

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: New York, USA

Meeting Date: December 2–5, 2025

Agenda Item 11

For:

☐ Approval

☒ Discussion

☐ Information

IPSASB APPLICATION GROUP


Project summary	<p>The objective of the IPSASB Application Group is to:</p> <ul style="list-style-type: none"> Assist in ensuring consistent application of IPSAS Standards by considering application questions submitted by stakeholders; and Assist the IPSASB in identifying areas where changes to existing guidance, or additional guidance, may be required. 	
Project staff lead	<ul style="list-style-type: none"> Edwin Ng, Principal 	
Group members	<ul style="list-style-type: none"> Andrew van der Burgh, IPSASB Member (Group Chair) Liang Yang, Partner, Deloitte China Mohamed Saadique Merchant, Chief Financial Specialist, Department of Finance – Government of Dubai 	
Meeting objectives	Topic	Agenda Item
Project management	IPSASB Application Group Dashboard	11.1.1
	Instructions up to Previous Meeting	11.1.2
	Decisions up to Previous Meeting	11.1.3
	IPSASB Application Group: Project Roadmap	11.1.4
Decisions required at this meeting	Summary of IPSASB Application Group Activities	11.2.1
	Reporting: IPSASB Application Group	11.2.2
Other supporting items	Supporting Document 1 - Queries Not Analyzed by IPSASB Application Group	11.3.1
	Supporting Document 2 - IFRIC Activities Not Analyzed by IPSASB Application Group	11.3.2

Prepared by: Edwin Ng (November 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
September 2025	1. None.	1. N/A.

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
September 2025	1. None.	1. N/A

**IPSASB APPLICATION GROUP:
PROJECT ROADMAP**

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
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	1. Analysis of IPSAS issues submitted and Updates from the IASB or IFRIC (If Applicable)
December 2025	1. 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. This paper summarizes the key activities of the IAG in the fourth quarter of 2025.

Analysis

3. During the fourth quarter of 2025, the IAG completed the following activities:
 - (a) **Updated the Issue Submission Website.** The issue submission website has been updated for a video explaining the operation of the IAG as well as how to submit an issue. Clips of this video were also used at the Public Sector Standard Setters Forum in September 2025 as well as on social media to promote the IAG. Members can visit the updated website at: <https://www.ipsasb.org/submit-issue-ipsasb-application-group>.
 - (b) **Raised awareness of the IAG Process.** At the three regional roundtable events during the fourth quarter, IPSASB Staff discussed the IAG process and how to submit issues. The IAG was also discussed at various outreach events with an international organization. Feedback was overwhelmingly positive and there was significant support for the IPSASB beginning this channel of engagement with stakeholders.
 - (c) **Q3 IAG Meeting.** The IAG met on November 10, 2025, to discuss the following:
 - (i) Completion of the analysis on the measurement of equity instruments from Q3 of 2025 – see [Agenda Item 11.2.2](#);
 - (ii) Discussed other queries received during the quarter that staff concluded should not be analyzed by the IAG in detail nor discussed with the IPSASB – see [Agenda Item 11.3.1](#); and
 - (iii) Discussed updates from the IFRIC's September 2025 meeting – see [Agenda Item 11.3.2](#). (Note: There were no final agenda decisions from the Interpretations Committee as of the posting date for the IPSASB December 2025 meeting.)

Other Planned Activities

4. The IPSASB staff is currently developing the following initiatives:
 - (a) **Database of Issues.** Staff continue to work with the IFAC Communications team to develop a public 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. Internally, staff will have a more detailed database with the identity and jurisdiction of each submission, as this information may be useful in identifying common trends and issue areas. However, this version will not be shared publicly.

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 no changes to financial instruments suite of IPSAS Standards or educational materials regarding the measurement of equity investments.

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. The IAG discussed issues submitted by stakeholders via the IPSASB website as well as updates from the IASB and IFRS Interpretations Committee (IFRIC).

