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A COMPARISON OF POLISH PUBLIC SECTOR GAAP WITH IPSAS

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EXECUTIVE SUMMARY

Introduction

The sovereign debt crisis underlined the need for governments to clearly demonstrate their financial stability and for more rigorous and transparent reporting of fiscal data. Government activity accounts for a major part of gross domestic product (GDP), and government assets and liabilities are usually substantial. Even before the crisis, governments held significant stocks of financial and non-financial assets and liabilities. The crisis saw government holdings of financial assets increase by around 4 to 5 percent of GDP while liabilities increased by more than 20 percent of GDP. It is therefore important that public sector activities are effectively managed, and that governments are accountable for this management to their citizens, their representatives, investors and other stakeholders. Recent developments, in particular incidences of inappropriate financial reporting by some EC Member States, have demonstrated that the system for preparing fiscal statistics has not sufficiently mitigated the risk of substandard quality data, under-mining investor confidence and market perceptions of fiscal solvency. One of the main sources of this fiscal data are the accounting records and reports of the government entities, together with supplemental disclosures.

As well as addressing the needs of external stakeholders, a comprehensive framework of public sector accounting and financial reporting is increasingly seen as an important tool in improving economic decision-making within government; for example in the effective use of public resources and performance evaluation. International Public Sector Accounting Standards (IPSAS) are widely regarded as the benchmark for high quality public sector accounting and financial reporting; they are underpinned by a strong due process and supported by governments, professional accountancy bodies and international organizations.

Context, objectives and methodology

The European Union recently launched an initiative to improve the quality and comparability of fiscal reporting across Member States which includes the development and introduction of European Public Sector Accounting Standards (EPSAS), which would be substantially based on IPSAS. To prepare for the public consultation on the EPSAS, the Ministry of Finance (MOF) of Poland requested that the World Bank prepare this Report which compares current Polish PS GAAP with IPSAS and provides policy options for the further development of government accounting and financial reporting in Poland.

The Report does not address issues of compliance with accounting regulations; nor any costs or capacity building efforts which may need to be incurred or undertaken should the Government decide to reduce the gap between Polish PS GAAP and IPSAS as identified in the report.

Main Common Aspects and Differences between Polish PS GAAP and IPSAS

Existing Polish PS GAAP is based on a complex framework set of laws, regulations and sector specific requirements that would benefit from being simplified and harmonized for practitioners. Poland's PS GAAP is based on accruals rather than cash-based principles and are consistent with many of the fundamental principles underlying IPSAS. PS GAAP comes from a number of sources. Approximately 71,000 public sector entities apply the Accounting Act (AA) which also applies to the corporate sector, however the Public Finance Act and, more specifically regulations of the MOF exclude approximately 68,000 of them from those sections addressing the presentation of financial statements, consolidation and auditing. Further specific accounting guidelines are provided for tax collection activities and public institutions. The AA permits but does not oblige entities to refer to Polish National Accounting Standards (KSRs) for guidance on accounting issues not already provided for in the AA. Each of these subsets of Polish PS GAAP differ from IPSAS to a differing degree which hampers their consistent application or efficient development over time.

The areas of Polish PS GAAP that are most consistent with IPSAS include:

a. *Measurement of Assets.* Overall Polish PS GAAP is broadly consistent with the IPSAS treatment of assets in IPSAS 12 (Inventories), IPSAS 16 (Investment Property), IPSAS 17 (Property, Plant and Equipment), IPSAS 31 (Intangible Assets) and IPSAS 26 (Impairment of Cash-Generating Assets).

b. *Other.* Polish PS GAAP is also broadly consistent with IPSAS in respect of: IPSAS 4 (Effects of changes in foreign exchange rates) except in respect of accounting for EU funds; IPSAS 5 (Borrowing costs) except in respect of the mandatory capitalization of borrowing costs incurred for property, plant and equipment including that under construction; IPSAS 9 (Revenue from exchange transactions); and IPSAS 11 (Construction contracts).

The areas of Polish PS GAAP that are most divergent from IPSAS include:

a. *Presentation of financial Statements.* Financial statements prepared under Polish PS GAAP contain considerably less financial information than those required by IPSAS 1 (Presentation of Financial Statements) or IPSAS 2 (Cash flow statements) in terms of the components of the financial statements (a statement of financial position,

statement of changes in net assets/equity, cash flow statement and a summary of accounting policies and other explanatory notes.

b. *Recognition of Taxes and transfers.* Financial statements prepared under Polish PS GAAP do not include revenues from taxes and customs collected by tax-collection bodies subordinate to the MOF as well as EU grants as is required by IPSAS 23 (Revenues from non-exchange transactions).

c. *Aggregation of financial information.* Currently, Polish PS GAAP has very limited requirements with regard to the production of aggregated financial information. This undermines the ability of users of financial information to make informed judgments about performance, or to take sound economic decisions.

d. *Other.* Polish PS GAAP also differs very significantly from IPSAS in respect of: IPSAS 28-30 (financial instruments), IPSAS 13 (leases), IPSAS 25 (employee benefits), IPSAS 20 (related party disclosures) and IPSAS 32 (service concession arrangements). These differences result in many liabilities and associated disclosures which would be reflected under IPSAS not being recognized under extant PS GAAP.

Other important points

Polish National Accounting Standards (KSRs) have been adopted by very few public sector entities because they are optional. If KSRs became mandatory then the divergence between Polish PS GAAP and IPSAS would be narrowed in respect of: cash flow statements; impairment of cash-generating assets; leases; provisions; and changes in accounting policy, estimates, correction of errors, and events after the reporting date.

While going beyond the scope of this Report, there is little evidence to suggest that financial statements produced in accordance with Polish PS GAAP are extensively used in practice. Rather, decision-makers and policy influencers refer to and rely on cash based budget execution reports and as such are managing and influencing the management of fiscal risk based on substantially incomplete information. Accrual accounting is the only generally accepted information system that provides a complete and reliable picture of the financial position and economic performance of an entity (government, business, or other), as it enables to capture in full the assets and liabilities as well as revenue and expenses of an entity, over the period covered by the accounts and at the moment they are closed.

Options Going Forward

In the short term there is a strong argument to supplement the current cash based budget execution reports with accruals-based information in order better to inform decision-

makers and policy influencers in their management of public resources and fiscal risks. A good first step would be to use the information already produced in accordance with Polish PS GAAP. Thereafter, improvements to Polish PS GAAP would help further bridge the information deficit.

The most significant options to strengthen Polish PS GAAP which may also be regarded as steps towards any eventual adoption of IPSAS include:

a. *Simplification and standardization of Polish PS GAAP.* Polish PS GAAP is complex, non-standard across public sector entities and creates a challenge to understand, compare and interpret the various types of financial statements produced. The fragmented financial reporting framework is also an impediment to consolidation. Polish PS GAAP should be simplified and standardized across all PFSEs. This will also require the design of a unified chart of accounts that is mindful not only of the requirements of any revised Polish PS GAAP but also of other financial and statistical reports produced for and required by other government agencies as well as supervisory and tax bodies.

b. *Development of aggregated financial information.* Improvements in the availability of aggregated accruals-based information would allow government to get a better understanding of its overall financial position and fiscal risks than the current consolidated cash-based budget execution reports. Experience in other countries suggests that the development of consolidated financial statements is a complex exercise which requires a careful consideration of the costs/benefits. One approach would be for the consolidation to follow the existing budgetary process with financial statements (together with comprehensive disclosures) produced at (i) the central government and (ii) territorial subnational government.

c. *Coverage and definition of PFSEs.* The PFA appears to omit certain public sector entities such as Treasury and the Road Fund from the definition of PFSEs and as such they do not appear to be subject to Polish PS GAAP. In addition, certain public sector transactions such revenues of taxes and customs by entities subordinate to the MOF as well as EU grants appear to fall out of the scope of Polish PS GAAP. Polish PS GAAP should be reviewed and revised to include all appropriate entities and transactions.

