1. Attendance, Opening Remarks, and Approval of Minutes

1.1 Attendance

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<tr>
<th>Voting Members</th>
<th>Technical Advisors</th>
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<tr>
<td>Ian Carruthers (Chair)</td>
<td>Anthony Heffernan (Ms. Ryan)</td>
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<td>Jeannine Poggiolini (Deputy Chair)</td>
<td>Takeo Fukiya (Mr. Izawa)</td>
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<td>Stuart Barr</td>
<td>Baudouin Griton (Mr. Camoin)</td>
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<td>Mike Blake</td>
<td>Fabrizio Mocavini (Ms. Tiron Tudor)</td>
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<td>Michel Camoin</td>
<td>Jakob Prammer (Mr. Schatz)</td>
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<td>Robert Dacey</td>
<td>Renée Pichard (Mr. Barr)</td>
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<td>Sebastian Heintges</td>
<td>Leona Melamed (Mr. Monette)</td>
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<td>Kenji Izawa</td>
<td>Juan Moreno Real (Ms. Mendez)</td>
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<td>Aracelly Méndez</td>
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<td>Rod Monette</td>
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<td>Leonardo Nascimento</td>
<td>Joanna Spencer (Mr. Blake)</td>
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<td>Angela Ryan</td>
<td>David Watkins (Mr. Carruthers)</td>
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<td>Bernhard Schatz</td>
<td>Gillian Waldbauer (Mr. Heintges)</td>
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<td>Adriana Tiron Tudor</td>
<td>Haifeng Yang (Ms. Zhang)</td>
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<td>Marc Wermuth</td>
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<td>Abdullah Yusuf</td>
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<td>Juan Zhang</td>
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<tr>
<th>Apologies:</th>
<th>Rachid El Beijet</th>
<th>Lindy Bodewig (Ms. Poggiolini)</th>
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Non-Voting Observers

Present:  
Rosa Aldea Busquets¹ (European Commission)  
Dinara Alieva (UNDP)  
Sagé de Clerck (IMF)  
Chandramouli Ramanathan (UN)  
Jani Laakso (World Bank) (Tuesday-Thursday)  
Delphine Moretti (IMF)  
Keith Hayes (Eurostat)²  
Thomas Müller-Marqués Berger (CAG Chair)

Apologies:  
Chai Kim (ADB)  
Guohua Huang (IMF)  
Martin Koehler (European Commission)  
Darshak Shah (UNDP)  
John Verrinder (Eurostat)  
James Gunn, Managing Director, Professional Standards

IPSASB Staff

Present:  
Gwenda Jensen, IPSASB  
João Fonseca, IPSASB  
John Stanford, IPSASB  
Paul Mason, IPSASB  
Ross Smith, IPSASB  
Vincent Tophoff, IFAC  
Wayne Travers, IFAC

¹ Rosa Aldea Busquets attended the meeting in place of Martin Koehler  
² Keith Hayes attended the meeting in place of John Verrinder
The Chair noted that apologies had been received from Rachid El Bejjet. The Chair welcomed Mike Blake, Sebastian Heintges, Bernhard Schatz, Marc Wermuth and Juan Zhang to their first meeting as members of the IPSASB and expressed a hope that they would find their terms on the IPSASB enjoyable and stimulating. All members introduced themselves and also identified their technical advisers.

The Chair thanked Andreas Bergmann for the very constructive way in which the Chair transition had been handled and noted that he and Andreas had made successful joint outreach trips to a number of countries in Oceania, South East Asia and Latin America in the first quarter of 2016. This had the dual purpose of introducing Ian as the incoming Chair while allowing Andreas to say farewell as the recently retired Chair.

The IPSASB approved the minutes of the meeting from December 6-8, 2015

Keith Hayes, the Eurostat Observer gave an introduction to the European Public Sector Accounting Standards (EPSAS) project for new Members and Technical Advisers. He then provided an update on forthcoming meetings of “cells” and the EPSAS Working Group. Meetings of the cells on Accounting Principles, Governance and First Time Adoption would be held in March and April. The EPSAS Working Group meeting in July will receive updates on progress from all three cells. He also noted that a conference in January 2016, convened by the European Court of Auditors, included a session on IPSAS/EPSAS, which indicates that the EPSAS project is gaining traction. During 2016, issues papers will be commissioned on the possibility of having an EPSAS for smaller and less risky enterprises; on taxes; and on dealing with accounting options in IPSAS. Keith acknowledged that the capacity of European Union member states for accounting reform is a serious issue, but that a phased introduction will allow time for capacity building.

Members noted the IFRS Tracking Table and the GFS Tracking Table. In commenting on the IFRS Tracking Table, the Chair suggested that some IPSASs appeared to have become misaligned with the equivalent IFRS for some time and indicated that he wanted to devote more time to consideration of the IFRS Tracking Table at the June meeting. Staff was directed to update the IFRS Tracking Table and bring a paper to the June meeting on whether there are any areas that the Board ought to prioritize in updating IPSASB’s literature.

2. Technical Director’s Report on Work Plan (Agenda Item 2)

*Review of work plan on day one*

The Acting Technical Director presented the current work plan and briefly outlined the current stage of development of the projects on the work plan. He noted that, following comments from the Public Interest Committee, the time horizon of the work plan had been extended to the end of 2019. The work plan also included the annual *Handbook of IPSASB Pronouncements*, production of which is a time consuming exercise, which tends to be overlooked. He further explained that the intention was to return to the work plan on the last day of the meeting and to consider whether the work plan should be amended. Members welcomed the revisions to the work plan. Some members questioned the viability of the work plan and asked the Acting Technical Director whether it could be delivered in light of continuing staffing shortages.

The Acting Technical Director explained that a new member of staff was due to join the IPSASB staff in mid-April and that this new staff member would focus on the update of the current standards on financial instruments, IPSAS 28-30. He acknowledged that the work plan was challenging, but felt that it was realistic and achievable with the help of partners such as the Governmental Accounting Standards Board and the New Zealand Accounting Standards Board.
Further Review of the Work Plan on Day Four

The IPSASB reconsidered the work plan on day four of the meeting in light of developments at the meeting, and agreed the following changes:

- The date for approval of the Consultation Paper on Public Sector Financial Instruments should be brought forward to June 2016 from September 2016;
- The line item on Emissions Trading Schemes should be retained with an indication that the project would be paused after the Staff Background Paper had been issued. There would be no agenda time allocated for this project in June; and
- The Heritage Assets project should be renamed, and henceforth referred to, as “Heritage”.

It was noted that the September 2016 meeting agenda is likely to be very full with the aim to approve the Consultation Paper on Revenue and Non-Exchange Expenses and the first consideration of responses to ED 60, Public Sector Combinations, both of which are likely to require a large amount of agenda time. It therefore might be necessary to modify the timeline for some other more minor projects and re-consider the start date for Public Sector Measurement and Infrastructure Assets.

Members noted that the discussions at the meeting had highlighted the linkages between a number of projects, e.g., Leases and Revenue, Update of IPSASs 28-30 and Public Sector Financial Instruments, Non-Exchange Expenses and Social Benefits, and Social Benefits and the limited scope project on Employee Benefits. Members directed that such linkages be identified in a revised Work Plan and that linked projects should be grouped.

Members sought clarity on which project would address Statutory Payables and Statutory Receivables. It was confirmed that these topics would be considered respectively in the Non-exchange Expenses and Revenue projects.

There was general support for Improvements being on a two yearly cycle, but that the more detailed consideration of the IFRS Tracking Table and the alignment position with IFRS at the June 2016 meeting might have a bearing on this.

The importance of engaging valuers in the projects on Public Sector Measurement and Infrastructure Assets was emphasized.

3. Improvements (Agenda Item 3)

The IPSASB considered the responses to Exposure Draft 58, Improvements to IPSASs 2015 (ED 58), and the issues identified by staff.

ED 58 proposed the following types of improvements:

- Part I: Consequential Amendments Arising from Chapters 1-4 of the Conceptual Framework;
- Part II: General Improvements to IPSAS;
- Part III: IPSAS/GFS Alignment; and
- Part IV: IASB Improvements.

