

Supporting Document 1 – Summary of IPSASB Application Group Activities

Purpose

1. To provide an update on other work performed by the IPSASB Application Group (IAG) during the first quarter of 2026.

Background

2. The IAG and staff met on February 11, 2026, to discuss the queries received and the final IFRIC agenda decisions issued since the last IPSASB meeting. These discussion items are summarized in the tables below, and the results of the meeting are discussed in Agenda Items [13.A.1](#) (posted separately on the meeting webpage), [13.B.2](#), and [13.B.3](#):

Summary of Queries Submitted

	Q1 2026	Q4 2025
Queries carried forward from previous quarter	-	1
Queries received	4	2
Analyzed by the IAG (See Agenda Item 13.A.1)	3	1
Analyzed by IPSASB Staff Does not meet criteria for IAG analysis (See Agenda Item 13.B.2)	1	2
Submissions to be analyzed	-	-

Summary of IFRIC Activities (Final Agenda Decisions or Issued Interpretations)

	Q1 2026	Q4 2025
IFRIC activities carried forward from previous quarter	-	-
IFRIC activities	2	-
Analyzed by the IAG (None in the current quarter)	-	-
Analyzed by IPSASB Staff Does not meet criteria for IAG analysis (See Agenda Item 13.B.3)	2	-
IFRIC activities to be analyzed	-	-

Other Activities

3. In addition, staff updated and issued the revised Staff Q&A on Contingencies and Guarantees, as instructed by the IPSASB in June 2025. The revised Staff Q&A can be found at this [website](#).
4. Staff also continued to work with the IFAC Communications team to develop a public database of the issues submitted to the IAG. In the interim, the query presented to the IPSASB in December 2025 can be found on the [IAG website](#).

Decisions Required

5. No decisions required.

Supporting Document 2 – Queries Not Analyzed by IPSASB Application Group (For Information Purposes Only)

Purpose

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

Queries Not Analyzed by IPSASB Application Group

2. Topics analyzed by the IPSASB staff which do not meet the criteria to be considered by the IAG are summarized below. The summary includes the following topic:
 - (a) Application of IPSAS 21, Impairment of Non-Cash-Generating Assets.

Analyzed by IPSASB Staff	
Issue Number	Issue Title
Q1 2026-4	Application of IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>
Description <ol style="list-style-type: none"> 1. The IPSASB staff responded to a question regarding whether paragraph 39 of IPSAS 21 allows a public sector entity discretion over when to determine if impairment losses exist. Paragraph 39 states: 2. “In some cases, estimates, averages, and computational short cuts may provide reasonable approximations of the detailed computations illustrated in this Standard for determining fair value less costs to sell or value in use.” 3. Staff responded to the submitter and explained that paragraph 39 merely indicates that an entity does not need to go through the same level of detailed analysis as the examples in IPSAS 21 if there are more expedient ways to support an estimate of fair value less costs to sell or value in use. 4. In addition, staff noted that paragraph 26 of IPSAS 21 requires an assessment for the indicators of impairment at each reporting date, and if an indicator exists, paragraph 25 requires an entity to determine if the asset's carrying amount exceeds its fair value less costs to sell or value in use. For an intangible asset with an indefinite useful life or an intangible asset not yet available for use, an entity is required by paragraph 26A to test the asset for impairment at least annually. As a result of these requirements in IPSAS 21, an entity does not have discretion over when to determine if an impairment loss exists. Staff also pointed to the guidance on the determination of fair value less costs to sell and value in use in paragraphs 40-49. 	
Status Not analyzed by IPSASB Application Group.	Why not Considered by IAG Issue is clearly addressed by existing IPSAS Standards and only a limited analysis was required. The stakeholder was directed to existing guidance.

Supporting Document 3 – 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 first quarter of 2026:
 - (a) Determining and accounting for transaction costs (IFRS 9); and
 - (b) Embedded prepayment option (IFRS 9).