The further alignment of Polish PS GAAP with IPSAS will contribute to increased financial accountability and improved management of public resources and fiscal risks. However, alignment is a mid to long term exercise given the complexity of the processes involved. As such, it is a significant and costly investment which needs careful planning and sequencing. The experience in other countries has also shown the importance of the commitment from senior management and politicians in increasing buy-in and participation of key stakeholders in promoting the benefits of investing in accruals based financial reporting. Developing a comprehensive program will require further preparatory studies, including an assessment of actual public sector accounting practices as well as an assessment of the institutional framework and any capacity constraints. In the short term,

key stakeholders would also benefit from: further awareness raising events; IPSAS training; learning from other EU countries that apply IPSAS-based standards; and policy-setting workshops to consider and develop their thinking on these issues.

MAIN ABBREVIATIONS AND ACRONYMS

AA	Accounting Act
AAA	[World Bank] Analytical and Advisory Assistance
CFRR	[World Bank] Centre for Financial Reporting Reform
CHF	Swiss Francs
CO	Civic Platform
CoA	Chart of Accounts
CPS	Country Partnership Strategy
DPL	[World Bank] Development Policy Loan
EDP	Excessive Deficit Procedure
EPSAR(P)	Enhancement of Public Sector Accounting and Financial Reporting (Program)
ESA	European Statistics
EU	European Union
EUROSAI	European Organization of Supreme Audit Institutions
FRTAP	Financial Reporting Technical Assistance Program
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GGS	General Government Sector
GNI	Gross National Income
IFRS	International Financial Reporting Standards
IL	[World Bank] Investment Lending
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
KIBR	National Chamber of Statutory Auditors
KSR	Polish National Accounting Standard/s
LGBF	Local Government Budget Facility
MOF	Ministry of Finance
MTO	Medium Term Objective
NBP	National Bank of Poland
NIK	Supreme Audit Office
PFM	Public Financial Management
PFS	Public Finance Sector
PFSE	Public Finance Sector Entity
PLN	Polish Zloty
PoC	Percentage of Completion Method
PPE	Property, Plant and Equipment
PPS	Purchasing Power Standards
PS GAAP	Public Sector Generally Accepted Accounting Principles

PSL	Polish Peasants Party
RMF	Regulation of the Minister of Finance from 05.07.2010
SKWP	Polish Accountants Association
SME	Small and Medium-sized Enterprise
SOE	State Owned Enterprise
TLGU	Territorial Local Government Unit
USD	United States dollar

1. INTRODUCTION

1.1. Rationale and demand for report

1. This report comparing Polish public sector GAAP (PS GAAP) with IPSAS is the first element of the Enhancement of Public Sector Accounting and Financial Reporting Program (EPSARP) in Poland that is being delivered by the World Bank through the Swiss-financed Financial Reporting Technical Assistance Program (FRTAP).

2. Eurostat launched an initiative to promote the harmonization of public sector accounting across the EU which includes the introduction and adoption of European Public Sector Accounting Standards (EPSAS) which is likely to be substantially based on International Public Sector Accounting Standards (IPSAS)[1]. This initiative is aimed at improving data quality for reports produced by EU member states in accordance with the European System of National and Regional Accounts (ESA) being the EU accounting framework for a systematic and detailed description of an economy. This has in turn stimulated interest as to the future direction of public sector accounting reforms within the Polish Government. The Government of Poland is particularly concerned by the legitimacy of the reform, proportionality and subsidiarity principles, the potentially high costs of the reform, capacity constraints and the implications for the work of auditors in the public sector as well as the timescale which is likely to be proposed for the issuance of the first set of consolidated EPSAS financial statements.

3. The policy mandate for the development of public sector accounting in Poland rests with the Accounting Department of the MOF. Accordingly, the MOF has expressly requested that the Bank, through the Financial Reporting Technical Assistance Program (FRTAP), helps with the following:

   - A comparison of International Public Sector Accounting Standards (IPSAS) as issued by IPSASB as at the end of 2014 with currently binding Polish PS GAAP.
   - Develop and deliver training on IPSAS and its setting process for the regulators and other stakeholders to enhance practical knowledge and understanding of those standards.
   - Organize study visits to chosen EU countries that apply either IPSAS or national standards based on IPSAS.

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[1] International Public Sector Accounting Standards (IPSAS) are widely regarded as the benchmark for high quality public sector accounting and financial reporting; they are underpinned by a strong due process and supported by governments, professional accountancy bodies and international organizations. Further information about the proposal to develop European Public Sector Accounting Standards (EPSAS) may be found at http://www.epsas.eu.

1.2. Country context

1.2.1. Political and Economic Background

4. Poland has become a major actor within the EU. With a population of about 38.2 million and a GNI per capita of US$13,730 (2014, Atlas method), Poland has the largest economy in Central Europe. Since joining the EU in 2004, the country has made remarkable progress in catching up with the core of the EU in terms of economic development and living standards (GDP per capita in purchasing power standards [PPS] has risen from 49 percent to 67 percent of the EU average).

5. Following Prime Minister's Tusk appointment to the head of the European Council, Ewa Kopacz took office in September 2014, a year before the general election, scheduled for late 2015. The coalition government, composed of the Civic Platform (PO) and the Polish Peasants Party (PSL), has a small majority in Parliament, but was elected with a strong mandate for reform, particularly in the areas of public finance, financial markets, labor markets, business climate and innovation. The World Bank continues to support the implementation of the Government's reform program, through Development Policy Lending and analytic and advisory services that help foster greater global knowledge exchange.

6. A larger increase in investment and private consumption helped strengthen economic growth in 2014. GDP growth doubled in 2014, to 3.4 percent, from 1.7 percent in 2013 and 1.8 percent in 2012. Domestic demand became the main driver of growth amid slowing export activity, related to the lackluster recovery in the Euro Area combined with the impact of rising geopolitical tensions, sanctions and the slowdown in Russia's economy. Investment activity rebounded strongly in 2014 amid favorable financing conditions and improving business confidence, while private consumption benefitted from significant improvements in employment and real wages.

1.2.2. Fiscal Performance

7. Sound macroeconomic policies have helped Poland sustain economic growth throughout the global downturn. During the two recent periods of weak Euro area growth, in 2008-10 and in 2013, Poland adopted counter-cyclical fiscal and monetary policies to help cushion the impact on the domestic economy. The general government deficit increased from 3.8 percent of GDP in 2012 to 4 percent of GDP in 2013. Despite a decline in domestic demand, particularly investment, Poland is the only EU country that has grown continuously over the last six years. In 2014, economic growth strengthened in Poland and the authorities resumed their fiscal consolidation efforts in an effort to start rebuilding prudential fiscal buffers, reducing the fiscal deficit to around 3.2 percent of GDP. Resilient domestic demand amid challenging external environment will stabilize economic growth slightly above 3 percent a year over the medium-term. GDP is expected to grow by 3.4 percent in 2015 and

3.6 percent in 2016. Domestic demand is expected to remain the main driver of growth backed by strong consumption and investment growth. Private consumption growth is forecasted to grow by around 3 percent, on the back of strong employment growth, leading to a reduction in the unemployment rate. In addition, the scaling up of some social expenditure—notably an increase in the child tax credit for families and in the pensions indexation—will further support the growth of real household incomes. Investment will also benefit from the roll-out of new projects financed by EU structural funds and the ongoing recovery of credit growth to enterprises. The recent upgrades of the Eurozone outlook, as well as low oil prices should be conducive to economic growth going forward; however risks related to geopolitical tensions may raise uncertainty, which could dampen consumer confidence and private sector investment

8. The public debt to GDP ratio is expected to stay around 50 percent of GDP over the forecast horizon. Changes to the pension system, associated with a transfer of pension fund assets to the government, and the change in ESA methodology resulted in the reduction of debt to GDP ratio from 55.7 percent in 2013 to an estimated 50.1 percent of GDP in 2014. Continued fiscal consolidation and a favorable differential between projected GDP and the real interest rate will help to keep public debt at the levels close to 50 percent of GDP. This would ensure that public debt remains below the Maastricht ceiling of 60 percent of GDP and the key national debt thresholds (as calculated according to national methodology). The public debt sustainability analysis suggests that the debt path is highly sensitive to a growth shock, but it is not expected to put the level of public debt above the threshold of 60 percent of GDP.