Part I: Consequential Amendments Arising from Chapters 1-4 of the Conceptual Framework

Part 1-1 of ED 58 had proposed changes to references to qualitative characteristics (QCs), constraints on information in general purpose financial reports (constraints), and the hierarchy of sources used in the selection and application of accounting policies in IPSAS 3, Accounting Policies, Changes in Accounting.
Estimates and Errors. Part 1-2 arose from the adoption of “faithful representation” as a QC, rather than “reliability”, ED 58 had proposed an interim approach that would provide an explanation of “reliability” in footnotes.

12 respondents had provided comments on Part 1-1 of ED 58 and ten respondents had provided comments on Part 1-2. Staff noted that respondents had largely supported the proposed amendments.

The IPSASB acknowledged a view that, because the Conceptual Framework does not distinguish fundamental and enhancing QCs and each of the QCs are integral to, and work with the other QCs, references in the IPSASB’s literature should be to all the QCs and constraints. However, the IPSASB considered that it is appropriate to emphasize particular QCs, dependent upon the circumstances.

The IPSASB agreed amendments to IPSASs, principally to reflect the QCs and constraints in the Conceptual Framework, and to modify the hierarchy for determining an accounting policy where there is no IPSAS that specifically applies to a transaction, other event, or condition in IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors. The IPSASB agreed that paragraph 13 in IPSAS 3 largely duplicated paragraph 12 and that it should be deleted.

In Part 1-2. A respondent had proposed that the explanation of reliability should be in a central location such as the Conceptual Framework or the Glossary of Defined Terms. Staff recognized that the repetition of the footnote in each IPSAS might be tedious for some readers. However, many users are likely to refer to specific IPSASs rather than the whole suite. Staff did not favor modifying the glossary of terms on a temporary basis or inserting a reference to temporary standards-level issues in the Conceptual Framework, which is a non-authoritative document.

A respondent had also questioned why the explanation for the footnotes was only given in the Basis for Conclusions of IPSAS 1 and proposed that paragraph BC 15 should be included in all affected IPSASs with the footnote. In commenting on Part 1-1 it had also been suggested that paragraph BC 15 of IPSAS 1, Presentation of Financial Statements, should be deleted on the grounds that it will be confusing because IPSAS 1 does not contain recognition criteria.

Staff considered it appropriate to include an explanation for the IPSASB’s interim approach in IPSAS 1, because, although IPSAS 1 does not itself include recognition criteria, IPSAS 1 sets out overall considerations, minimum requirements and guidance for the presentation, structure and content of financial statements. Including paragraph BC 15 in all IPSASs with recognition criteria would be repetitive. Staff considered that the footnote is sufficient. Staff suggested that there might be a case for inserting a reference to IPSAS 1.BC15 in each footnote. Members agreed and directed that the wording of the footnotes should be amended to include a reference to paragraph BC 15 of IPSAS 1.

The IPSASB noted the view of a respondent that the IPSASB should reconsider the issue of prudence in the context of the QCs in light of recent developments in the International Accounting Standards Board’s (IASB) Conceptual Framework project. Staff indicated that they continue to monitor the developments in the IASB’s Conceptual Framework, but that they did not think it appropriate to re-open the issue of prudence which had been extensively debated and subject to due process during the development of Phase One of the Conceptual Framework. The IPSASB supported this view and reaffirmed that the IPSASB Framework is not drawn from, or subordinate to, the IASB’s Conceptual Framework.
Part II: General Improvements to IPSASs

Part II of the draft ED included the proposed amendments to:

- Remove references to IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and international or national standards dealing with non-current assets held for sale and discontinued operations (amendments to IPSAS 14, *Events after the Reporting Date*; IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*; IPSAS 26, *Impairment of Cash-Generating Assets*; IPSAS 27, *Agriculture*; and IPSAS 31, *Intangible Assets* were included in the draft ED); and
- IPSAS 32, *Service Concession Arrangements*, and IPSAS 17, *Property, Plant and Equipment*, to align the requirements on the classification of assets.

The majority of respondents supported the proposals to remove references to IFRS 5 and international or national standards dealing with non-current assets held for sale and discontinued operations. However, some respondents raised concerns with the proposals. These respondents considered that:

- IFRS 5 provides appropriate guidance for public sector entities to measure and disclose non-current assets held for sale and discontinued operations;
- There are numerous examples of public sector entities having non-current assets held for sale;
- ED 58 provides insufficient conceptual justification for that view that IFRS 5 is not appropriate for the public sector; and

The proposals have potentially greater consequences than appropriate for an annual improvements process. More significant proposals should be subject to a separate consultation process that allows more time for stakeholders to identify and assess the accounting/reporting consequences.

The IPSASB discussed the issues identified by respondents, and agreed that there would be limited circumstances in which the accounting treatment in IFRS 5 would be appropriate. The IPSASB agreed that, in those limited circumstances, preparers would be able to adopt an accounting policy consistent with the requirements of IFRS 5 by applying the hierarchy and guidance in IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*. The IPSASB was concerned that retaining the existing references in the IPSASB’s literature could result in some preparers applying the requirements of IFRS 5 in inappropriate circumstances. The IPSASB therefore agreed to remove the references, but to redraft the related paragraph in the Basis for Conclusions to reflect the IPSASB’s discussions as to when an accounting policy based in the requirements of IFRS 5 might be appropriate.

The IPSASB agreed the wording of the revised Basis for Conclusions paragraph drafted by staff.

Respondents supported the proposed amendments to IPSAS 32. One respondent proposed amending the proposed transitional arrangements by including a cross reference to the requirements in IPSAS 3 regarding changes in accounting policy. Staff supported these changes, and the IPSASB agreed to their inclusion.

Part III: IPSAS/GFS Alignment

Amendment: Part III-1

Amendments to IPSAS 12, *Inventories*

There was a very high level of support from respondents to replace the term “ammunition” with the GFS term “military inventories” and providing an accompanying a description. The IPSASB decided not to accept a respondent’s suggestion of direct cross-referencing to GFS literature because:
(a) This would rely on third-party literature and classifications;
(b) Future changes to those terms would be outside the control of the IPSASB;
(c) Any future major change to those terms might break the link to IPSASB’s literature; and
(d) It is not consistent with IPSASB’s due process.

Amendment: Part III-2

Amendments to IPSAS 17, Property, Plant, and Equipment

There was a very high level of support from respondents for replacing the term “specialist military equipment” with the GFS term “weapons systems” and providing an accompanying a description. A respondent had expressed a view that the additional last sentence in paragraph 20 of IPSAS 17 of ED 58 is likely to create confusion when differentiating weapon systems and military inventories, as it appears to suggest that certain items that meet the definition of military inventories may also be weapons systems.

In order to avoid this confusion, the IPSASB decided to amend the proposed additional last sentence in paragraph 20 of IPSAS 17 and add paragraph BC10 in the Basis for Conclusions to IPSAS 17.

Part IV: IASB Improvements

Part IV of the draft ED included the proposed amendments to:

- Introduce changes related to the IASB Narrow Scope Amendment: Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41 issued in June 2014 by the IASB). These changes amend IPSAS 17, Property, Plant, and Equipment, IPSAS 27, Agriculture, with further consequential amendments to IPSAS 13, Leases, IPSAS 16, Investment Property and IPSAS 26, Impairment of Cash-Generating Assets. The changes introduced relate to defining bearer plants and including requirements for accounting for bearer plants in IPSAS 17, because these have the characteristics of property, plant, and equipment.

The amendments were strongly supported. Two respondents thanked the IPSASB for maintaining convergence with IFRSs and emphasized the importance of convergence in their jurisdiction. The IPSASB supported the staff proposals on dealing with the comments raised by respondents.

Due Process, Approval of Improvements to IPSASs 2015 and Effective Date

The IPSASB completed a page-by-page review of the draft final standard.

The Acting Technical Director asserted that due process had been followed effectively, in that:

- An ED had been issued for consultation;
- Responses to the ED were received and made publicly available on the IPSASB website;
- The IPSASB had deliberated significant matters raised in the comment letters, and significant decisions would be minuted; and
- The IPSASB had considered whether there are any issues raised by respondents, in addition to those summarized by Staff, that it considers should have been discussed by the IPSASB, and agreed there were none.