Analyzed by IPSASB Staff	
Issue Number	Issue Title
Q1 2026-6	Determining and Accounting for Transaction Costs (IFRS 9)
Description <ol style="list-style-type: none"> 1. The IFRIC received a question on whether costs that are directly attributable to the origination or issuance of a financial instrument but are incurred before entering the contract are 'incremental' and therefore meet the definition of transaction costs in IFRS 9. The IFRIC noted that there was no evidence of diversity in applying this aspect of IFRS 9 and observed that: <ol style="list-style-type: none"> (a) Costs that are directly attributable to the origination or issuance of a financial instrument but are incurred before entering the contract are not precluded from being incremental; and (b) Such transaction costs are recognized in the statement of financial position as prepayments or other assets. <p>Based on their findings, the IFRIC decided not to add a standard-setting project to their work plan.</p> 2. Staff noted that there are no public sector differences in this area and that the IFRIC's decision is also applicable to IPSAS 41 for the following reasons: <ol style="list-style-type: none"> (a) The definition of transaction costs in paragraph 9 of IPSAS 41 is aligned with the definition in IFRS 9; (b) As noted by the IFRIC, the fact that transaction costs are incurred before entering the contract does not preclude such costs from being 'incremental'. i.e., such costs would not have been incurred if the entity had not acquired, issued, or disposed of the financial instrument; and 	

<p>(c) Like IFRS 9, the definition of transaction costs in IPSAS 41 already includes an explanation of what is considered 'incremental'.</p> <p>As a result, staff concluded that no further action is necessary.</p>	
<p>IFRIC Status</p> <p>Not analyzed by the IPSASB Application Group.</p>	<p>IAG Status</p> <p>Issue is addressed by existing guidance in IPSAS Standards, and no further action is required.</p>

Analyzed by IPSASB Staff	
Issue Number	Issue Title
Q1 2026-7	Embedded Prepayment Option (IFRS 9)
<p>Description</p> <ol style="list-style-type: none"> The IFRIC received a question asking whether, for the application of paragraph B4.3.5(e)(ii) of IFRS 9 to a prepayment option in a financial liability, the 'entity' should be read to refer to the lender or the reporting entity (i.e., the borrower). Paragraph B4.3.5(e)(ii), and its equivalent paragraph AG103(e)(ii) in IPSAS 41, states: (<i>Emphasis added to highlight the reference to 'entity'.</i>) "A call, put, or prepayment option embedded in a host debt contract or host insurance contract is not closely related to the host contract unless: <ol style="list-style-type: none"> ... The exercise price of a prepayment option reimburses the lender for an amount up to the approximately present value of lost interest for the remaining term of the host contract. Lost interest is the product of the principal amount prepaid multiplied by the interest rate differential. The interest rate differential is the excess of the effective interest rate of the host contract over the effective interest rate the entity would receive at the prepayment date if it reinvested the principal amount prepaid in a similar contract for the remaining term of the host contract." The submission to the IFRIC noted that applying the paragraph from the perspective of the lender or the perspective of the borrower significantly changes the assessment of whether the prepayment option is closely related to the host debt contract. If the prepayment option is not closely related to the host contract, IFRS 9 requires the option to be separated from the host contract and accounted for at fair value through profit or loss. Similarly, IPSAS 41 requires separate accounting for an embedded prepayment option that is not closely related to the host contract at fair value through surplus or deficit. The IFRIC observed no diversity in practice and noted that stakeholders read 'entity' in paragraph B4.3.5(e)(ii) as referring to the lender. As a result, the IFRIC decided not to add a standard-setting project to the work plan. Staff noted that there are no public sector differences in this area and that the IFRIC's decision is also applicable to IPSAS 41. When paragraph AG103(e)(ii) of IPSAS 41 is read in its entirety, the first sentence refers to the lender. Furthermore, the last sentence in the paragraph 	

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refers to the entity receiving a prepayment in the settlement of a debt contract. Based on the context of the paragraph, the term 'entity' is referring to the lender, and no further action is necessary.	
IFRIC Status Not analyzed by the IPSASB Application Group.	IAG Status Issue is addressed by existing guidance in IPSAS Standards, and no further action is required.