JUNE 30, 2026

IMPROVEMENTS TO IPSAS ACCOUNTING STANDARDS: VOLUME 10

ED 95 CONSULTATION RESPONSE

KALAR CONSULTING

MANJ KALAR

KALAR CONSULTING

Manj has over 30 years' experience working in public sector, focusing on implementation of accrual accounting across UK central Govt departments and the Whole of Government Accounts consolidation. She has advised several jurisdictions on implementing accrual accounting.

Manj has particular interest in supporting governments to address the practicalities of implementing IPSASs.

KALAR CONSULTING

International Public Sector Accounting Standards Board

70 York Street, Suite 710

Toronto, ON M5J 1S9

Canada

Submitted electronically

30 June 2026

Dear IPSASB Members,

Comment Letter on Exposure Draft 95, Improvements to IPSAS Accounting Standards Volume 10

Thank you for the opportunity to comment on Exposure Draft 95, *Improvements to IPSAS Accounting Standards Volume 10*. I fully support the IPSASB's continuing efforts to maintain a high-quality, coherent, and globally relevant suite of accrual-basis public sector accounting standards through targeted improvements. The regular narrow-scope improvements are important because they reduce avoidable diversity in practice, support comparability across jurisdictions, and help preparers apply the standards consistently without reopening broader conceptual debates.

Overall Position

The proposals in ED 95 are broadly supported. I consider the proposed amendments appropriately focused on clarifying existing requirements, maintaining alignment with relevant IFRS developments where suitable for the public sector, and improving the internal consistency of IPSAS Accounting Standards. In particular, I welcome improvements that enhance transparency in areas where public sector entities increasingly encounter complex arrangements, including financial instruments with contingent features, supplier finance arrangements, electronic payment systems, and contracts referencing nature-dependent electricity.

At the same time, I encourage the IPSASB to ensure that the final amendments remain proportionate for public sector entities of different sizes and levels of technical capacity. In particular, the Board should consider whether additional application guidance, public sector examples, or transition relief would assist entities that are still developing capacity in financial instruments accounting and related disclosures.

Formal Position on Proposed Amendments

I support the proposed amendments in ED 95, subject to the comments and recommendations set out in this letter. I consider the amendments to be appropriate narrow-scope improvements that should enhance clarity, consistency, and alignment with relevant IFRS developments while remaining suitable for application in the public sector.

Response to ED 95 Specific Matters for Comment. The following summary identifies how I respond to the principal matters raised in ED 95.

- **Financial instruments, including classification and measurement, electronic payment systems, and nature-dependent electricity contracts:** I support the proposed amendments to IPSAS 41, subject to additional public sector-specific examples and clarification for treasury, payment, sustainability-linked, and renewable energy arrangements.
- **Supplier finance arrangements:** I support the proposed disclosures, with emphasis on materiality, proportionality, and clear application to central purchasing bodies, shared service centres, and government-wide supplier payment platforms.
- **Foreign exchange and consolidated financial statements:** I support the proposed clarifications, provided the final wording avoids unintended consequences for donor-funded programmes, foreign operations, public sector groups, and controlled entities with different functional currencies.
- **Editorial and consequential amendments:** I support editorial clarifications where they improve readability, update cross-references, or align terminology without changing the meaning of existing requirements.

Detailed Comments

1. Financial Instruments: Classification, Measurement, and Disclosures

I support the proposed amendments to IPSAS 41 addressing classification and measurement of financial assets, including the assessment of contractual cash flow characteristics and the treatment of contingent features. This responds directly to ED 95's specific matter concerning whether the proposed financial instruments improvements appropriately clarify the requirements while maintaining alignment with relevant IFRS developments. In my view, the amendments are helpful because financial assets with environmental, social, governance, sustainability-linked, or similar performance features are becoming more common in public sector financing, concessional lending, and policy-related investment programmes. The amendments also sit alongside the broader development of sustainability reporting in the public sector.

I recommend that the final amendments include public sector-specific examples illustrating how entities should evaluate contingent features that are linked to policy outcomes, service delivery targets, or sustainability indicators. Such examples would help distinguish features that affect only credit risk or compensation for the time value of money from features that introduce exposure to unrelated risks or variability inconsistent with basic lending arrangements.