The IPSASB approved the final pronouncement Improvements to IPSASs 2015, including the Basis for Conclusions on March 8, 2016. Seventeen members voted in favor. One member was absent.
The Acting Technical Director provided his assessment that there had been no substantial change to the exposed document such that re-exposure is necessary. No member contested this assessment.

The IPSASB agreed that the effective date of *Improvements to IPSASs 2015* would be January 1, 2017; early adoption would be permitted.

4. **Heritage Assets (Agenda Item 4)**

The IPSASB discussed four issues and provided direction to staff for development of the Consultation Paper (CP) and a fourth issues paper for the June 2016 IPSASB meeting. The IPSASB also reviewed a first draft of Chapter 1 of the Heritage Consultation Paper (CP, *Heritage*).

**Issue 1, Structure of the Consultation Paper**

The IPSASB reviewed a proposed structure for CP, *Heritage*, which reflected the structures of recently developed CPs, adapted for the topic of accounting for heritage. Staff highlighted several questions with respect to the proposed structure. The IPSASB directed staff to:

(a) Include the chapter on heritage–related obligations after the chapters that discuss whether heritage items meet the definition;

(b) Rename or otherwise revise the subsection named “Heritage Assets Project” to focus on accounting for heritage or heritage items rather than “heritage assets”;

(c) Discuss issues raised by particular categories of heritage (e.g. intangible heritage or natural heritage) as sub-headings within a chapter; and

(d) Include the discussion of heritage recognition and measurement issues in one chapter to reflect the interdependency of these two topics.

The IPSASB emphasized that the CP should use a logical progression to develop the topic of accounting for heritage items. It should avoid conveying any misleading impressions. For example, references to the IPSASB’s project should avoid the phrase “Heritage Assets Project”, which appears to imply that the IPSASB has already decided that heritage items are assets for financial reporting purposes. Because the CP is likely to be of interest to non–accountants responsible for heritage preservation, terminology should be accessible to non–accountants. Words such as “resource” and “obligation” should be used, in order to provide a bridge to technical accounting terms such as “asset” and “liability”.

**Issue 2, Recognition of Cultural Property Heritage Items**

The IPSASB then considered staff proposals with respect to the recognition of heritage items. Staff asked the IPSASB to discuss whether examples of cultural property heritage items should be recognized as assets in the financial statements. The heritage items for consideration were historic buildings, land, artworks and museum collections of precious objects or manuscripts. Agenda item 4.1 applied the Conceptual Framework’s asset recognition criteria to argue that such items should be recognized. Previous IPSASB discussions had already indicated that the examples for consideration met the Conceptual Framework’s definition of an asset (resources controlled by the entity as the result of a past event). Agenda item 4.1 then proposed that such items can be recognized, because they are measurable so as to achieve the qualitative characteristics taking into account the constraints on information, which is the second recognition criteria.

The IPSASB’s discussion raised different views on:

(a) How to identify heritage items (e.g. a principles-based approach versus an approved list of items);
(b) Whether heritage items are resources for financial reporting purposes and the meaning of “resource” in this context;

(c) The measurement of heritage items, including whether monetary values would achieve the qualitative characteristics of general purpose financial reporting (GPFR) and take account of the constraints, particularly the cost–benefit constraint; and

(d) The type of heritage information that users need for accountability and decision–making purposes, including whether information about land and heritage items should be provided in the financial statements or, instead, through supplementary disclosures in another GPFR.

The IPSASB directed staff to discuss these different views in the CP.

**Issue 3 (a), Intangible Heritage Items**

The IPSASB then discussed staff proposals with respect to intangible heritage. Agenda item 4.1 proposed that intangible heritage could be divided into two broad groups; “knowledge–in–action” intangible heritage and intellectual property rights over heritage. With respect to “knowledge–in–action” intangible heritage—which include items such as languages and dialects, traditional craft skills, dance, stories and songs—staff proposed that the CP should explain that this type of heritage cannot be controlled by an entity and therefore cannot meet the Conceptual Framework’s definition of an asset.

The IPSASB directed that the CP should identify two subcategories of intangible heritage; “knowledge–in–action” heritage and “intellectual property” heritage. With respect to knowledge–in–action intangible heritage items the CP should discuss whether they can be assets for financial reporting purposes, applying the Conceptual Framework. There was support for the staff view that such items cannot be controlled by a reporting entity and therefore do not meet the Conceptual Framework’s definition of an asset.

The IPSASB also directed that the CP should discuss intellectual heritage and consider whether this subcategory meets the working description of heritage items. Because copyright has a limited life, after which an item enters the public domain, it is not possible for a single entity to maintain control over such intellectual property heritage, and thereby preserve this type of heritage for present and future generations. The CP should discuss accounting for intellectual property heritage through application of the Conceptual Framework, rather than through application of IPSAS 31, *Intangible Assets*.

**Issue 3 (b), Natural Heritage Items**

The IPSASB then considered issues related to natural heritage. The IPSASB noted that different views about what is meant by a “natural heritage item” raise questions over what should be identified as the heritage item for financial reporting purposes. A natural heritage item could be conceived to be:

(a) An area such as a park, reserve or geographic region (e.g. the Antarctic or the Atacama Desert) or a land or marine form (e.g. the Matterhorn, the Danube or the Caspian Sea);

(b) An ecosystem (e.g. a particular rainforest or a marine reef, with all the interconnected life forms involving a myriad of different plants and animals);

(c) Groups or populations of living organisms, such as a particular herd of elephants or the population of giant tortoises (or wolves or butterflies, etc.) living in a region or worldwide; or

(d) Individual plants and animals.

The IPSASB noted these different concepts have implications for whether an item meets the working description of a heritage item and for financial reporting issues such as whether an item can be controlled
by an entity, its measurability and, therefore, its possible recognition as an asset for financial reporting purposes.

The IPSASB discussed whether land is a resource that can be accounted for as an asset for financial reporting purposes or whether, instead, information should be disclosed in another GPFR. Measurement issues related to recognition of government held land were raised, with different views on whether a monetary value provided meaningful information or whether supplementary disclosures should focus on, for example, the area of land held.

Governments may own very large amounts of land, which may be inaccessible, contaminated after being used for military purposes, or left unsupervised or in a wild state, with no plans for use as either a commercial or natural heritage resource. Examples of very large land holdings, not presently recognized in the financial statements as assets for the purposes of financial reporting, were provided, including land held by federal governments in Canada and the United States and land held by the Government of Tasmania in Australia.

**Issue 4, Obligations Related to Heritage Items**

The IPSASB then considered obligations arising from heritage items and whether accounting for these can be adequately addressed through application of IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*. Taking an IPSAS 19 approach, staff proposed that, where there is legislation that requires entities to maintain heritage items, an obligation could occur earlier than would be the case for non-heritage items, where an entity can choose whether or not to maintain an item.

IPSASB members considered that heritage-related legislation did not necessarily result in an earlier present obligation than for non-heritage items. Applying the Conceptual Framework, IPSASB members were of the view that there is no “present obligation” to repair a heritage item when deterioration has occurred so that repair is necessary and the entity is obliged by legislation to maintain the heritage item. Future outflows of resources to repair the heritage item are still avoidable at that point.

The IPSASB discussion also included the following comments on heritage accounting issues:

(a) Heritage funding (revenue from entrance fees and government transfers) may be independent of the heritage item and its usage. It was suggested that this is a reason for not having a separate heritage category of assets; and

(b) Since entities have on-going costs (obligations) to service and maintain heritage items, depreciation of heritage items could be inappropriate as a form of double-counting.

In summary, the IPSASB directed staff that the CP should discuss heritage-related obligations through application of the Conceptual Framework rather than IPSAS 19’s present approach to recognition of liabilities.

**Review of Draft Chapter 1 of the Consultation Paper**

Staff introduced a draft Chapter 1 for the CP, *Accounting for Heritage*, labeled as “agenda item 4.2”. The chapter’s approach was modelled on those in recent IPSASB CPs, particularly the approach used in chapter 1 of CP, *Recognition and Measurement of Social Benefits*.

