 17, <i>Insurance Contracts</i>?</li> <li>3. Is the guarantee a loan commitment, derivative, or financial liability within the scope of IFRS 9?</li> <li>4. Is the guarantee part of a revenue contract within the scope of IFRS 15, <i>Revenue from Contracts with Customers</i>?</li> <li>5. Does the guarantee give rise to a provision, contingent liability or contingent asset within the scope of IAS 37, <i>Provisions, Contingent Liabilities and Contingent Asset</i>?</li> </ol> <p><i>September 2025 Update</i></p> <p>The IPSASB staff and the IAG discussed whether the above clarification should be incorporated into the IPSAS Standards and noted that the IFRIC's agenda decision did not introduce or modify guidance that would impact the equivalent IPSAS Standards. Therefore, a standards setting project would not be necessary to update the IPSAS Standards on financial instruments or contingencies. In addition, a Staff Q&amp;A on the <a href="#">Accounting for Contingencies and Financial Guarantees</a> was issued in May 2023 to address the use of contingencies and guarantees by public sector entities to provide support during the COVID19 pandemic. The Q&amp;A document covered topics such as:</p> <ol style="list-style-type: none"> <li>a) What are the different types of contingencies and financial guarantees addressed by IPSAS;</li> <li>b) The accounting for contingent liabilities within the scope of IPSAS 19 and financial guarantees within the scope of IPSAS 41;</li> <li>c) Measurement of a loss allowance for a financial guarantee; and</li> <li>d) Differences between IPSAS, IFRS and statistical guidelines.</li> </ol> <p>Staff and the IAG agreed that the clarification from the IFRIC should be incorporated into the Staff Q&amp;A as an elaboration of how an entity determines if a guarantee is within the scope of IPSAS 19, IPSAS 41, IPSAS 47, or a relevant international or national accounting standard dealing with</p>	

insurance contracts (as alignment with IFRS 17 is currently not in the IPSASB's work plan.) The IAG noted that because there is currently no IPSAS Standard on insurance contracts, the application of paragraphs 9-15 of IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*, would require the consideration of IPSAS Standards before looking to the relevant international or national accounting standards. As a result, the IAG proposed revising the consideration of guidance in the following order:

1. Is the guarantee a financial guarantee contract within the scope of IPSAS 41?
2. Is the guarantee a loan commitment, derivative, or financial liability within the scope of IPSAS 41?
3. Is the guarantee part of a revenue contract within the scope of IPSAS 47, *Revenue*?
4. Does the guarantee give rise to a provision, contingent liability or contingent asset within the scope of IPSAS 19, *Provisions, Contingent Liabilities and Contingent Asset*?
5. Is the guarantee an insurance contract within the scope of a relevant international or national accounting standard dealing with insurance contracts?

In addition, the IAG proposed revising the introduction in the Staff Q&A so that the document addresses contingencies and financial guarantees in general rather than ones issued in response to the COVID-19 pandemic.

As the Staff Q&A is not a board document, staff update the document pending the IPSASB's agreement that a standards setting project is not required.

IFRIC Status	IAG Status
Agenda decision finalized.	Subject to the IPSASB's agreement that a standards setting project is not required, staff will work with the IAG to update the Staff Q&A document.

### Decision Required

9. Does the IPSASB agree with the staff's [recommendations](#)?

## Supporting Documents 1 – Queries Not Analyzed by IPSASB Application Group (For Information Purposes Only)

### Purpose

1. To summarize the queries received during the period that were not analyzed by the IPSASB Application Group (IAG) as they did not meet certain criteria. These queries are *not* for the IPSASB's consideration.