Potential adoption issues may arise where entities need to review existing loan, investment, guarantee, or sustainability-linked financing arrangements to determine whether the amended classification and measurement requirements affect current accounting treatment. Smaller entities may also face challenges in accessing sufficient technical expertise to assess complex contractual cash flow features, particularly where legal documentation has not been drafted with IPSAS accounting analysis in mind.

2. Electronic Payment Systems

I support the proposed amendments on derecognition of financial liabilities settled through electronic payment systems. This directly addresses ED 95's specific matter on whether the proposed clarification provides a practical and operable basis for determining when a financial liability is extinguished. The improvement is timely because many public sector entities rely on digital payment platforms, centralized treasury systems, and third-party payment processors. Clear guidance on the point of extinguishment will support consistent recognition and reduce uncertainty in period-end reporting.

I suggest that the IPSASB consider whether implementation guidance should address common public sector fact patterns, such as payments processed through national treasury platforms, third-party payment service providers, and intergovernmental clearing mechanisms. This would be especially helpful in jurisdictions where legal discharge, payment authorization, and cash movement may occur at different points in time.

Potential adoption issues may include identifying the exact point at which a liability is extinguished in payment systems where approval, release, clearing, and settlement are performed by different parties or systems. Entities may need to update cut-off procedures, reconciliations, and period-end controls to ensure that liabilities and cash balances are reported consistently when payments are in transit.

3. Contracts Referencing Nature-Dependent Electricity

I support the proposed amendments for contracts referencing nature-dependent electricity, including the interaction with the own-use assessment and hedge accounting requirements. This responds to ED 95's specific matter on whether the proposed guidance is appropriate for contracts whose output depends on natural conditions, such as wind, solar, or hydro generation. Public sector entities are increasingly entering into renewable energy purchase arrangements to meet climate, resilience, energy security, and value-for-money objectives. Clearer guidance should assist preparers in reflecting the economic substance of these arrangements while avoiding unnecessary accounting volatility where contracts are genuinely entered into for own-use or service delivery purposes.

I encourage the IPSASB to explain how the amendments apply where public sector entities enter into arrangements primarily to support policy mandates rather than purely commercial procurement objectives. Additional examples would be useful for long-term renewable energy arrangements, virtual power purchase agreements, and arrangements entered into by public sector entities on behalf of multiple controlled entities or agencies.

Potential adoption issues may arise from the need to reassess long-term energy contracts, particularly where arrangements combine procurement, sustainability commitments, price risk management, and policy objectives. Public sector entities may also need guidance on documenting own-use assessments and hedge accounting judgments where contract volumes are variable because output depends on natural conditions.

4. Supplier Finance Arrangements

I support the proposed supplier finance arrangement disclosure requirements. This responds directly to ED 95's specific matter on whether the proposed disclosures will improve users' understanding of liquidity risk, financing activities, and working capital management. In the public sector, these arrangements may also have implications for budget execution, procurement transparency, supplier payment performance, and the visibility of obligations managed through central payment platforms, particularly where arrangements are used to manage payment timing or support small and medium-sized suppliers.

I recommend that the IPSASB make clear that the disclosures should be sufficiently granular to explain material liquidity and risk effects, while avoiding excessive detail for immaterial or routine payment facilitation arrangements. The Board may also wish to consider whether public sector examples should address arrangements involving central purchasing bodies, shared service centres, and government-wide supplier payment platforms.

Potential adoption issues may include the availability of data needed to provide the proposed supplier finance disclosures, especially where payment arrangements are managed centrally or involve third-party platforms. Entities may also need to distinguish supplier finance arrangements from routine payment processing, procurement card programmes, or early payment initiatives to avoid inconsistent classification and disclosure.

5. Foreign Exchange and Consolidated Financial Statements

I support the proposed improvements relating to foreign exchange and consolidated financial statements. This addresses ED 95's specific matters concerning whether the amendments appropriately clarify existing requirements and improve consistency across IPSAS Accounting Standards. In particular, clarifications in these areas are helpful for public sector groups with foreign operations, development assistance programmes, public corporations, sovereign wealth structures, or controlled entities operating in multiple currencies.