The IPSASB directed staff to revise the draft chapter to:

(a) Re-focus on the problem that heritage presents for financial reporting, rather than the objectives in the project brief for the Heritage Assets Project;
(b) Move the section on heritage–related information needs (section 5) into a separate chapter, because it is a fundamental issue; and

(c) Remove the reference to expected project outcomes, on the basis that it is too early in the project to discuss outcomes.

With respect to the separate chapter based on Section 5’s discussion of information needs the IPSASB directed that this chapter should:

(a) Be broad and general;

(b) Cover entities that have different types of heritage responsibilities;

(c) Discuss forward–looking information on funding available for heritage responsibilities, but that discussion should focus on planning and budgeting rather than fiscal sustainability information, since only a relatively small number of entities are likely to prepare long–term fiscal sustainability reports;

(d) Consider what makes heritage items different and, based on the heritage distinction, consider whether information should be reported in the financial statements or in another type of report; and

(e) Address what other types of information GPFR users would need about heritage items, if heritage items are not recognized as assets and reported in an entity’s financial statements.

Next steps

Staff will develop a further issues paper for the IPSASB’s June 2016 meeting, revise Chapter 1 for directions in March, and develop further draft chapters of the CP, *Heritage*. 
5. **Governance (Agenda Item 5)**

The Acting Technical Director and Principal updated the IPSASB on developments related to the Consultative Advisory Group (CAG). More than 60 nominations had been received in response to the Call for Nominations issued in December 2015. The CAG Membership Panel, comprising the IPSASB Chair, Chair of CAG, Managing Director, Professional Standards, IFAC Executive Director - Professional Relations and Acting Technical Director, had convened by teleconference on February 26th. The Panel had agreed a list of CAG members that had been recommended to the Public Interest Committee (PIC). The list would be discussed with the PIC at its meeting on March 23rd. It was planned that selected nominees would be informed in April 2016.

6. **Leases (Agenda Item 6)**

Staff presented an education session on IFRS 16, *Leases* and the project brief on Leases. The IPSASB discussed the key issues identified in the project brief.

*Key issue #1—Assumption that IFRS convergence is appropriate for leasing transactions in the public sector*

The IPSASB decided to assess the economics of a lease from a public sector perspective. The IPSASB’s policy paper, *Process for Reviewing and Modifying IASB Documents* (also known as *Rules of the Road*), will guide the process.

*Key Issue #2—Identification of a lease*

The IPSASB decided to assess to what extent the right to control the use of an asset based on the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset is applicable to the public sector.

*Key Issue #3—Impact of revised lessee accounting model*

Although the IPSASB does not set standards for budget formulation and execution, the IPSASB acknowledged that the eventual change in the lessee accounting model would have an impact on the budget and fiscal targets of jurisdictions that use financial information based on accrual-based IPSASs.

*Key Issue #4—Sale and leaseback transactions*

IFRS 16 requires that a transfer of an asset is accounted for as a sale only if the transfer meets the requirements in IFRS 15, *Revenue from Contracts with Customers*. The IPSASB directed staff to undertake an in-depth analysis of the options available to address this requirement in IFRS 16 in light of the IPSASB’s ongoing project on Revenue (see below).

*Key Issue #5—New disclosures in lessor accounting model*

The IPSASB directed staff to consider the new disclosures for lessors in IFRS 16 in a public sector context. The IPSASB noted that public sector entities can be lessors.

*Other Issues*

The IPSASB directed staff to include the accounting treatment of leases on nominal or subsidized terms in the project brief. The IPSASB acknowledged that this is a very significant issue for some public sector entities and international organizations.
Next steps

Staff will bring a revised project brief for approval to the IPSASB’s June 2016 meeting and an initial Issues Paper.

7. Impairment of Revalued Assets (Agenda Item 7)

The IPSASB considered a collation and summary of responses to ED 57, Impairment of Revalued Assets, and an issues paper. The IPSASB noted that Staff had classified the large majority of the 15 respondents as having fully or partially supported the proposed approach in ED 57. Staff expressed a view that the main issue was whether to proceed with the proposals in ED 57 and amend IPSAS 21, Impairment of Cash-Generating Assets and IPSAS 26, Impairment of Non-Cash-Generating Assets to bring assets on the revaluation model for subsequent measurement within their scope. Staff suggested that alternative approaches would be (i) to make clarifying amendments to IPSAS 17, Property, Plant and Equipment, and IPSAS 31, Intangible Assets; or (ii) to deactivate the project and consider the impairment of revalued assets in the Public Sector Measurement project. Staff acknowledged that while only one respondent had favored alternative approach (i) it would be more economical and in staff’s view had merit. A member raised reservations whether this approach addressed approaches to determining the value in use of a non-cash generating asset in IPSAS 21 sufficiently for impairment purposes, noting that methods of determining value in use for non-cash-generating assets include depreciated replacement cost, restoration cost and service units. Another member noted that impairment testing is not required for specialized public sector assets in Australia and that an AUS paragraph to this effect has recently been inserted in the Australian standard on Impairment.

The IPSASB considered whether there is a conceptual difference between revaluation decreases and impairments. The IPSASB agreed with a staff view that there is not a conceptual difference, because both revaluation decreases and impairments diminish an asset’s service potential or ability to generate economic benefits. However, the IPSASB considered that there is a practical difference, because impairments are event-driven, rather than the result of periodic revaluations. The IPSASB directed that this analysis should be reflected in the Basis for Conclusions.

The IPSASB decided to proceed with the proposals in ED 57 on the grounds that IPSAS 21 and IPSAS 26 provide useful information for accountability and decision-making purposes. Staff will table the final amendments to IPSAS 21 and IPSAS 26, together with consequential amendments to IPSAS 17 and IPSAS 3, at the June meeting. Staff was also directed to note issues raised by respondents that will need to be addressed in the committed project on Public Sector Measurement. Such issues include the offsetting of revaluation increases and decreases on a class of asset basis rather than an individual asset basis.

8. Public Sector Financial Instruments (Agenda Item 8)

Overview

The IPSASB reviewed a draft of the final Consultation Paper (CP) chapter: The International Monetary Fund (IMF) Quota Subscription and Special Drawing Rights (SDR). The IPSASB also considered changes to the Monetary Gold and Currency in Circulation chapters, resulting from decisions and directions at the December 2015 meeting.

IMF Quota Subscription and SDR – Chapter Objective and Definitions

The IPSASB agreed with the proposed Chapter Objective and the definitions of SDR Holdings and SDR Allocations.
The IPSASB directed that the IMF Quota Subscription definition should be amended to reflect that member countries periodically are required to make additional payments to their subscriptions.

**IMF Quota Subscription and SDR – Nature and Function**

The IPSASB agreed with the proposed discussion in regards to the nature and function of these instruments and specifically the analysis of similarities and differences compared to more common financial instruments.

**IMF Quota Subscription – Recognition and Measurement**

The IPSASB agreed with the discussion of the recognition of the IMF Quota Subscription as an asset considering the guidance of the Conceptual Framework and that there were no appropriate alternatives.

The IPSASB directed that net selling price should be identified as an appropriate measurement basis because the IMF Quota Subscription can be redeemed, which may be considered equivalent to a sale at net selling price. The IPSASB agreed that historical cost is also an appropriate measurement basis to discuss in the CP.

The IPSASB directed that the discussions related to historical cost and net selling price should explicitly consider initial and subsequent measurement.

The IPSASB agreed with the discussion in the chapter which concludes that several measurement bases are inappropriate for the IMF Quota Subscription, because of the lack of a market/inability to sell.

The IPSASB directed that a conclusion on the most appropriate measurement basis should be developed and included in the chapter.

**SDR Holdings and Allocations – Recognition and Measurement**

The IPSASB agreed with the discussion related to the recognition and measurement of both Special Drawing Rights (SDR) Holdings and Allocations.

The IPSASB agreed that SDR Holdings meet the definition of an asset in the Conceptual Framework. The IPSASB agreed that market value, historical cost and net selling price may be appropriate measurement bases.

The IPSASB agreed that SDR Allocations meet the definition of a liability in the Conceptual Framework. The IPSASB agreed that market value and cost of fulfillment may be appropriate measurement bases.