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	1	-
Queries submitted	2	1
Analyzed by IPSASB Staff Does not meet criteria for IAG analysis	2	-
Analyzed by IAG	1	-
Submissions yet to be analyzed	-	1

6. The table below summarizes the queries analyzed by the IAG during the fourth quarter of 2025. The table includes queries analyzed by the IAG for which a recommendation has been developed, or under development for the IPSASB's consideration:

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>Description</p> <p><i>Note: This issue was first presented to the IPSASB in September 2025. Since then, the IPSASB staff has updated the analysis for additional facts received from the submitter.</i></p> <p><i>Summary of the Submission</i></p> <p>The IAG received a submission asking for clarification on the accounting of equity instruments held by a public sector entity (Entity A), specifically, whether an equity instrument can be measured at current operational value (COV).</p> <p>Entity A owns 12.2% of the outstanding shares of a corporation (Entity B) that is wholly owned by a number of unrelated government entities. The objective of Entity B and its ownership structure is to secure an uninterrupted supply of salt to mitigate road safety risks, and the corporation achieves this objective by mining, processing, and distributing salt for use on the roads within the shareholders' jurisdictions during the winter.</p> <p>Entity B's ownership arrangement and shares have the following characteristics:</p> <ul style="list-style-type: none"> • There is no one shareholder who controls Entity B; • Including Entity A, there are 27 shareholders and none of the shareholders are related parties; • The size of each shareholder's holdings is proportionate to their demand for salt. However, the percentage of shares owned by each shareholder has no impact on their votes or ability to exercise significant influence, as explained below. • The purpose and design of Entity B was specified in the corporation's Articles of Association, which was agreed upon by all shareholders. Amendments to the articles require a two-thirds majority of votes; • Decisions regarding the day-to-day operations of Entity B are made by its Board of Directors, which is comprised of representatives from the shareholders. Decisions require a majority vote with a required quorum of at least 18 shareholders. Entity B's executive management is appointed by the Board of Directors; • There is a shareholder agreement in place which requires the Board of Directors to consist of representatives from the various shareholders, and this representation periodically rotates so that none of the shareholders can exercise significant influence or joint control; • Legally, it is possible for the shares to pay dividends. However, this is not expected as it is subject to shareholder approval, and there is an understanding that the purpose of Entity B is not to make profit or pay dividends like in the private sector; and 	

- The shareholder agreement prevents the shares from being sold by any of the shareholders. The purpose of this restriction is to maintain the current governance structure, as the operation of the company is considered critically important.

Summary of the Submitted Analysis

(For informational purposes only. Please note the following is a summary of the submitter's analysis of the issue. The IAG was not consulted on the summary and does not reflect the views of the IAG or IPSASB Staff.)

The submission noted that as control, joint control, or significant influence does not exist, the equity instrument is within the scope of IPSAS 41, *Financial Instruments*. The submission also 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.

The submission considered if paragraph AG3 of IPSAS 41, which allows the use of the equity method via IPSAS 36 for strategic investments, is applicable. The submitter noted that the equity method is not appropriate because:

- a) Significant influence does not exist in their view based on the nature of the shares and various restrictions from the shareholder agreement; and
- b) The equity method does not capture the service potential or operational purpose in the same way as COV.

In the submission'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 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 discussed the above fact pattern at its November 2025. While the IAG does not advise on the accounting for specific transactions, depending on the specific facts and circumstances, the IAG considered the following:

1. Paragraph 9 of IPSAS 28, *Financial Instruments: Presentation*, defines a financial asset as:
 - a) Cash;
 - b) An equity instrument of another entity; or
 - c) A contractual right that will or may be settled in the entity's own equity instruments and is either a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments, or a derivative that will or may be settled other than by the exchange of a fixed amount of cash, another financial asset, or a fixed number of the entity's own equity instruments.
2. Paragraph 9 of IPSAS 28 also defines an equity instrument as any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

3. Where the case facts support the investment meets the definition of an equity instrument, and Entity A determines that the restrictions in the shareholders' agreement are not substantive, the investment could fall within the definitions of financial assets and equity instruments. Under this view, the investment would be within the scope of IPSAS 41 and measured at fair value. However, because the instrument is not actively traded, paragraphs AG140-AG143 could be applicable. These paragraphs clarify that in limited circumstances, where insufficient information is available, cost may be an appropriate estimate of fair value.
4. Where case facts support the investment does not, in substance, have the key characteristics of a financial asset or an equity instrument (for example, there appears to be restrictions on dividends, and the sale/liquidation of the investment is restricted), the investment is likely an intangible asset within the scope of IPSAS 31, *Intangible Assets*.
5. Paragraph 16 of IPSAS 31 defines an intangible asset as an identifiable non-monetary asset without physical substances. In this fact pattern, Entity B was set up, in substance, using the legal structure of a corporation to facilitate the supply of salt to the shareholders and the entity was not designed to generate a return to its shareholders. Under this view, the measurement guidance for the intangible assets in IPSAS 31 would be applicable.

