IPSASB International Public Sector Accounting Standards Board®

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Meeting: International Public Sector Accounting Standards Board

Meeting Date: December 8–10, 2026

Agenda Item 5

IPSASB APPLICATION GROUP

Project summary	The objective of the IPSASB Application Group (IAG) is to: • Assist in ensuring consistent application of IPSAS Standards by considering application questions submitted by stakeholders on areas where there could be a lack of clarity in existing standards; and • Assist the IPSASB in identifying areas where changes to existing guidance, or additional guidance, may be required to promote clarity and better understanding of the IPSAS Standards.	
Meeting objective	To get the IPSASB's feedback on the IAG's recommendations regarding the queries submitted by constituents.	
Project staff lead	• Edwin Ng, Principal	
Group members	• Andrew van der Burgh, IPSASB Member (IAG Chair) • Liang Yang, Partner, Deloitte China • Mohamed Saadique Merchant, Chief Financial Specialist, Department of Finance – Dubai Government	
	Topic	***Agenda Item***
Essential Documents (Required Reading)	Reporting: IPSASB Application Group	5.A.1
	Issue Q4 2026-1: Service Concession Liability and Other Provisions and Guarantees	5.A.2
Supporting Documents (Encouraged Reading: Posted Separately on Meeting Page)	Supporting Document 1: Summary of Queries Not Analyzed in Detail by the IPSASB Application Group	5.B.1
	Supporting Document 2: Summary of IFRIC Activities Not Analyzed in Detail by the IPSASB Application Group	5.B.2
	Supporting Document 3: Summary of Pending Action Items from Previous IPSASB Meetings	5.B.3
Background Information (Available on the project webpage)	The analyses completed by the IAG and discussed with the IPSASB, as well as the IAG's Operating Procedures, can be found on the group's Issue Submission Website.	

Prepared by: Edwin Ng (November 2026)

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Reporting: IPSASB Application Group

Decision Required

1. The IPSASB is required to decide whether they agree with the IPSASB Application Group's (IAG) recommendations for the queries received in the fourth quarter of 2026.

Context

2. This paper summarized the IAG's discussion of queries received in the fourth quarter of 2026 and the resulting recommendations for the IPSASB's consideration.

Analysis

Summary of Queries Received in Q4 2026

	Q4 2026	Q3 2026
Queries carried forward from previous quarter	**1**	**1**
Queries received	**2**	**4**
Analyzed by the IAG (See paragraph 3)	**1**	**3**
Analyzed by IPSASB Staff Does not meet criteria for IAG analysis (See paragraph 4)	**2**	**1**
Submissions to be analyzed (See paragraph 5)	**-**	**1**

3. The IAG analyzed one query in detail during the fourth quarter of 2026 and the resulting recommendations are summarized in the following agenda paper:

   (a) Issue Q4 2026-1: Service Concession Liability and Other Provisions and Guarantees. See Agenda Item 5.A.2.

4. Staff also received two submissions which did not require detailed analysis by the IAG:

   (a) Staff received a submission regarding the interaction between IPSAS 44, *Non-Current Assets Held for Sale and Discontinued Operations*, and IPSAS 48, *Transfer Expenses*; and

   (b) Staff received a separate question regarding the acquisition of a computer software system from an unrelated third party. The submission asked if the costs paid to the external party for user acceptance testing and the compilation of an operating manual for a computer software system are considered directly attributable costs which can be recognized as part of the intangible asset.

5. For both submissions, staff noted that the questions received were either already addressed by the IAG at a previous meeting or addressed by guidance in IPSAS 31, *Intangible Assets*, IPSAS 44 or IPSAS 48. As a result, staff confirmed with the IAG that detailed analyses by the group were not required and responded to the constituents. See Agenda Item 5.B.1.

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

	Q4 2026	Q3 2026
IFRIC activities carried forward from the previous quarter	-	1
IFRIC activities	1	1
Analyzed by the IAG (None in the current quarter)	-	-
Analyzed by IPSASB Staff Does not meet criteria for IAG analysis (See paragraph 6)	1	1
IFRIC activities to be analyzed	-	-

6. The IFRS Interpretations Committee issued one final agenda decision in October 2026 regarding the reassessment of control under IFRS 10, *Consolidated Financial Statements*, which did not result in additions to the IASB's work plan or the issuance of an interpretation. Staff analyzed the IFRIC agenda decision and confirmed with the IAG that a detailed analysis was not required. See Agenda Item 5.B.2.