9. The current four-year Country Partnership Strategy (CPS), presented to the Board of Executive Directors on August 6, 2013, sets out the country context, country development program, and envisaged World Bank Group program for Poland for the period 2014–17. Poland had indicated its interest in continuing to benefit from the World Bank's financial and technical support (and its intent not to seek graduation in the near future). The CPS' two-fold aim is: (i) to foster sustainable income growth for the bottom 40 percent of the population (within the context of Poland's economic convergence with the EU), and (ii) to support Poland's emerging role as a global development partner. The program rests on four strategic engagement areas: (i) economic competitiveness (business environment, innovation, public finance); (ii) equity and inclusion (labor market, regional development, health, aging); (iii) climate action (climate policy, flood protection, resource-efficient infrastructure); and (iv) Poland as a global development partner. The strategy foresees two series of two DPLs each, and a number of investment lending (IL) programs over the period (including in health, flood protection, and social inclusion).

10. The previous lending program was anchored around successive programmatic DPL series in support of the Government's reforms in public finance, the labor market, and the social sectors, as well as in private sector development. In addition the Bank offers an Analytical

and Advisory Assistance (AAA) Program largely based on "knowledge products", in part reimbursed by the Government. The authorities value their partnership with the World Bank as a way to access global knowledge in specific technical "niches" (e.g., on a bank resolution framework, innovation and competitiveness, climate change modeling, infrastructure financing, etc.). This serves several purposes, including to inform policy debates and to facilitate the design or implementation of technical reforms.

11. The Government has taken significant steps to improve the public financial management system. In late 2009, the Parliament enacted the Public Finance Act, which significantly strengthened the transparency and efficiency of the budgetary process in Poland. The new legislation introduced, among other measures, a medium-term fiscal framework and performance-based budgeting, enhanced debt safety procedures, strengthened control and internal budget audit, and increased budget transparency through the consolidation of some budgetary units and the establishment of a separate budget for EU funds. To accompany the ongoing fiscal consolidation effort, the Government carried out further reforms aimed at strengthening fiscal rules and institutions and improving the quality of expenditure and public sector effectiveness, including in social sectors. The Bank has been actively engaged in this area through successive Development Policy Loan (DPL) series and technical assistance in the areas of spending reviews, management of a public sector wage bill, and local government fiscal management, in close cooperation with the European Commission (EC) and the IMF.

2. DEFINITION AND APPLICABILITY OF POLISH PUBLIC SECTOR GAAP

12. For the purposes of this report and analysis, Polish public sector GAAP is taken to comprise six texts: (i) articles 9 and 40 of the Public Finance Act of 27 August 2009 (PFA); (ii) the Accounting Act of 29 September 1994 (AA); (iii) the Regulation of the Ministry of Finance of 5 July 2010 (RMF); (iv) the Regulation of the Ministry of Finance of 25 October 2010; (v) Order no. 54 of the Ministry of Finance of 23 December 2010 (OMF 54); and (vi) Order no. 53 of the Ministry of Finance of 28 December 2011 (OMF 53). Each of these texts is discussed in further detail immediately below.

13. In late 2009, Parliament enacted the PFA with the aim primarily of strengthening the transparency and efficiency of the budgetary process in Poland. The new legislation introduced, among other measures, a medium-term fiscal framework and performance-based budgeting, enhanced debt safety procedures, strengthened control and internal budget audit, and increased budget transparency through the consolidation of some budgetary units and the establishment of a separate budget for EU funds.

14. The PFA establishes financial reporting requirements for the Polish public sector. Article 9 of the PFA defines the Polish public finance sector as comprising 14 types of public finance sector entities (PFSEs). These are listed in the table below. It should be noted that article 9 of the PFA does not include the Road Fund and Treasury. As such, these two entities are not considered PFSEs and do not comply with Polish PS GAAP as defined for the purposes of this report[2].

15. The AA is applicable to all entities having their seat or head office within the territory of Poland and specifies the accounting rules, procedures for auditing financial statements by expert auditors, and the rules for carrying out activities in the field of accounting and bookkeeping services. The AA is largely based and on the Fourth and Seventh EU Company Law Directives as well as the EU Statutory Audit Directive. The AA thus applies to all Polish entities in both the public and private sectors.

16. Article 80 of the AA in conjunction with article 2, paragraph 1, subparagraph 4 exempts all territorial local government units (TLGUs) and their associations, state and local government budget units as well as local government budget facilities from the obligations established

[2] The Road Fund was excluded because it is a fund within BGK (Polish state bank) and banks are not considered part of the public sector. It is understood that Treasury was excluded because ESA 95 (on which the AA was apparently modelled in terms of helping define the public sector) says nothing specifically about including Treasury although somewhat contradictorily sub-national equivalents of Treasury in TSGUs are considered part of the public sector. The overall impact of these exclusions given the absence of consolidated, published, audited or the widely used Polish PS GAAP financial statements is perhaps marginal at this point in time.

elsewhere in the AA to prepare financial statements, to prepare consolidated financial statements, and to have their financial statements audited, registered and published. This gap is filled in the first instance by article 40 of the PFA which gives authority to the Ministry of Finance to establish separate GAAP for these three types of PFSEs as well as state earmarked funds. The Regulation of the Ministry of Finance of 5 July 2010 (RMF)[3] is the separate GAAP applicable to territorial local government units (TLGUs), state and local government budget units, local government budget facilities and state earmarked funds.

17. Three other texts specify tax collection bodies' GAAP relating to the collection and administration of taxes:

    (i) the Regulation of the Ministry of Finance of 25 October 2010[4];

    (ii) Order no. 54 of the Ministry of Finance of 23 December 2010[5]; and

    (iii) Order no. 53 of the Ministry of Finance of 28 December 2011[6].

    The impact and consequence of these texts on Polish public sector GAAP are discussed later in this report in the context of how Polish PS GAAP compares to IPSAS 23, *Revenue from non-exchange transactions (taxes and transfers)*.

18. Finally, article 10, section 3 of the AA gives PFSEs the option but not the obligation of referring to Polish National Accounting Standards (KSRs) for guidance on accounting issues not already provided for in the AA. The relation and relevance of Polish Accounting Standards on Polish PS GAAP is discussed separately later in this report.

19. The table below lists the 14 types of public finance sector entities (PFSEs) as defined by the PFA, indicates the number of each such type of entity and clarifies which particular part of Polish PS GAAP is applicable to them.

