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AGENDA ITEM 10

IMPROVEMENTS TO IPSAS ACCOUNTING STANDARDS AND IPSAS 40, *PUBLIC SECTOR COMBINATIONS*

IPSASB Meeting – December 2025

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New York, USA

December 2025 Overview

Project Timeline

- Proposed amendments to be discussed at this meeting
  - IPSAS 4 – Lack of exchangeability
  - IPSAS 33 – Foreign exchange and hedge accounting
  - IPSAS 40 – Definition of an operation
  - IPSAS 40 – Recognition of assumed provisions and contingent liabilities
- Staff plan to present the following exposure drafts for approval in March 2026
  - *Improvements to IPSAS Accounting Standards – Volume 10* (See Agenda Item 10.3.1; will also include improvements presented in March and June 2025)
  - *Narrow Scope Amendments to IPSAS 40* (See Agenda Item 10.3.2)

Amendments to IPSAS 4 and IPSAS 33

Analysis

- Proposed amendments
  - IPSAS 4 and IPSAS 33
    - Clarification of when a currency is “exchangeable”
    - Guidance on the determination of a spot exchange rate when a currency is not exchangeable
    - Disclosure requirements regarding such currencies
    - Application guidance and illustrative examples on the above amendments
    - Also amended IPSAS 33 to refer to the guidance on exchangeability in IPSAS 4
  - IPSAS 33
    - Editorial amendments regarding hedge accounting

Recommendation

- Include the proposed amendments in ED [XX], *Improvements to IPSAS Accounting Standards – Volume 10*
- ED to be approved in March 2026

Narrow Scope Amendments to IPSAS 40

Analysis

- Staff presented two amendments to IPSAS 40 in June 2025
  (a) Narrow the definition of 'operation' and clarify related guidance
  (b) Amend the accounting for provisions and contingent liabilities to align with IPSAS 19 to avoid potential day-2 gains
- Staff considered if amendment (a) should be incorporated into IPSAS 40
  - Proposals assist with the determination of whether a transaction is a combination – this is also relevant to the public sector
  - Proposals are expected to result in less asset groups meeting the definition of an operation and, therefore, less combinations – this is an *intended* outcome
  - Amendments do not change whether a combination is an acquisition or amalgamation, or the resulting accounting of these transactions

Recommendation

- Include the proposed amendments in ED [YY], *Narrow Scope Amendments to IPSAS 40*
- ED to be approved in March 2026

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