Other Matters

7. Based on discussion with the IAG, staff added a summary of action items from previous IPSASB meetings to the Supporting Documents of this agenda item. See Agenda Item 5.B.3.

Recommendation

8. The IAG recommends the consideration of an amendment to application guidance of IPSAS 32, as detailed in Agenda Item 5.A.2.

Issue Q4 2026-1: Service Concession Liability and Other Provisions and Guarantees

Description

Summary of the Submission

1. A government recognized a service concession liability upon the recognition of a service concession asset provided by the operator in accordance with paragraph 14 of IPSAS 32, *Service Concession Arrangements: Grantor*. As required by paragraph 15 of IPSAS 32, the service concession liability is initially measured at the same amount as the service concession asset, which is measured at its fair value, adjusted by other consideration (e.g. cash) exchanged between the grantor and the operator.

2. In the provided fact pattern, the service concession arrangement also includes minimum revenue guarantees, minimum traffic guarantees, and demand guarantees (i.e., the grantor guarantees the payment of certain operator expenses.)

3. As some of these guarantees appear to directly relate to the operation of the concession, the submission asked if the guarantees are already accounted for within the service concession liability or if they should be accounted for separately as additional provisions or contingent liabilities.

Summary of the Submitted Preliminary Assessment
(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 this summary, and it does not reflect the views of the IAG or IPSASB Staff.)

4. None provided.

Analysis by the IAG

5. When a service concession liability is recognized upon the recognition of a service concession asset provided by the operator, IPSAS 32 requires the liability to be accounted for as either:

   (a) A financial liability payable to the operator if it relates to an unconditional obligation to pay cash or another financial asset (see paragraphs 18-23 of IPSAS 32); or

   (b) Unearned revenue arising from the exchange of the service concession asset for the right to earn revenue from third-party users between the grantor and the operator (see paragraphs 24-26 of IPSAS 32).

6. Paragraphs 29 of IPSAS 32 and the accompanying application guidance in paragraphs AG51-AG54 state that a service concession arrangement may include other liabilities, commitments, and contingent liabilities that could result in the following:

   (a) Financial guarantees within the scope of IPSAS 28, *Financial Instruments: Presentation*, IPSAS 30, *Financial Instruments: Disclosures*, and IPSAS 41, *Financial Instruments*;

   (b) Provisions within the scope of IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*;

   (c) Contingent assets or liabilities, including contingencies arising from disputes over the terms of the service concession arrangement, within the scope of IPSAS 19; or

(d) If the guarantee is an insurance contract, the grantor can elect to apply the relevant international or national accounting standards dealing with insurance contracts (e.g., IFRS 17 *Insurance Contracts*).

These other liabilities, commitments, and contingencies should be recognized or disclosed in accordance with their respective standards.

7. The IAG noted that paragraphs AG52-AG54 are helpful in addressing how to account for these other liabilities, commitments, and contingencies in a service concession arrangement. However, the group also noted that paragraph AG51[1] lists out examples of financial guarantees and performance guarantees that are typically directly related to, and therefore included in, the service concession liability. As a result, the IAG recommend removing these examples, as their location in the section regarding 'Other Liabilities, Commitments, Contingent Liabilities and Contingent Assets' may cause confusion.

IAG Recommendation

8. Based on the above analysis, the IAG recommend the IPSASB to consider a limited amendment of IPSAS 32 to remove paragraph AG51 as part of the 2027 Improvements to IPSAS Accounting Standards.

[1] Paragraph AG51, which is public sector-specific, states: "Service concession arrangements may include various forms of financial guarantees (e.g., a guarantee, security, or indemnity related to the debt incurred by the operator to finance construction, development, acquisition, or upgrade of a service concession asset), or performance guarantees (e.g., guarantee of minimum revenue streams, including compensation for short-falls)."