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[3] The full name of the Regulation of the Ministry of Finance of 5 July 2010 (RMF) is "Regulation of the Minister of Finance of 5 July 2010 on detailed principles of accounting and charts of accounts for the state budget, budgets of territorial local government units, budget units, local government budget facilities, state target funds and state budget units with seat outside the territory of the Republic of Poland"

[4] The full name of the e Regulation of the Ministry of Finance of 25 October 2010 is "Regulation of the Minister of Finance of 25 October 2010 on principles of accounting and charts of accounts for tax bodies of territorial local government units"

[5] The full name of Order no. 54 of the Ministry of Finance of 23 December 2010 is "Decree No. 54 of the Minister of Finance of 23 December 2010 on accounting principles and charts of accounts for tax institutions subordinated to the Minister of Finance, in scope of collection and accounting for taxes, fees, profits payment of state owned enterprises and sole owner Treasury of State companies, as well as other non-tax budget receivables set or determined by authorized tax institutions"

[6] The full name of Order no. 53 of the Ministry of Finance of 28 December 2011 is "Decree No. 53 of the Minister of Finance of 28 December 2011 amending the Decree on accounting principles and charts of accounts for tax institutions subordinated to the Minister of Finance, in scope of collection and accounting for taxes, fees, profits payment of state owned enterprises and sole owner Treasury of State companies, as well as other non-tax budget receivables set or determined by authorized tax institutions"

Table 1: Polish public finance sector entities

No.	Type of public finance sector entity	Estimated no. of PFSEs	Apply AA	Additionally apply RMF but do not apply sections of AA relating to formats of financial statements, consolidation and auditing	Only tax collection bodies additionally apply tax GAAP
1	Bodies of public authority, including bodies of government administration, state control and law enforcement, as well as courts and tribunals; (data included below, within the general number of budget units)	Included in other PFSE types listed below			
2	Territorial local government units and associations thereof; (data as of 31.12.2013)	2979	✓	✓	Regulation of MOF of 25/10/2010
3	Budget units (including state budget units listed in pt 1 plus 211 establishments abroad). Of which:	61875	✓	✓	
	5825 state (incl those abroad) budget units		✓	✓	OMF 54 and OMF 53
	56050 local government budget units		✓	✓	
4	Local government budget facilities; (data as of 2007)	2809	✓	✓	
5	Executive agencies;	10	✓		
6	Budget economy institutions;	15	✓		
7	State earmarked funds; (including funds of ZUS and KRUS)	28	✓		
8	Social Insurance Institution (ZUS) and funds managed by it, as well as Farmers	618	✓		

No.	Type of public finance sector entity	Estimated no. of PFSEs	Apply AA	Additionally apply RMF but do not apply sections of AA relating to formats of financial statements, consolidation and auditing	Only tax collection bodies additionally apply tax GAAP
	Insurance Institution (KRUS) and funds managed by Chairman of Farmers Insurance Institution; (excluding funds of ZUS and KRUS) (Home Office and branches of ZUS and KRUS)				
9	National Health Fund (Home Office and branches)	17	✓		
10	Autonomous public healthcare facilities (as per Statistics Bulletin of Ministry of Health 2014)	2102	✓		
11	Public tertiary schools;	137	✓		
12	Polish Academy of Sciences and organizational units created by it;	77	✓		
13	State and local government cultural institutions;	481	✓		
14	Other state or local government legal persons, created pursuant to separate legislation for the purpose of performing public tasks, excluding enterprises, research institutes, banks and commercial law companies.	38	✓		
	Total	**71186**			

3. SUMMARY COMPARISON OF POLISH PUBLIC SECTOR GAAP WITH IPSAS

20. There are approximately 71,000 public finance sector entities (PFSEs) as defined in the Public Finance Act (PFA) all of which by definition apply Polish PS GAAP. However, Polish PS GAAP is fragmented in that although all of the approximately 71,000 PFSEs apply the Accounting Act (AA), approximately 68,000 PFSEs additionally apply the Regulation of the Ministry of Finance of 5/7/2010 (RMF) and are excluded from those three sections of the AA dealing with presentation of financial statements, consolidation and auditing. A further unknown number of tax-collecting PFSEs from the approximately 68,000 RMF PFSEs apply one of two sets of additional MOF-specified GAAP which not only establishes Polish PS GAAP in respect of their tax collection activities but also modifies RMF Polish PS GAAP on other matters such as formats and content of financial reports. Finally, the AA permits but does not oblige PFSEs to refer to Polish National Accounting Standards (KSRs) for guidance on accounting issues not already provided for in the AA.

21. Each of the immediately above-summarized subsets of Polish PS GAAP differs from IPSAS to a differing degree. In addition, divergences from IPSAS cannot be objectively quantified. Accordingly, it is not possible to give a single unambiguous view about the gap between Polish PS GAAP and IPSAS. The main body of this report and this section's summary essentially present the differences between Polish PS GAAP and IPSAS by reference to the two main subsets of PFSEs subject to Polish PS GAAP: those subject only to the AA; and those subject additionally to the RMF with the specific AA carve-outs. In determining which areas of Polish GAAP are most consistent with or most divergent from IPSAS, the authors were mindful of the relative importance and weight of these two subsets.

3.1. Areas of Polish PS GAAP that are most consistent with IPSAS

22. *Accruals accounting.* Poland PS GAAP is accruals-based rather than cash-based and as such the fundamental principles underlying Polish PS GAAP are consistent with the fundamental principles underlying IPSAS. Examples of this include: capitalization of fixed assets, depreciation of fixed assets, and accounting for receivables and payables. In addition, Polish PS GAAP in the AA but much less so in the RMF is reasonably consistent with IPSAS 3 (Accounting Policies, Changes in Estimates and Errors), IPSAS 14 (Events after the reporting day) and IPSAS 19 (Provisions, Contingent Liabilities and Contingent assets).

23. *Asset accounting.* Overall Polish PS GAAP is broadly consistent with the IPSAS treatment of assets in IPSAS 12 (Inventories), IPSAS 16 (Investment Property), IPSAS 17 (Property, Plant

and Equipment), IPSAS 31 (Intangible Assets) and IPSAS 26 (Impairment of Cash-Generating Assets).

24. *Other.* In addition to the two very significant areas of Polish PS GAAP described immediately above that are most consistent with IPSAS, other perhaps less significant areas of Polish PS GAAP that are also very consistent with IPSAS include:

    a. *Effects of changes in foreign exchange rates.* Further areas of compliance can be found for IPSAS 4 (Effects of Changes in Foreign Exchange Rates) except, significantly, in respect of EU funds for which regulation from the EU has priority and which is not in line with IPSAS.

    b. *Borrowing costs.* Although Polish PS GAAP is broadly in line with IPSAS 5 (Borrowing costs) in that it prescribes the IPSAS 5 benchmark-treatment requiring borrowing costs to be expensed in the period in which they are incurred, Polish PS GAAP has two exceptions of which the most notable is the mandatory capitalization of borrowing costs incurred for property, plant and equipment including that under construction.

    c. *Revenue from exchange transactions.* Polish PS GAAP is consistent with the main principles of IPSAS 9 (Revenue from exchange transactions) in terms of recognition, measurement and disclosures.

    d. *Construction contracts.* Polish PS GAAP is more or less consistent with IPSAS 11 (Construction contracts) although it is understood that there is very little actual construction undertaken by PFSEs.

3.2. Areas of Polish PS GAAP that are most divergent from IPSAS

25. *Composition and presentation of financial Statements.* Financial statements prepared under Polish PS GAAP contain considerably less financial information than those required by IPSAS 1 (Presentation of Financial Statements) both in terms of the components of the financial statements as well as the disclosures thereto; disclosure requirements are even weaker for entities subject to the RMF. In addition, only very few PFSEs are required to produce a cash flow statement and thus Polish PS GAAP differs considerably from IPSAS 2 (Cash flow statements).

26. *Taxes and transfers.* Financial statements prepared under Polish PS GAAP do not include revenues from taxes and customs collected by tax-collection bodies subordinate to the MOF as well as EU grants. As such, Polish PS GAAP differs considerably from IPSAS 23 (Revenues from non-exchange transactions).

27. *Consolidation.* Under Polish PS GAAP, only TLGUs perform a limited form of consolidation requiring them to produce only a single consolidated statement of financial position rather than a full set of consolidated statements as would be required by IPSAS. In the main

therefore, there are no consolidation requirements and Polish PS GAAP does not reflect any of IPSAS 6 (Consolidated and Separate Financial Statements), IPSAS 7 (Investments in Associates) and IPSAS 8 (Interests in Joint Ventures).

28. *Other.* In addition to the three very significant areas of Polish PS GAAP described immediately above that differ very significantly from IPSAS, other perhaps less significant areas of Polish PS GAAP that differ most significantly from IPSAS include: financial instruments[7] (IPSAS 28-30), leases (IPSAS 13), employee benefits (IPSAS 25), related party disclosures (IPSAS 20) and service concession arrangements (IPSAS 32).