**IMF Quota Subscription and SDR Chapter – Appendix A – Illustrative Examples**

The IPSASB agreed that the illustrative examples were helpful and should be retained. The IPSASB provided input on refinements and additional examples to include, as follows:

- An example on foreign currency translation (because no monetary authority is expected to have the SDR as its functional currency);
- Re-ordering of examples, so that each example flows from one to the other. A specific recommendation was provided that scenario 8 should be relocated to follow scenario 5.
- Example 1 should include a specific statement that the member has agreed to participate in the SDR Department.
- The IMF observer noted that additional examples should be added, along with revisions to the text of the CP to reflect the following:
  - An example to capture the scenario when a member country’s local currency devalues, which requires the member to make a top-up payment to the IMF.
An example to capture the requirement members have to pay for a portion of the IMF expenses

**IMF Quota Subscription and SDR Chapter – Appendix B – IMF Information**

The IPSASB agreed that the appendix with additional IMF information was useful and should be retained.

**IMF Quota Subscription and SDR Chapter – Appendix C – GFS Guidance**

The IPSASB agreed with the proposal to include the GFS guidance considered in developing the chapter in an appendix. Further, the IPSASB agreed that the GFS guidance in other chapters should also be included as appendices.

The IMF observer noted that the CP refers to the Balance of Payments International Investment Position Manual as the source for GFS guidance. Further text should be added to note the link to the System of National Accounts as well, because it is also an important source of GFS guidance related to the transactions included in the CP.

**IMF Quota Subscription and SDR Chapter – Appendix D – Definitions-Supporting Descriptions**

It was agreed that the supporting descriptions included in appendix D were not needed and the appendix could be removed.

**Directions from December 2015 – Actions**

**Specific Matters for Comment and Preliminary View**

The Monetary Gold chapter included two revised Specific Matters for Comment (SMC). One will ask if entities should have the option to select a measurement basis (current value or historical cost) based on intentions in holding monetary gold assets. A second question asks which measurement basis is the most appropriate, current value or historical cost. A member questioned whether the two questions worked as drafted and recommended that the first question should ask if the accounting treatment should be based on intention or not, followed by a second question asking which measurement basis is most appropriate.

The IPSASB agreed with the Preliminary View included in the Currency chapter that states that because the nature and function of notes and coins are the same, the accounting treatment should be consistent.

The Monetary Gold chapter included further discussion highlighting the importance of the GFS terminology related to the reserve asset definition. The IPSASB agreed with these additional paragraphs.

A member noted that he had proposed that an option for a direct charge to net assets/equity be explored in the Currency in Circulation chapter, and that such an option had not been included. Staff noted that the conceptual option of accounting for currency issuances/distributions as ownership contributions was considered previously by the IPSASB and it was agreed the definition of an ownership contribution was not satisfied. Staff further noted that the Conceptual Framework does not attribute elements to specific financial statements, and it may be possible to consider recognition in net assets/equity within the current alternatives proposed. Staff agreed to report back to the IPSASB on this issue at the June meeting.

Further, a member recommended that the pros and cons for each accounting alternative in each chapter should be developed, similar to the approach in the Social Benefits CP, because such an analysis may be helpful to respondents. Staff agreed to consider and bring back additions for each chapter for consideration.

**Next Steps**

The CP chapters will be reviewed by staff for consistency, conciseness and editorial revisions. The IPSASB will review the complete draft CP in June.
9. The Applicability of IPSAS (Agenda Item 9)

The IPSASB considered a collation and summary of responses to Exposure Draft (ED) 56, *The Applicability of IPSASs*, an issues paper, the draft final pronouncement, *The Applicability of IPSASs*, and the draft *Amendments to Preface to International Public Sector Accounting Standards* (Preface). The issues paper raised the key issues to be determined before the IPSASB could consider approving the final pronouncement and the *Amendments to Preface to International Public Sector Accounting Standards*.

**Review of responses**

All respondents supported the ED’s proposed approach of providing a high-level description of characteristics of public sector entities for which IPSASs are designed. However, the majority of respondents provided additional comments with suggestions or clarifications on one or more areas of ED 56.

**Characteristics of public sector entities**

In response to numerous comments about the proposed revised description of public sector entities for which IPSASs are designed, the IPSASB agreed the following wording of paragraph 10 of the Preface:

The IPSASs are designed to apply to public sector entities that meet all the following criteria:

(a) Are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth;

(b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees; and

(c) Do not have a primary objective to make profits.

**“Commercial entities” and “commercial public sector entities”**

The IPSASB decided to replace the term “government business enterprise” with a single term “commercial public sector entities” in all IPSASs and Recommended Practice Guidelines (RPGs). The IPSASB also decided that the term “commercial public sector entities” should not be defined or described and that its interpretation should be left to regulators.

**Other suggested amendments to IPSASB’s literature**

The IPSASB decided to accept respondents’ suggestions related to the reinforcement of the ED’s approach to providing a high-level description of characteristics of public sector entities for which IPSASs are designed and removing from the scope section of each standard the paragraphs and wording about the applicability of IPSASs, where appropriate. The IPSASB concluded that no persuasive new arguments had been made to (i) justify modifying the IPSASB’s position on issues already discussed at previous meetings on which decisions had been made. ) and (ii) to address proposals from respondents that went beyond the scope of the project.

**Due Process: Approval of The Applicability of IPSASs, and Effective Date and Amendments to Preface to International Public Sector Accounting Standards**

The Acting Technical Director asserted that due process had been followed effectively, in that:

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3 Paragraph 1.8 of *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* identifies a wide range of public sector entities for which IPSASs are designed.

4 Services encompasses goods, services and policy advice, including to other public sector entities.
• An ED had been issued for consultation;
• Responses to the ED were received and made publicly available on the IPSASB website;
• The IPSASB had deliberated significant matters raised in the comment letters, and significant decisions would be minuted; and
• The IPSASB had considered whether there are any issues raised by respondents, in addition to those summarized by Staff, that it considers should have been discussed by the IPSASB, and agreed there were none.

The IPSASB approved the final pronouncement *The Applicability of IPSASs*, including the Basis for Conclusions on March 11, 2016. Seventeen members voted in favor. One member was absent. The IPSASB approved the revised *Preface to International Public Sector Accounting Standards*. Seventeen members voted in favor. One member was absent.

The Acting Technical Director provided his assessment that there had been no substantial change to the exposed document such that re-exposure is necessary. No member contested this assessment. The Acting Technical Director noted that the proposed revisions to *Preface to International Public Sector Accounting Standards*, had been provided to stakeholders for information to put the changes proposed in *The Applicability of IPSASs*, in context. While the IPSASB had considered comments and proposals made by respondent, the revisions to *Preface to International Public Sector Accounting Standards*, had not been subject to the IPSASB’s due process.

The IPSASB agreed that the effective date of January 1, 2018 for *The Applicability of IPSASs*. Early application will be encouraged.

**Publication**

The final pronouncement of *The Applicability of IPSASs* and the Amendments to *Preface to International Public Sector Accounting Standards* would be published in April 2016.

**10. Social Benefits (Agenda Item 10)**

The IPSASB considered an issues paper and an initial review of responses to the Consultation Paper (CP), *Recognition and Measurement of Social Benefits*. The initial review of responses considered Specific Matter for Comment (SMC) 1, which dealt with the scope of the project and the related definitions.

**SMC 1 (a): Scope**

In developing the CP, the IPSASB adopted a scope for the project that was based on Government Finance Statistics (GFS). A consequence of this decision is that the scope was limited to those benefits that are provided to protect the entire population, or a particular segment of the population, against social risks.

Staff reported that a majority of respondents supported or partially supported the scope of the project. However, a significant minority of respondents did not support the proposed scope. Staff summarized the reasons given by these respondents for not supporting the proposed scope as follows:

(a) Concerns with the GFS boundary, in particular determining when a transfer was mitigating a social risk;
(b) Excluding collective goods and services and other transfers in kind might lead to different accounting treatments for transactions that have the same economic substance;
(c) The need to clarify whether exchange transactions are within the scope of the CP; and
(d) Recognition of liabilities in financial statements is not appropriate for social benefits that do not involve cash transfers (non-cash social benefits).