I encourage the IPSASB to review the final wording carefully to ensure that amendments do not inadvertently create uncertainty for entities applying IPSAS in highly inflationary economies, entities with significant donor-funded foreign currency programmes, or entities that consolidate controlled entities with different functional currencies.

In addition, I recommend that the IPSASB consider the practical adoption challenges that may arise for entities applying the proposed foreign exchange and consolidation amendments. These may include systems limitations, judgement in determining functional currency, treatment of intra-government transactions across currencies, differences between IPSAS financial reporting and budgetary reporting bases, alignment with donor or grant reporting requirements, and the transition effort required to reassess existing arrangements or comparative information. Without clear application guidance, there is a risk that the amendments could be applied inconsistently across jurisdictions, particularly where public sector groups include entities with different mandates, funding sources, and operating currencies.

6. Editorial and Consequential Amendments

I support the proposed editorial and terminology clarifications, responding to ED 95's specific matter on whether the consequential and editorial amendments are appropriate. These changes should be finalised only where they clearly improve readability, update cross-references, or align terminology without changing the meaning of existing requirements.

Potential adoption issues for editorial and consequential amendments are likely to be limited, but entities may still need to review accounting manuals, training materials, disclosure checklists, and internal guidance to ensure terminology and cross-references remain aligned with the updated Standards.

Implementation and Transition Considerations

I support the proposed effective date and transition approach, provided that entities are given sufficient time to update systems, accounting policies, disclosure processes, and staff guidance. Although the amendments are narrow in scope, some may require detailed review of contractual terms, treasury processes, procurement arrangements, and consolidation procedures. These activities can be resource-intensive, particularly for smaller public sector entities and jurisdictions that are at an earlier stage of IPSAS implementation.

I recommend that the IPSASB consider providing concise implementation support materials alongside the final amendments. These could include illustrative examples, a summary of key public sector judgments, and a mapping of affected IPSAS requirements. Such materials would support consistent adoption and reduce the risk that narrow-scope improvements are applied unevenly across jurisdictions.

Key Recommendations

In finalising ED 95 and addressing the specific matters for comment, I recommend that the IPSASB:

- Retain the targeted nature of the amendments and avoid expanding the project beyond matters needed to clarify existing requirements and maintain appropriate IFRS alignment.
- Include public sector-specific examples for financial instruments with contingent features, electronic payment settlement, supplier finance arrangements, nature-dependent electricity contracts, foreign exchange, and consolidation judgments.

- Emphasise proportionality in disclosure requirements so that information is useful to users without imposing unnecessary costs on entities where arrangements are immaterial or low risk.
- Clarify transition expectations, including whether comparative information is required, and provide practical guidance for entities that may need to reassess existing contracts or arrangements.
- Address adoption risks explicitly, including systems readiness, data availability, documentation of key judgments, and the interaction between IPSAS reporting requirements and existing public sector budgeting, treasury, procurement, and donor reporting processes.
- Review terminology and cross-references carefully to ensure consistency with other IPSAS Accounting Standards and to avoid unintended interpretive differences.

Conclusion

I appreciate the IPSASB's continued commitment to maintaining and improving IPSAS Accounting Standards. Overall, I support ED 95 and believe the proposed amendments respond appropriately to the specific matters identified in the consultation, particularly in relation to financial instruments, electronic payment systems, nature-dependent electricity contracts, supplier finance arrangements, foreign exchange, consolidated financial statements, and editorial clarifications. I recommend that the IPSASB consider additional implementation guidance and public sector examples to support consistent application across jurisdictions. This would be consistent with the increasing emphasis on practical application support in recent IPSASB work and could draw on the expertise of the IPSASB Application Group and the Consultative Advisory Group as more jurisdictions transition to accrual accounting.

Thank you once again for the opportunity to comment.

Please do not hesitate to contact me for further information.

Yours sincerely,

MKalar

Manj Kalar

Principal consultant

Kalar Consulting Ltd

30 June 2026