3.3. IPSAS that are not applicable to Poland

29. For the sake of the completeness of this comparative analysis of Polish PS GAAP with IPSAS, the following IPSAS are not applicable to Poland and therefore there is neither consistency nor inconsistency between them and Polish PS GAAP:

    a. IPSAS 10 - Financial Reporting in Hyperinflationary Economies. IPSAS 10 is not applicable to Poland as it is not a hyperinflationary economy.

    b. IPSAS 15. IPSAS 15 has been withdrawn.

    c. IPSAS 22 - Disclosure of Financial Information about the General Government Sector. IPSAS 22 is not applicable since it applies only to governments that present financial information about the general government sector in their consolidated financial statements. The Polish government does not present consolidated financial statements.

3.4. Impact of Polish National Accounting Standards on Polish PS GAAP

30. As discussed earlier, where detailed and obligatory Polish PS GAAP requirements are not in place, the AA permits but does not oblige PFSEs to refer to Polish National Accounting Standards (KSRs). This report compares the obligatory Polish PS GAAP requirements with IPSAS. If KSRs became mandatory for PFSEs then the gap between Polish PS GAAP and IPSAS would be reduced in the following areas: cash flow statements, impairment of cash-generating assets, leases, provisions, changes in accounting policy, estimates, correction of errors, and events after the reporting date. See section 4 for further details.

[7] It should be noted that the accounting for financial instruments is also regulated by the Regulation of the Minister of Finance of 12.12.2001 on detailed principles of recognition, measurement, scope of disclosures and methods of presentation of financial instruments which is obligatory for those entities that are subject to the statutory audit (and some of TSGUs might fall into such an obligation). If that RMF is applied then the level of incompliance with IPSAS 28-29 is significantly reduced.

3.5. Summary table

31. The table below presents a summary comparison of Polish PS GAAP with IPSASs.

Table 2: Summary comparison of Polish PS GAAP with IPSAS

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
IPSAS 1 - Presentation of Financial Statements		
Polish PS GAAP conforms with IPSAS 1 in terms of responsibilities for the preparation and presentation of financial statements, main principles, structure and content and presentation of items, as well as the basic definitions of assets and liabilities and the presentation of line items on the face of financial statements. However, financial statements prepared and presented in accordance with Polish PS GAAP do not present a "fair view" as defined by IPSAS because to do so would require the financial position, financial performance, and cash flows of an entity to be prepared and presented in accordance with all IPSASs with additional disclosure where required. There are only very limited disclosure requirements for the AA, but even less for the RMF.	1. Responsibilities for the preparation and presentation of financial statements are defined 2. Principles met: going concern; consistency; materiality; offsetting; comparative information 3. Structure and content 4. Definitions: assets and liabilities 5. Presentation of line items on the face of financial statements	1. Financial statements do not include all of the following components for all reporting entities: a. Statement of financial position; b. Statement of financial performance; c. Statement of changes in net assets/equity d. Cash flow statement; e. When the entity makes publicly available its approved budget, a comparison of budget and actual amounts f. Accounting policies and notes 2. No true and fair presentation of the financial position, financial performance and cash flows 3. Very limited disclosure requirements for the AA, but even less for the RMF
IPSAS 2 – Cash Flow Statements		
Polish PS GAAP broadly conforms with IPSAS 2 in terms of the AA, but not in terms of the RMF as cash flow statements are only	Regulation would be by and large in line with IPSAS 2, however, cash flow statements are only presented by entities that are	There is no general requirement that an entity that presents accrual based financial statements shall present a cash flow

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
presented by entities subject to the AA and to statutory audit. There is no general requirement that an entity presenting accrual based financial statements shall also present a cash flow statement as an integral part of financial reporting. The application of the non-mandatory KSR 1 would result in a statement of cash flows that is substantially in compliance with IPSAS 2.	subject to AA and to statutory audit.	statement as an integral part of its financial statements.
IPSAS 3 – Accounting Policies, Changes in Accounting Estimates and Errors		
Polish PS GAAP is broadly in line with IPSAS 3, especially regulation in the AA. Areas in line with IPSAS 3 include: a prescribed hierarchy for the selection and application of accounting policies; regulations concerning changes to accounting policies including retrospective changes; regulations for the prospective recognition of effects of a change in an accounting estimate and recognition of such a change by adjusting the carrying amount in the period of change. For entities subject to the AA only, disclosures are broadly in line with IPSAS 3. However, regulations are missing concerning the accounting treatment	1. Hierarchy for the selection and application of accounting policies 2. Consistency 3. Changes to accounting policy 4. Application of changes in accounting policies retrospectively 5. Prospective recognition of effects of a change in an accounting estimate 6. Recognition of a change in an accounting estimate by adjusting the carrying amount in the period of change 7. Entities subject to AA only: disclosures	Missing regulations on the accounting treatment of prior period errors for entities subject to RMF Very limited disclosure requirements for entities subject to the RMF

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
of prior period errors as well as disclosure requirements for entities subject additionally to the RMF.		
IPSAS 4 – The Effects of Changes in Foreign Exchange Rates		
Polish PS GAAP is broadly in line with IPSAS 4 because initial recognition of foreign currency transactions in the functional currency is calculated by applying the spot exchange rate at the date of the transaction. Foreign currency monetary items are translated using the closing rate; non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction; and non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising on the settlement or on translating monetary items at rates different from those at which they were translated on initial recognition are recognized in surplus or deficit. Also, when a gain or loss on a non-monetary item is recognized directly in net assets/equity, any exchange component of that gain or loss is	1. Initial recognition of foreign currency transactions in the functional currency by applying the spot exchange rate at the date of the transaction 2. At each reporting date: a. foreign currency monetary items are translated using the closing rate; b. non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction; and c. non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined 3. Recognition of exchange differences arising on the settlement or on translating monetary items at rates different from those at which they were	1. Funds originating from the EU and other states in the EEA, as well as funds not subject to return, originating from foreign sources: other regulations concerning these funds have priority of application 2. Limited disclosure requirements

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
also recognized directly in net assets/equity. The main area of Polish PS GAAP that is not consistent with IPSAS 4 is that the foreign exchange rates used to record transactions and balances of funds received from the EU or other foreign governments and sources are determined by the regulations of the providers of those said sources. Furthermore, disclosure requirements are only partially met.	translated on initial recognition in surplus or deficit 4. When a gain or loss on a non-monetary item is recognized directly in net assets/equity, any exchange component of that gain or loss is recognized directly in net assets/equity too and conversely	
IPSAS 5 – Borrowing Costs		
Polish PS GAAP is broadly in line with IPSAS 5. Borrowing costs are recognized as an expense in the period in which they are incurred (benchmark treatment). However, there are two main exceptions: mandatory capitalization for PPE, PPE under construction and intangible assets; and voluntary capitalization for inventories. Again, there are limited disclosure requirements.	1. Recognition of borrowing costs as an expense in the period in which they are incurred which is in line with the benchmark treatment by IPSAS 5 however with two exceptions: a. mandatory capitalization for PPE, PPE under construction and intangible assets; capitalization ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete; and b. voluntary capitalization for inventories	1. No consistent application of capitalization of interest (under Polish PS GAAP capitalization is a voluntary option for inventories) 2. Very limited disclosures
IPSAS 6 – Consolidated and Separate Financial Statements		

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
Polish PS GAAP is not in line with IPSAS 6 because only TLGUs are required to perform a limited form of requiring only the production of consolidated a balance sheet. Guidance regarding the definition of a subsidiary entity and procedures for consolidation are largely unaddressed. Finally, there is no requirement to produce consolidated financial statements of national government.	1. Regulation in the AA is by and large in line with IPSAS 6.	1. The requirement that the "controlling entity" presents consolidated financial statements in which it consolidates its "controlled entities" is not applicable to PFSEs as definitions of controlling entity and controlled entities under Polish PS GAAP are limited to specific legal forms which are not used by PFSEs 2. Only TLGUs are required to present a consolidated statement of financial position, which is only one component; 3. The consolidation perimeter for TLGUs is not clear as the concept of control is not operationalized for local government
IPSAS 7 – Investments in Associates		
Polish PS GAAP is not in line with IPSAS 7 as there is no guidance on the accounting treatment for investment in associates that would be applicable for PFSEs.		Currently there is no guidance in Polish PS GAAP on the accounting treatment for investment in associates that would be applicable to PFSEs.
IPSAS 8 – Interests in Joint Ventures		
Polish PS GAAP is not in line with IPSAS 8 as there is no guidance on the accounting treatment for interest in joint ventures that would be applicable for PFSEs.		Currently there is no guidance in the Polish PS GAAP on the accounting treatment for interests in joint ventures that would be applicable to PFSEs.