Staff noted that a subsequent SMC sought respondents' views on whether the scope of the project should include exchange transactions. The IPSASB agreed to consider this SMC at a later meeting.

Staff reported that one respondent considered that the recognition of liabilities in financial statements is not appropriate for non-cash social benefits, because they did not consider it appropriate to recognize potentially large liabilities on the balance sheet when the future tax revenues that would finance the liabilities would not be recognized. The respondent did not consider that such an accounting treatment would meet the objectives of financial reporting. Staff noted that the IPSASB had referred to this rationale in developing the CP, Recommended Practice Guideline (RPG) 1, Reporting on the Long-Term Sustainability of an Entity's Finances, and earlier consultations. Staff did not consider this comment was relevant to the scope of the project, but that it may need to be considered when measurement is discussed. The IPSASB agreed with this view.

The IPSASB noted that a variety of responses had been received on the use of the GFS boundary and the concept of social risk as the basis for the scope of the project. A majority of respondents supported the use of the GFS boundary, and a number of respondents had commented that adopting the same boundary as GFS would help them classify transactions. This was because they were already making decisions on classification under the statistical reporting framework. Conversely, other respondents indicated that applying the social risks concept was difficult in practice. The IPSASB noted the views of respondents, and accepted that if the existing boundary was to be retained, a future IPSAS would need to include guidance on applying the concept of social risks.

The IPSASB noted respondents’ concerns that the proposed scope might lead to different accounting treatments for transactions that have the same economic substance. The IPSASB agreed that this was a significant risk that would need to be addressed. While the IPSASB accepted that it might be possible to manage this risk through co-ordination between the social benefits and non-exchange expenses project, the IPSASB indicated that it would be willing to depart from the proposed scope if this would result in a more useful boundary. In coming to this view, the IPSASB noted that, even if future standards on social benefits and non-exchange expenses resulted in the same accounting treatment for transactions close to the boundary, there may be other implications. These implications include the impact of the classification on presentation and disclosure. Such differences could result in preparers unnecessarily expending resources debating the classification of a number of transactions that have the same economic substance. Users’ needs are unlikely to be met by an approach to classification that results in different presentation and disclosure requirements for transactions that have the same economic substance.

The Chair summarized the discussion to this point:

- The IPSASB was content with the focus on individuals and households, but had some concerns about the application of the concept of social risks.
- The IPSASB also supported the view that the scope of the project should not result in different accounting treatments for transactions with the same economic substance.

The IPSASB directed staff to explore alternatives for the project scope that might address the IPSASB’s concerns. The IPSASB suggested the transfer of goods and/or services to individuals and households as a starting point for this exploration. Staff will report its conclusions at the IPSASB’s June meeting.

When deliberating these conclusions, the IPSASB may also need to have regard to the analysis of responses to the SMCs covering the various accounting approaches set out in the CP. This is expected to
help the IPSASB assess whether the accounting treatment in a future IPSAS on social benefits is likely to be the same as under the non-exchange expenses project. The IPSASB also noted that the link to the non-exchange expenses project was important and would need to be managed.

**SMC 1 (b): Definitions**

Staff reported the responses to the definitions. Staff recommended that decisions regarding the definitions be deferred, as the definitions are dependent on the scope of the project. As the IPSASB had not taken a decision on the scope of the project, staff considered that any decisions regarding the definitions would be premature. The IPSASB agreed with this view.

**Next Steps**

Staff presented the next steps and tentative timeline, noting that this may change as a result of decisions taken at this meeting. The IPSASB noted the timeline.

**11. Non-Exchange Expenses (Agenda Item 11)**

The Chair welcomed David Bean, Director of Research and Technical Activities of the Governmental Accounting Standards Board (GASB) and Amy Shreck, Practice Fellow of the GASB.

**Measurement Bases for Liabilities**

Staff presented an issues paper (discussing the five potential measurement bases for liabilities described in the Conceptual Framework: historical cost, cost of fulfillment, market value, cost of release, and assumption price. Because the Conceptual Framework indicates that assumption price is not applicable for non-exchange transactions, the discussion focused on the remaining four possible measurement bases.

To illustrate the differences between these measurement bases, staff presented two example transactions (a grant from a central government to a local government and a subsidy from a central government to producer of a good) and discussed the application of the measurement bases. Staff concluded that historical cost was not applicable to either example, while market value, cost of release, and cost of fulfillment were considered applicable. However, both examples indicated the limited potential for applying market value and cost of release.

The three remaining measurement bases were evaluated using the qualitative characteristics (QCs) of financial reporting. All three would meet some of the QCs in certain situations, but cost of fulfillment was the only measurement basis that met all of the QCs considered.

Staff asked the members whether, in their experience, they had seen active markets where the types of obligations in the examples are traded. No members provided any examples of active markets.

The IPSASB was asked if it agreed with the recommendation to propose cost of fulfillment as the measurement basis for non-exchange transactions of resource providers.

A member asked whether there had been any suggestions in responses received that anything other than cost of fulfillment would be the most appropriate basis. Project staff informed members that, thus far, there had been no such suggestions.

Another member agreed with the staff analysis, but raised concerns regarding in-kind transactions. Project staff noted that in-kind transactions should be considered, but explained that decisions in the social benefits project would impact the approach in this project for in-kind transactions. The Chair agreed and said that the discussion of social benefits at the next meeting will be critical.
Another member indicated support for the proposal, noting that it is consistent with the preliminary view presented in the Social Benefits Consultation Paper. This member also suggested that there should be consideration of consistency with existing literature. It was suggested that should the IPSASB decide to follow the IPSAS 19 approach, IPSAS 19 may need to be realigned to reflect the cost of fulfillment measurement basis. This member did not feel that such a modification to IPSAS 19 would be appropriate in all cases.

Staff agreed that this member raised a valid concern, and that the IPSASB should likely consider both measurement and recognition issues if it is decided to propose an IPSAS 19-based approach.

A member noted that there might be some situations where cost of release would be the most appropriate measurement basis.

The Chair summarized that members seem to generally agree that cost of fulfillment is the most appropriate measurement basis.

**Alternatives for Non-Exchange Expenses**

Members then discussed two alternatives for accounting for non-exchange expenses, summarizing the advantages and disadvantages.

**Alternative 1 – IPSAS 19-Based Approach**

Staff considered that the advantages of the IPSAS 19-based approach, are that it provides sufficient flexibility for jurisdictions and allows for the consideration of future events that could impact a liability. Staff considered that the disadvantage of this approach is that this flexibility could lead to diversity in practice that reduces comparability. This approach would also rely on applying a more likely than not threshold for recognition. This might involve a difficult judgment for public sector entities. It was also noted that the recognition requirements of IPSAS 19 are not consistent with the Conceptual Framework.

Staff asked members whether they agreed with the staff analysis of the advantages and disadvantages of Alternative 1, and whether Alternative 1 should be presented in the Consultation Paper.

A member commented that an advantage of Alternative 1 is that IPSAS 19 requires recognition of an expense when a liability is incurred. This member also questioned whether the IPSASB should feel constrained by the requirements and guidance in IPSAS 19, given that Alternative 2 involves modification of an existing pronouncement—IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*. This member asked whether it would be possible for the IPSASB to modify IPSAS 19. Staff responded that this was certainly an option, but it depended on how many alternatives the IPSASB wanted to pursue.

The Chair also responded that the project is probably at the point where the IPSASB should be considering the models, not the location of the future guidance. Staff responded that focusing on the concepts in the models is important, but that relating the concepts to the current standards would help respondents understand the differences between the approaches.

Another member asked whether developing an alternative approach based on the conceptual framework had been considered, rather than using existing standards. Staff responded that such an approach had been considered, but it was rejected because of concerns about presenting too many alternatives. The member cited a point that was made at a previous meeting—the IPSAS 19 is not aligned with the Conceptual Framework. An approach aligned with the Conceptual Framework could lead to different approaches to recognition and disclosure.
The Chair responded and recommended that rather than provide a new alternative, the IPSASB should evaluate each of the alternatives against the Conceptual Framework.

Another member commented that it was important to know where the alternatives are in relation to existing requirements. This member also expressed the view that there should be a difference between non-exchange and exchange transactions. Given that IPSAS 19 was written for exchange transactions, this member believed that this approach would potentially require more change for non-exchange transactions.