### Queries Not Analyzed by IPSASB Application Group

2. The table below summarizes the activities of the IAG during the third quarter of 2025. The table includes the following activities:
  - (a) **Analyzed by IPSASB Staff and rejected by IAG.** Topics analyzed by IPSASB staff which do not meet the criteria to be considered by the IAG.
    - (i) Accounting for Financial Guarantees

Analyzed by IPSASB Staff	
Issue Number	Issue Title
Q3 2025-2	Accounting for Financial Guarantees
<b>Description</b>  The IPSASB staff responded to a question relating the issuance of a financial guarantee. In the scenario, Entity A (the reporting entity) issued a financial guarantee to Entity B in exchange for a fee that the fee has a concessionary element and is lower than the market rate. The submission asked if the fee is an exchange transaction that should be measured at the consideration received.  The Based on the facts provided, the IPSASB staff provided direction that paragraphs AG133-AG135 of IPSAS 41, <i>Financial Instruments</i> , would be applicable to the transaction. Paragraph AG133 requires an entity to determine if the consideration received represents fair value. If the consideration differs from fair value, paragraph AG135 requires the guarantee to be recognized at fair value and the difference between the consideration received and the fair value of the guarantee is recognized as an expense.	
<b>Status</b>	<b>Why not Considered by IAG</b>
Not analyzed by IPSASB Application Group.	Issue is addressed by existing guidance in IPSAS Standards. Analysis was limited to directing stakeholder to existing guidance.

## **Supporting Documents 2 – IFRIC Activities Not Analyzed by IPSASB Application Group (For Information Purposes Only)**

### **Purpose**

1. To summarize the IFRIC Activities during the period that were not analyzed by the IPSASB Application Group (IAG), as they did not meet certain criteria. These IFRIC activities are *not* for the IPSASB's consideration.

### **IFRIC Activities Not Analyzed by IPSASB Application Group**

2. The table below summarizes the activities of the IFRIC analyzed by the IPSASB staff during the third quarter of 2025:

<b>Analyzed by IPSASB Staff</b>	
<b>Issue Number</b>	<b>Issue Title</b>
June 2025 - 1	Assessing Indicators of Hyperinflationary Economies (IAS 29)
<p><b>Description</b></p> <p>The IFRIC received the following questions on the application of IAS 29, <i>Financial Reporting in Hyperinflationary Economies</i>:</p> <ol style="list-style-type: none"> <li>a) Should all the indicators in paragraph 3 of IAS 29 be considered in assessing when an economy becomes hyperinflationary, including whether to continue to consider all indicators even when one indicator in the paragraph has been met?</li> <li>b) Does IAS 29 require the consideration of indicators other than those listed in paragraph 3?</li> <li>c) Does IAS 29 require both a subsidiary (in its financial statements) and a parent (in its consolidated financial statements) to conclude consistently on when an economy becomes hyperinflationary?</li> </ol> <p>The IFRIC found that stakeholders:</p> <ol style="list-style-type: none"> <li>a) Do not conclude on when an economy becomes hyperinflationary based on only one indicator from paragraph 3 of IAS 29;</li> <li>b) Considers indicators other than those listed in paragraph 3; and</li> <li>c) Do not reach different conclusions at different levels within a group when preparing financial statements using the same basis of preparation.</li> </ol> <p>Based on these findings, the IFRIC concluded that the matter in the submission does not have widespread effect and decided not to add a standard-setting project to the work plan. The IASB met in July 2025 and did not object to publishing the final agenda decision.</p> <p>The IPSASB staff noted that the indicators listed in paragraph 3 of IAS 29 are consistent with those in paragraph 5 of IPSAS 10. Paragraph 5 explicitly indicates that the assessment of when an economy becomes hyperinflationary is a matter of judgment and that hyperinflation is indicated by, but not limited to, the listed characteristics. In addition, as the indicators relate to the overall</p>	

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economy in a jurisdiction rather than the entity, the facts and circumstances for both a controlling entity and a controlled entity are expected to be consistent.	
<b>IFRIC Status</b>  Agenda decision finalized.	<b>IAG Status</b>  No action required by IPSASB. As the guidance on the assessment of when an economy becomes hyperinflationary in in IPSAS 10 is aligned with IAS 29, the IFRIC's decision also applies to the IPSAS Standards.