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
IPSAS 9 – Revenue from Exchange Transactions		
Polish PS GAAP is broadly in line with IPSAS 9. Regulations are aligned as to the recognition of revenue by reference to the stage of completion, reliably estimating the outcome of the transaction involving the rendering of services and if the outcome of the transaction cannot be estimated reliably, recognition of revenue only to the extent of recoverable expenses and recognition of revenue arising from the use by others of entity assets yielding interest, royalties and dividends. Disclosures are generally in line, however there is no requirement to measure revenue at the fair value of the consideration received or receivable and the issue of recognition of revenue from the sale of goods is regulated only to some extent.	1. Recognition of revenue from services by reference to the stage of completion 2. Reliably estimating the outcome of the transaction involving the rendering of services 3. Recognition of revenue only to the extent of recoverable expenses when the outcome of the transaction cannot be estimated reliably 4. Recognition of revenue arising from the use by others of entity assets yielding interest, royalties and dividends 5. Disclosures	1. No requirement to measure revenue at the fair value of the consideration received or receivable 2. Polish PS GAAP regulates only to some extent the issue of recognition of revenue from the sale of goods
IPSAS 10 – Financial Reporting in Hyperinflationary Economies		
IPSAS 10 is not applicable to Poland as it is not a hyperinflationary economy. Full compliance with IPSAS is possible without including IPSAS 10 in national standards in the case of economies which are not hyperinflationary.	This standard is not applicable as Poland is not a hyperinflationary economy	

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
IPSAS 11– Construction Contracts		
Polish PS GAAP is generally in line with IPSAS 11. Although there is no definition of a construction contract as such, because of the limited occurrence of such contracts the absence of such a standard is of little consequence. There is compliance in the following areas: • Recognition of contract revenue and contract costs associated with the construction by reference to the stage of completion when the outcome of a construction contract can be estimated reliably • Estimation of outcome of fixed price contracts and cost plus or cost based contracts; Recognition in case that the outcome cannot be estimated reliably • Recognition of the expected deficit when it is probable that total contracts costs will exceed total revenue There is no regulation on the issue of combining and unbundling of construction	1. Recognition of contract revenue and contract costs associated with the construction by reference to the stage of completion when the outcome of a construction contract can be estimated reliably 2. Reliable estimation of outcome of fixed price contract 3. Estimation of outcome of a cost plus or cost based contract 4. Recognition in case that the outcome of a construction contract cannot be estimated reliably 5. Recognition of the expected deficit when it is probable that total contracts costs will exceed total revenue	1. No definition of a construction contract 2. No regulations: a. combining and unbundling of construction contracts b. contract providing for the construction of an additional asset c. on what contract revenue comprises d. on what contract costs comprises e. some contract revenues (subsidies) are not recognized by reference to the stage of completion at the reporting date 3. Only limited disclosure requirements

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
contracts, contracts providing for the construction of an additional asset, on what contract revenue and contract costs comprises; or the treatment of non-commercial contracts. Some contract revenues (subsidies) are not recognized by reference to the stage of completion at the reporting date and there are only limited disclosure requirements.		
IPSAS 12 – Inventories		
In summary, Polish PS GAAP is broadly in line with IPSAS 12. Areas of compliance include definitions of inventories; measurement of inventories acquired through non-exchange transactions; measurement of inventories at the lower of cost and net realizable value; cost of inventories; recognition of the carrying amount as an expense in the period when those inventories are sold or exchanged and recognition of write downs or losses in the period in which the write downs or losses occur. For entities subject to AA, disclosure requirements are in line with IPSAS 12. Areas not in line include the absence of regulations	1. Definition of inventories 2. Initial measurement at cost 3. Measurement of inventories acquired through non-exchange transactions 4. Subsequent measurement of inventories at the lower of cost and net realizable value 5. Recognition of the carrying amount as an expense in the period when those inventories are sold or exchanged 6. Recognition of write downs or losses in the period in which the write downs or losses occur 7. Entities subject to AA only: disclosures	1. No regulations regarding measurement of inventories held for distribution at no charge or for a nominal charge; 2. No requirement that for the cost of items that are not ordinarily interchangeable, specific identification method is used 3. LIFO and specific identification method allowed for interchangeable goods 4. No regulations regarding the reversal of any write down 5. Entities subject to RMF: disclosures

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
regarding the measurement of inventories held for distribution at no charge or for a nominal charge. There is also no requirement that for the cost of items that are not ordinarily interchangeable. Further, LIFO method is allowed and there is no regulation regarding the reversal of any write down. For entities subject to the RMF, there are no disclosure requirements.		
	IPSAS 13 – Leases	
Polish PS GAAP is silent in respect of all aspects of accounting for lease transactions and as such is not in line with IPSAS 13 although it does provide for a similar arrangement to a finance lease. There are no regulations on the accounting treatment of the operating lease. The application of the non-mandatory KSR 5 would result in an accounting treatment of leases that is generally compliant with IPSAS 13.	1. Lessees recognize a leased asset under a finance lease as assets in their statements of financial position 2. Lessors recognize lease payments receivable under a finance lease as assets in their statements of financial position	1. No formal definitions of a lease, finance lease or operating lease 2. No regulation on respective financial lease liabilities 3. No regulations regarding operating lease 4. No disclosures
	IPSAS 14 – Events after the Reporting Date	
Polish PS GAAP is broadly in line with IPSAS 14 for entities subject to the AA, but not for	1. Entities subject to AA only: a. Regulation on adjusting and non-	1. Entities subject to RMF: a. no regulations on adjusting and non-

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
entities under the RMF. Entities subject to the AA have to report on adjusting and non-adjusting events, they shall not prepare financial statements on a going concern basis if this assumption ceases to exist and disclosures are more or less in line. For entities subject to the RMF, there is no regulation on adjusting or non-adjusting events. Although the going concern assumption is not met entities following RMF still measure their assets following the same principles as entities continuing as a going concern, unless regulations pertaining to liquidation of the entity specify otherwise. Disclosure requirements are not met. For both, AA and RMF, recognition of dividend liabilities is not applicable as entities formally cannot pay out dividends. There is no requirement to disclose the fact that another body has the power to amend the financial statements after their issuance.	adjusting events b. Entities shall not prepare financial statements on a going concern basis if there is an intention to liquidate the entity or to cease operating c. disclosures 2. An entity discloses the date the financial statements were authorized for issue and who gave that authorization	adjusting events b. if the going concern principle ceases to apply to any particular entity, its financial statements are nevertheless still prepared on a going concern basis c. no disclosures 2. Regulations on the recognition of dividend liabilities is not applicable as entities formally cannot pay out dividends 3. No requirement to disclose the fact that another body has the power to amend the financial statements after their issuance
IPSAS 15 – Financial Instruments: Disclosure and Presentation		
N/A - IPSAS 15 has been withdrawn.	IPSAS 15 has been withdrawn. See IPSAS 28-30.	