Another member expressed the view that the IPSASB should not be overly concerned about operationalizing the alternatives at this point, but should rather focus on which approaches should be exposed for comment.

Another member had reservations about the IPSAS 19-based approach, but was of the opinion that it should be exposed, in order to get the views of respondents.

Alternative 2 – IPSAS 23-Based Approach

Alternative 2, involves using a mirror of IPSAS 23. Staff described potential modifications to the illustrative flowchart in IPSAS 23 so that it would apply to expense transactions, and described how the two example transactions could be interpreted under this alternative.

Staff discussed the issue of symmetry in IPSAS 23, specifically concerns about whether resource providers and resource recipients would reach the same conclusions about the timing of recognition of revenue and expenses for the same transaction.

The IPSASB was asked if it agreed with the explanation of the expansion of the scope of IPSAS 23 to expenses.

A member expressed concern about the specific examples that were used, because these examples all relate to one public entity providing funding for another public entity. This member was concerned that Alternative 2 would only address some non-exchange expenses, instead of providing a comprehensive approach.

Staff responded that this member’s concern reflects one of the major issues in this project, which is defining what exactly constitutes a non-exchange transaction. Staff also noted that the discussion thus far has focused on symmetry, but that some transactions involving a public sector entity and a private sector entity might be considered of an exchange nature while the same transactions between public sector entities might be considered of a non-exchange nature. Project staff agreed to develop examples of transactions between public sector and private sector entities.

Another member commented the section of the flowchart, which included distributions to owners. This member requested more information about the difference between distributions to owners and expenses. Project staff explained that the flowchart, was highlighting decisions that need to be made before deciding whether an expense is an exchange or non-exchange transaction. In IPSAS 23, distributions to owners are considered exchange transactions.

Another member commented that Alternative 2 was difficult to follow. This member suggested that some additional examples could be developed to show the value of each of the different approaches, particularly around the accessibility of the information that would be required to be presented.

The Chair agreed that this member raised an important point about accessibility, and expressed the view that it would be important to use fact patterns to show how the application of different approaches would be different.
A member raised the point that some non-exchange transactions with stipulations are very similar to exchange transactions, and that a distinction will need to be made between transactions with and without stipulations. The Chair concurred, and noted that there will need to be a similar distinction between performance obligations and non-performance obligations.

A member pointed out that both IPSAS 19 and IPSAS 23 have some details that the other does not cover, or addresses a complication that is absent from the other model. This member suggested it might be valuable to compare each of these approaches from a conceptual standpoint as a method of distinguishing them.

Another member returned to the prior discussion of symmetry, and expressed the view that symmetry should not be forced or seen as a requirement, especially in cases where symmetry would require a less intuitive presentation in the financial statements.

The Chair responded that while this was a good point, in many cases symmetry would be appropriate. Project staff concurred, and noted that it also can provide a counter-intuitive result when two governments in the same transaction do not agree on the change in net position that occurred. Symmetry may not be the driver, but it can still be an important concept for comparability. Project staff explained that this also is an important issue that the board should discuss. The Chair provided a summary of the discussion about symmetry.

Staff then described the advantages and disadvantages of Alternative 2. Project staff pointed out that IPSAS 23 is familiar to preparers, although it is from the point of view of the recipient of resources. Staff noted that the research found that in applying IPSAS 23 there had been difficulties in determining the classification of transactions as exchange or non-exchange. Staff pointed out that, unmodified, IPSAS 23 may continue to create those kinds of difficulties. Staff also acknowledged that modifying the scope of a standard on revenue to include expenses may lead to unforeseen issues.

The IPSASB was asked whether it agreed with the staff analysis of the advantages and disadvantages of Alternative 2.

One member agreed with the analysis. This member also requested that material should be added to discuss the transaction from the view of the resource provider. This member also expressed concerns about expanding the scope of IPSAS 23 to address expenses, because of reservations whether it is necessary to deal with revenues and expenses in a symmetrical manner. This member also echoed the concern that it would be difficult to address expenses in a revenue standard.

The Chair expressed the view that this alternative cannot be an exact mirror image of IPSAS 23. The flowchart presented shows that some modifications would be necessary to make the standard operational.

Another member pointed out that resource recipients may not always know if they will meet conditions specified by the resource provider, and in some cases the resource provider cannot know how the recipient meets those conditions. This will create practical difficulties.

The Chair summarized the issues that need to be explored further. The Chair noted that it may not always be clear whether there are conditions attached to agreements, which could create further differences between the accounting of resource providers and resource recipients.

Staff provided a draft outline of the CP. Project staff asked the board if the approach in the paper was appropriate, and noted that the next step would be to bring back a preliminary draft of the CP. Staff also asked if the examples should be included in Chapter 2, 3, 4, or in an appendix.
One member commented that it was not clear where revenue would be addressed. Project staff commented that, dependent on the IPSASB's views, revenue and expenses could either be presented separately or together. Project staff noted that some governments that do not provide grants will only be concerned with the revenue side, so there may be some merit in separating revenues from expenses. A member agreed that some respondents may be more interested in seeing only the revenue issues.

The Chair noted that there may be an interplay where respondents may have views on one issue that could influence their views on a complementary issue.

Another member noted that it might be helpful to present the contrasts between the two approaches. The Chair suggested that a pictorial demonstration might be developed.

The Chair next asked for views about examples. Staff expressed a view that examples would be necessary to help readers, but there is a question how extensive those examples need to be. The Chair asked staff to provide some views on this issue.

Staff noted that there were separate TBGs for Revenue and Non-Exchange Expenses. Staff might find obtaining cohesive and consistent views difficult with such an arrangement. The Chair decided to bring the two TBGs together to develop the CP. This arrangement will be re-evaluated following the publication of the CP.

Structure of Chapter One

Staff requested feedback on the outline structure of Chapter One which discusses the scope of the two projects and how they were brought together, as well as explaining the IPSASB's reasons for initiating the project. The chapter also discusses the interaction with the social benefits project.

The Chair expressed the view that it is important that Chapter One be clear about how the issues will be dealt with later in the CP to facilitate navigation of the document. The Chair also expressed the view that the performance obligation approach should be addressed early in the CP, because it is a major issue, and because the IPSASB is aware that there are issues with IPSAS 23.

Staff also commented that more interviews from users are needed. If further interviews are not feasible the section on user feedback will be eliminated.

The Chair commented that they will be looking for Consultative Advisory Group (CAG) feedback on this project at the CAG's first meeting in June 2016.

12. Revenue (Agenda Item 12)

Anthony Heffernan, Director of Accounting Standards of the New Zealand External Reporting Board, presented the Revenue Issues Paper. Anthony was supported by Aimy Luu Huynh, staff of the New Zealand External Reporting Board who attended the meeting.

The IPSASB continued its discussion on the extension of IFRS 15 Revenue from Contracts with Customers to a broader range of performance obligations for the purpose of the development of the Revenue and Non-Exchange Expenses Consultation Paper (CP).

The IPSASB agreed that reference to Category A, B and C revenue transactions should be used in the CP. The categories will be used to describe ideas rather than provide potential definitions or scope requirements. To assist constituents, examples will be provided on what might be in these categories. The current working description of the categories are:
Category A | Revenue transactions that would fall within the scope of an IPSAS based on IFRS 15.
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Category B | Revenue transactions which have some form of performance obligation, but which do not contain all the key characteristics of a transaction within the scope of IFRS 15.
Category C | Revenue transactions with no performance obligations.

The IPSASB agreed to test the principles in the performance obligation approach for Category B transactions. This gives the IPSASB the freedom to modify the performance obligation approach to reflect public sector characteristics rather than be constrained by the IFRS 15 model.

The IPSASB discussed capital grants and noted the practical issues related to such grants. Some entities have adopted accounting policies based on IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. The IPSASB agreed IAS 20 was not a good basis for guidance because it is not consistent with either the IPSASB’s Conceptual Framework or the IASB’s current Conceptual Framework. The issues paper had suggested monitoring and accountability could be the substitute for transfer of control. The concept of transfer of control of goods needs to be explored further if the performance obligation approach is to be applied to capital grants.