Conclusion

6. Based on the above, the IAG concluded that there is sufficient guidance in existing IPSAS Standards. Therefore, the IAG concluded that no amendments to existing guidance, or the development of additional guidance, is required.

Status

Analysis completed. Based on the facts provided, the investment is, in substance, not a financial instrument and its nature is more in line with an intangible asset within the scope of IPSAS 31, *Intangible Assets*.

IAG Conclusion

Based on the updated analysis, the IAG concluded existing guidance is clear and that no changes to existing guidance, or additional guidance, needs to be developed.

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 (June 2025 IPSASB meeting)
IFRIC activities	-	1 (September 2025 IPSASB meeting)
Analyzed by IPSASB Staff Does not meet criteria for IAG analysis	-	1
Analyzed by IAG for submission to IPSASB	-	1
IFRIC activities yet to be analyzed	-	-

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 N/A	Issue Title N/A
Description <p>Since the September 2025 IPSASB meeting, there have been no new final IFRIC agenda decision as at the posting date for the December 2025 meeting.</p>	
IFRIC Status N/A	IAG Status N/A

Decision Required

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

**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 fourth 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 exemptions from value-added tax and custom duties on qualifying purchases; and
 - (ii) Consideration of double materiality in public sector sustainability reporting standards.

Analyzed by IPSASB Staff	
Issue Number	Issue Title
Q4 2025-1	Accounting for Exemptions from Value-Added Tax and Custom Duties on Qualifying Purchases
<p>Description</p> <p>The IPSASB staff responded to a question relating the exemption of value-added tax (VAT) and custom duties on goods or services procured for specified sovereign projects. The entity procuring the goods or services typically pay the vendor invoices with VAT and customs included, then subsequently claims the exemption through the tax authority system. The submission inquired as to whether the exemption should be accounted for as government contributions (revenue or directly in net assets) or as a reduction of the cost of the acquired asset/service.</p> <p>Based on the facts provided, the IPSASB staff provided direction that paragraph 19 of IPSAS 12, <i>Inventories</i>, and paragraph 14 of IPSAS 45, <i>Property, Plant, and Equipment</i>, would be applicable to the VAT/custom duties exemption on purchases. IPSAS 12 refers to the cost of purchased inventories comprising of (among other elements), "...import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities)." Similarly, IPSAS 45 indicates that the cost of an item of property, plant, and equipment comprises of (among other elements), "...its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates."</p> <p>As the VAT and custom duties were specifically driven by the purchases of qualifying goods or services, the above guidance indicates that the exemptions should be accounted for as a reduction in the cost of these goods or services as they result in the refund of amounts recoverable from the tax authorities.</p>	

Status Not analyzed by IPSASB Application Group.	Why not Considered by IAG Issue is addressed by existing guidance in IPSAS Standards. Analysis was limited to directing stakeholder to existing guidance.
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Analyzed by IPSASB Staff	
Issue Number Q4 2025-2	Issue Title Double Materiality in IPSASB SRS Standards
Description <p>The IPSASB received a request to consider double materiality in the IPSASB SRS Standards which are currently under development. Staff noted that the IAG's objective is to assist in ensuring the consistent application of existing IPSAS Standards and to assist the IPSASB in identifying areas where changes to existing guidance or additional guidance may be required. As a result, this issue is not within the remit of the IAG.</p> <p>Furthermore, this topic has been specifically analyzed by the Sustainability – Climate-Related Disclosures project and addressed by the IPSASB as part of an active standard setting project.</p>	
Status Not analyzed by IPSASB Application Group.	Why not Considered by IAG Issue is not within the remit of the IAG.

**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 fourth quarter of 2025:

Analyzed by IPSASB Staff	
Issue Number N/A	Issue Title N/A
Description There were no new final IFRIC agenda decision as at the posting date for the December 2025 IPSASB Meeting.	
IFRIC Status N/A	IAG Status N/A