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
IPSAS 16 – Investment Property		
Polish PS GAAP is broadly in line with IPSAS 16 concerning the recognition requirements, initial measurement at cost, subsequent measurement at fair value or at cost and derecognition of investment property when it is disposed. Areas of divergence include missing regulations on the transfer to or from investment property, with no requirement to continue to measure at fair value even if market prices are not readily available and with limited disclosure requirements.	1. Recognition as an asset 2. Initial measurement at cost 3. Measurement after recognition: either fair value or cost model 4. Derecognition of investment property when it is disposed or permanently withdrawn from use	1. No requirement to continue to measure the property at fair value until disposal even if comparable market transactions become less frequent or market prices less readily available 2. No regulations on transfers to or from investment property 3. Only limited disclosure requirements
IPSAS 17 – Property, Plant and Equipment		
Polish PS GAAP is broadly in line with IPSAS 17. Areas of compliance include recognition, initial and subsequent measurement at cost for entities applying the AA, allocation of the depreciable amount of an asset over its useful life and the depreciation charge is recognized in surplus or deficit. The residual value and the useful life are reviewed periodically and the carrying amount of an item of PPE is being derecognized on disposal or when no future economic benefits or service potential is	1. Recognition as an asset 2. Excluding day-to-day servicing of an asset from recognition in the balance sheet 3. Entities subject to AA: a. initial recognition at cost b. initial recognition of an asset acquired through a non-exchange transaction at its fair value 4. After initial recognition, cost model is applied to all PPE	1. Entities applying RMF: a. simplifications at initial recognition b. simplifications for measurement of asset acquired through a non-exchange transaction c. simplification of depreciation charges d. exemption from depreciation and amortisation for establishments abroad e. no disclosures 2. No explicit regulations on the

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
expected. However, for entities applying the RMF simplifications are allowed at initial measurement, for measurement of assets acquired through a non-exchange transaction and for depreciation charges. Establishments abroad are exempted from depreciation. There are no explicit regulations on the depreciation methods to be applied	5. Depreciable amount of an asset is allocated on a systematic basis over its useful life and the depreciation charge is recognized in surplus or deficit 6. Periodic review of the residual value and the useful life 7. Derecognition of the carrying amount of an item of PPE on disposal or when no future economic benefits or service potential is expected from its use or disposal 8. Entities subject to AA only: disclosures	depreciation methods to be applied
IPSAS 18 – Segment Reporting		
Polish PS GAAP does not address the issue of segment reporting and is therefore not consistent with IPSAS 18		Polish PS GAAP does not require to disclose information on segments in the financial statements.
IPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets		
In summary, Polish PS GAAP is basically consistent with IPSAS 19. Provisions are being recognized, while contingent liabilities are not recognized but are disclosed. There are basic	1. Recognition of provisions 2. No recognition of a contingent liability 3. Estimation of amounts recognized as a provision	1. No regulations on contingent assets, e.g. prohibition from recognizing them as assets 2. No requirement either in AA or RMF:

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
requirements for their measurement and estimation, like the review of provisions at each reporting date, use of provisions for initial purpose and no recognition of provisions for net deficits from future operating activities. Entitles subject to the AA meet some disclosure requirements. However, contingent assets are not regulated and there is no risk assessment for provisions either in the AA, or in the RMF. Some details, such as different recognition criteria for restructuring provisions and recognition of provisions for onerous contracts, are not inconsistent with IPSAS 19, and disclosure requirements by entities subject additionally to the RMF are at all consistent with IPSAS 19. The application of the non-mandatory KSR 6 would result in accounting treatment of provisions, accruals, contingent liabilities that is generally compliant with IPSAS 19.	4. Review of provisions each reporting date 5. Use of a provision for initial purpose 6. No recognition of provisions for net deficits from future operating activities 7. Entities subject to AA only: some disclosures	a. to take into account the risks and uncertainties when estimating provisions or on measurement of such risks b. regarding a situation when some or all of the expenditure required to settle a provision is expected to be reimbursed by another party c. regarding measurement of provisions for onerous contracts 3. Different recognition criteria for restructuring provisions, in particular there is no requirement to have a detailed plan 4. Very limited disclosures for entities subject to the RMF
IPSAS 20 – Related Party Disclosures		
Polish PS GAAP is not in line with IPSAS 20 as there are only some disclosure requirements for entities subject to the AA. The definition of	1. Entities subject to AA only: some disclosures	1. The definition of related parties is applicable to PFSEs only in terms of personal connections

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
related parties applicable to PFSEs is only in terms of personal connections and there is no requirement to disclose related party relationships where control exists. Further, there are no disclosure requirements for entities subject to RMF		2. No requirement to disclose related party relationships where control exists 3. No disclosures for entities subject to RMF
IPSAS 21 – Impairment of Non-Cash Generating Assets		
Polish PS GAAP does not specifically address the accounting treatment relating to the impairment of non-cash generating assets although impairment more generally is addressed in the AA and discussed in relation to IPSAS 26.		Non-cash generating assets are not defined in Polish PS GAAP. See IPSAS 26
IPSAS 22 – Disclosure of Information About the General Government Sector		
N/A – since the Polish government does not present consolidated financial statements and IPSAS 22 only applies to governments that do.	As the Polish Government does not present consolidated financial statements, IPSAS 22 is not applicable.	
IPSAS 23 – Revenue from Non-Exchange Transactions (Taxes and Transfers)		
Polish PS GAAP is not in line with IPSAS 23 as large parts of revenue from taxes and customs (being for those entities subordinated to the MoF) are not presented in financial statements, but only in budget execution	1. Identification of transactions which are non-exchange transactions 2. Recognition of an inflow of resources from a non-exchange transaction as an asset	1. Large parts of revenue from taxes and customs (from entities subordinated to the MoF) is not being presented in financial statements, but only in the budget

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
reports. The same is true for EU grants. Further, there are various other deviations from IPSAS 23 recognition and measurement requirements.	3. Taxes: an asset is recognized when the taxable event occurs and the asset recognition criteria are met (the taxable event is the event which was determined by the legislation to be subject to taxation)	2. EU grants are not presented in financial statements, but only in the budget 3. Various deviations from recognition and measurement requirements: a. No requirement to initially measure an asset at its fair value b. No requirement to recognize as revenue an inflow of resources from a non-exchange transaction recognized as an asset c. No requirement that when the entity satisfies a present obligation recognized as a liability, the carrying amount of this liability is reduced and recognized as an amount of revenue equal to that reduction d. No requirement to recognize and measure a present obligation arising from a non-exchange transaction that meets the definition of a liability e. No regulations regarding recognition and disclosure of revenue from services in kind. 4. Limited disclosures

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
IPSAS 24 – Presentation of Budget Information in Financial Statements		
The Polish public sector reporting framework, as defined for the purposes of this report is not consistent with IPSAS24. However, the budget execution reporting framework is in line with the requirements of IPSAS 24 as this framework includes a comparative statement of budget and actual amounts.		Polish PS GAAP does not require to disclose a comparison between the budget amounts and actual amounts. According to IPSAS 24 comparison with budget information is mandatory for entities which present a budget in public.
IPSAS 25 – Employee Benefits		
Polish PS GAAP has only limited alignment with IPSAS 25. Short term employee benefits are considered as any other type of expenditure and are thus required to be recognized in the accounting period the employee has rendered the service as an expense and as a liability (accrued expense) after deducting any amount already paid. Entities subject to RMF are exempt from recognizing those employee benefits that would be presented as accruals or provisions at the reporting date – it pertains both to short-term and long-term benefits. For entities subject only to AA, there is a requirement to recognize liabilities resulting	1. Entities subject only to AA: short term employee are recognized in the accounting period the employee has rendered the service as an expense and as a liability (accrued expense) after deducting any amount already paid 2. Entities subject only to AA: there is a requirement to recognize liabilities resulting from other long-term employee benefits	1. There are no guidelines on accounting treatment (inc. disclosure requirements) of post-employment benefits – either defined benefit or defined contribution plan 2. Entities subject additionally to RMF are exempt from recognizing employee benefits that at the reporting date would be presented as accruals or provisions