The IPSASB noted the term “customer” does not work in the public sector because, in the case of transactions involving three parties, the funder and recipient do not always both directly benefit from the transaction. The IPSASB requested staff to explore the use of an alternative term or terms.

In the agenda presentation fees had been classified as Category C revenue transactions. The IPSASB members provided examples of fees in their jurisdiction that could be classified in all three categories. The IPSASB agreed to remove fees from Category C discussions in the CP. The classification of fees will be discussed at a later date.

The IPSASB discussed the enforcement mechanisms required for a modified performance obligation approach in the public sector. Some IPSASB members disagreed with the methods noted in the issues paper but the IPSASB agreed it was too early to rule anything out. The IPSASB would focus on the principles, look at examples and not give an exhaustive list.

The IPSASB agreed the terms exchange/non-exchange could cause confusion for constituents when describing different alternatives for the application of the performance obligation approach to the recognition of revenue in the CP. Therefore the description of Categories A-C should not use the terms exchange or non-exchange in the performance obligation section of the CP.

13. Public Sector Standards Setters Forum (Agenda Item 13)

Members and Technical Advisers planning to attend the Public Sector Standard Setters Forum on March 14 and 15 at the Dolce Center in Norwalk Connecticut discussed arrangements. It was noted that there were about 70 participants from over 35 jurisdictions. Attendees noted the cabaret-style table configuration in the main room and the responsibilities of table facilitators and note takers. Staff indicated that there would be an opportunity for members and, technical advisers to observe the main room for plenary sessions and break-out rooms after arrival at the Dolce Center in the late afternoon of Sunday, March 13.
14. Emissions Trading Schemes (Agenda Item 14)

The IPSASB considered issues raised related the Emissions Trading Schemes (ETS) project, where a consultation paper (CP) and background paper were being developed.

**Next Steps and Coordination with IASB’s Pollutant Pricing Mechanisms Project**

The first issue discussed was the project’s next steps. This issue was affected by recent developments with respect to the International Accounting Standards Board (IASB) equivalent project; the “Pollutant Pricing Mechanisms” (PPM) project, which considers accounting by participants for their ETS involvement. IPSASB staff are working collaboratively with IASB staff responsible for the PPM project.

The IPSASB noted that IASB work on accounting for PPMs is now linked to the IASB’s Conceptual Framework project. It reconfirmed that the ETS project should be coordinated with the IASB’s PPM project, so that ETS accounting options for both administrators and participants can be considered. Consequently, the IPSASB decided to pause the project following publication of the Staff Background Paper. Staff will continue to monitor IASB developments.

As part of its discussion of the next steps for this project, the IPSASB discussed stakeholders’ interest in disclosures related to entities’ (a) actions to protect the environment, and (b) risks arising from global warming. The ETS project focuses on elements displayed in an entity’s financial statements, rather than the wider set of environmental and risk disclosures under consideration by, for example, the Financial Stability Board’s Task Force on Climate–related Disclosures. The IPSASB may, in the future, undertake a project on environmental disclosures, but any decision on this would depend on further consultation with stakeholders and follow an evaluation of the projects and priorities that arise from such a consultation.

**Background Paper on Government Policy Objectives and Interventions**

The IPSASB then considered issues related to finalization and publication of an ETS Staff Background Paper. The paper identifies ETS–related public policy objectives, and describes different government interventions that aim to reduce emissions and their economic impact. The IPSASB directed staff to publish the background paper as a staff paper. The process to finalize the paper should involve review and input from the ETS Task Based Group (TBG), followed by final reviews by the IPSASB Technical Director and Chair. The IPSASB also directed that the set of case study summaries presently included in an appendix should be removed and replaced with web links to full case studies available on the internet. An additional link, to a case study on China’s ETS developments, should be added.

**Descriptions of Accounting Options and Other Progress**

The IPSASB then considered work done by the staff and TBG to develop:

(a) Revised descriptions of four accounting approaches for administrators’ involvement in ETSs;

(b) Detailed accounting entries for the four approaches;

(c) A description of ETS scenarios showing under– and over–performance by entities; and

(d) A new description of key events in creation and application of an ETS, with each step analyzed, applying the Conceptual Framework, to form views on when elements might arise."

Given its earlier decision to pause the ETS project, the IPSASB noted the progress made on these items, and deferred more in–depth consideration.
Next Steps

Staff will:

(a) Monitor IASB developments; and

(b) Revise the ETS background paper, and then publish it as a staff paper.

Closing Remarks and Conclusion of Meeting

The Chair thanked Members, TAs and Observers for their input to a successful meeting, in which the IPSASB had approved a new approach to communicating the entities for which IPSASs and RPGs are developed and a set of Improvements with a broader scope than previously. Key decisions and had been made on a number of projects, on which there had been good progress. The meeting was then closed.
### 15. Appendix 1 – March 2016 Action List

<table>
<thead>
<tr>
<th>Action Required</th>
<th>Person(s) Responsible</th>
<th>Date to be Completed</th>
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<tbody>
<tr>
<td><strong>1. Communications</strong></td>
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<tr>
<td>• Action List posted to IPSASB Extranet</td>
<td>Leah Weselowski</td>
<td>March 24</td>
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<tr>
<td>• Draft minutes circulated to IPSASB for comment</td>
<td>Leah Weselowski</td>
<td>April 29</td>
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<tr>
<td>• Update IPSASB Summary of IASB Work Plan and Tracking Table</td>
<td>Ross Smith</td>
<td>June 6</td>
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<tr>
<td>• Update GFS Tracking Table</td>
<td>João Fonseca</td>
<td>May 31</td>
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<tr>
<td>• Meeting Highlights posted to IPSASB webpage</td>
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<td>March 24</td>
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<td><strong>2. Technical Director’s Report on Work Plan</strong></td>
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<td>• Further develop and update Work Plan and circulate to IPSASB</td>
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<td><strong>3. Improvements</strong></td>
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<td>• Draft to Communications</td>
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<td>• Final Standard published on web site</td>
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<td><strong>4. Heritage Assets</strong></td>
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<td>• Develop Issues Paper for June meeting</td>
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<td><strong>5. Governance</strong></td>
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<td>• Circulate minutes of March 23 Public Interest Committee (PIC) meeting to IPSASB</td>
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<td>• Provide IPSASB with update on CAG composition</td>
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<td>• Update Due Process and Working Procedures to address PIC issues</td>
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<td><strong>6. Leases</strong></td>
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<td>• Project Brief</td>
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<td><strong>7. Impairment of Revalued Assets</strong></td>
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<td>• Develop ED 57, <em>Impairment of Revalued Assets</em> into draft final pronouncement.</td>
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<td><strong>8. Public Sector Financial Instruments</strong></td>
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<td>• Issues Paper and Draft CP to TBG for discussion</td>
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<td><strong>9. The Applicability of IPSAS</strong>&lt;br&gt;• Publication of Final Pronouncement, Amendments to Preface to IPSASs, Preface to IPSASs (clean version) and At-a-Glance</td>
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<td><strong>10. Social Benefits</strong>&lt;br&gt;• Issues to TBG for discussion&lt;br&gt;• Agenda Papers posted</td>
<td>Paul Mason</td>
<td>April 30&lt;br&gt;May 31</td>
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<td><strong>11. Non-Exchange Expenses</strong>&lt;br&gt;• Develop Issues Papers coordinated with NZ XRB&lt;br&gt;• Draft Consultation Paper for June meeting in coordination with NZ XRB.</td>
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<td><strong>12. Revenue</strong>&lt;br&gt;• Develop issues paper and draft CP Chapters</td>
<td>Anthony Heffernan, NZ XRB</td>
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<td><strong>13. Emissions Trading Schemes</strong>&lt;br&gt;• Publish background paper as staff paper</td>
<td>Gwenda Jensen</td>
<td>May 30</td>
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<td><strong>14. Amendments to IPSAS 25, Employee Benefits</strong>&lt;br&gt;• Issues Paper&lt;br&gt;• Review of Responses</td>
<td>João Fonseca</td>
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### 16. Appendix 2 – Voting Record

**Vote #1 – Approve Improvements to IPSASs**

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### Vote #2– Approve Applicability of IPSAs

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