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
from other long-term employee benefits. However, accounting for post-employee benefits is not regulated at all.		
IPSAS 26 – Impairment of Cash-Generating Assets		
Polish PS GAAP is generally in line with IPSAS 26 as basic issues like the definitions for both impairment and fair value is given and impairment losses need to be presented at the end of each reporting period. However, there is no differentiation between cash-generating and non-cash generating assets. There is also no requirement to assess at each reporting date whether there is any indication that an asset may be impaired except for non-current investments, and there is no consideration of external and internal sources of information when testing for impairment. Further, there is no guidance on how to calculate value in use and there is no requirement to limit reversals of impairment losses to the carrying amount that would have been determined had no impairment loss been recognized. There are also no disclosure requirements except for the total amount of	1. Definition of impairment 2. Definition / evidence of fair value 3. Reduction of the carrying amount to its recoverable amount (being net selling price) and recognition of an impairment loss in the surplus or deficit if the recoverable amount of an asset is less than its carrying amount (unless there is a revaluation reserve which is debited first) 4. Reversal of impairment losses	1. No definitions of cash-generating and non-cash generating assets, of recoverable amount or of value in use 2. No requirement to assess at each reporting date whether there is any indication that an asset may be impaired except for non-current investments 3. No consideration of external and internal sources of information when testing for impairment 4. No guidance on how to calculate value in use 5. No requirement to the limitation of reversals of impairment losses to the carrying amount that would have been determined had no impairment loss been recognized 6. No disclosures except for total amount of impairment loss for particular type of assets

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
impairment losses for particular types of assets.		
IPSAS 27 – Agriculture		
Polish PS GAAP is not in line with IPSAS 27 as there is very little guidance on the issue of accounting for agriculture.		Polish PS GAAP does not contain detailed guidelines in scope of agriculture, and in particular valuation of biological assets and agricultural products. The only regulation related to this matter is the indication that livestock is classified as property, plant and equipment.
IPSAS 28 – Financial Instruments: Presentation		
Polish PS GAAP is essentially consistent with IPSAS 28 as there are basic definitions of financial instruments in place and initial recognition meets the requirement of classifying instruments as liabilities, assets or equity instruments. Treasury shares are deducted from equity. Interest, dividends, losses and gains relating to financial instruments or their components are recognized as revenues or expenses in surplus or deficit. For entities subject to the AA, assets and liabilities are offset. However, there is no offsetting for TLGUs, budget units and budget	1. Basic definitions of financial instruments 2. Classification of assets at initial recognition as a financial liability, a financial asset or an equity instrument 3. Treasury shares are deduced from net assets/equity 4. Interest, dividends, losses, and gains relating to a financial instrument or a component are recognized as revenue or expense in surplus or deficit 5. Entities subject to AA only: financial assets and financial liabilities are offset and presented net in the statement of	1. No definition of a puttable instrument 2. The issue of offsetting financial assets and liabilities is not regulated for TLGU and their associations, budget units and budget facilities

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
facilities and there is no definition of a puttable instrument.	financial position under given conditions	
IPSAS 29 – Financial Instruments: Recognition and Measurement		
Polish PS GAAP is only partially in line with IPSAS 29 as only very basic requirements of recognition and measurement of financial instruments are met. Except for amortized cost of a financial asset or liability, there are no further IPSAS 29-equivalent definitions in Polish PS GAAP. There is also no regulation on measuring financial instruments at fair value at initial recognition and there are different subsequent measurement principles in place. Finally, there is no regulation on derecognizing financial instruments.	1. Recognition of a financial asset or a financial liability in an entity's statement of financial position 2. Measurement of financial liabilities at amortized cost after initial recognition, except for: a. financial liabilities at fair value through surplus or deficit b. financial liabilities that arise when a transfer of a financial asset does not qualify for de-recognition or when the continuing involvement approach applies c. financial guarantee contracts d. commitments to provide a loan at a below-market interest rate 3. Gains or losses arising from a change in the fair value of an asset or liability that is not part of a hedging relationship is recognized in surplus/ deficit in case of liabilities and either in surplus/ deficit or	1. Except for amortized cost of a financial asset or financial liability no definitions of: a. derivative b. financial assets (four types) c. financial guarantee contract d. definitions relating to recognition and measurement e. definitions relating to hedge accounting 2. No regulation on a. recognition or de-recognition of financial assets at trade date or settlement date b. de-recognition of financial instruments 3. No requirement to measure financial instruments at fair value at initial recognition 4. Different measurement principles for financial assets after their initial

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	in the net assets/equity 4. Impairment assessment at each reporting date	recognition
IPSAS 30 – Financial Instruments: Disclosure		
Polish PS GAAP is not in line with IPSAS 30 as there are very limited disclosure requirements in respect of financial instruments		Very limited disclosure requirements
IPSAS 31 – Intangible Assets		
Polish PS GAAP is broadly in line with IPSAS 31 as the concepts of intangible assets and their recognition, initial measurement and subsequent measurement at cost with amortization charges based on their useful life are consistent with the IPSAS. However, there are provisions which permit amortization charges to differ from those reflecting their useful life and there is no regulation on intangible assets with indefinite useful life. Establishments abroad are exempted from amortisation. For the RMF, there are very limited disclosures.	1. Definition 2. Recognition of intangible assets 3. Initial measurement at cost or at fair value if acquired through a non-exchange transaction 4. Prohibition of the recognition of internally generated goodwill and of intangible assets arising from research 5. Recognition of assets arising from development under certain conditions 6. Carrying of intangible assets at cost model after initial recognition; amortisation based on its useful life 7. De-recognition on disposal/ when no future economic benefits or service potential are expected; gain or loss	1. Amortisation charges may differ from an the asset's useful life 2. No regulation on intangibles with indefinite useful life 3. Establishments abroad are exempted from amortisation 4. Entities subject to RMF: very limited disclosures

IPSAS	Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	arising from the de-recognition (determined as the difference between the net disposal proceeds, and the carrying amount) is included in surplus or deficit 8. Entities subject to AA only: disclosures	
IPSAS 32 – Service Concession Arrangements: Grantor		
Polish PS GAAP does not in any way address the accounting treatment of grantors' service concession arrangements and as such is not consistent with IPSAS 32.		Polish GAAP does not include specific regulations pertaining to accounting treatment of service concession agreements, from either the grantor or the operator side.

4. IMPACT OF POLISH NATIONAL ACCOUNTING STANDARDS ON POLISH PUBLIC SECTOR GAAP

32. With respect to public finance sector entities, the framework for selection and application of accounting principles is set forth in the PFA. It requires (art. 40), that PFSE conduct their accounting in accordance with accounting regulations (i.e. the AA), taking into consideration additional principles set forth in the PFA. Those principles are listed in art. 40 par. 2-3 and then, pursuant to statutory delegation (art. 40 par. 3), specified in more detail in Regulations and Orders of the Minister of Finance (RMF of 5.07.2010, RMF of 25.10.2010, OMF 54 and 53).

33. In summary, all PFSEs are obligated to apply the provisions of AA, while selected entities must additionally take into consideration certain special principles designed for them. At the same time, the AA introduces its own hierarchy of regulation, which the entities are obligated to apply. In accordance with principles of legislation techniques in Poland (Regulation of the Prime Minister of 20 June 2002 on principles of legislative technique) as well as art. 10 par. 3 AA – when determining accounting policy, the entities must apply the provisions of AA as first order, and subsequently any Regulations issued based thereon (delegations for issuing Regulations are provided in art. 81-83 of AA). If any matters remain unregulated, the entity may apply Polish National Accounting Standards (KSRs), and in case of absence of a relevant national standard, the AA states that entities have the option of applying International Accounting Standards (IAS) which is commonly understood to include International Financial Reporting Standards (IFRS).

34. KSR are issued as announcements of the Polish Accounting Standards Committee (ASC) attached to the Minister of Finance. The ASC was set up and organized based on the Resolution of the Ministry of Finance of 28 November 2001 on activity scope and organization of the Accounting Standards Committee. The idea behind was that ASC will be responsible for developing KSR in those areas where AA is not providing comprehensive guidance.

35. However, in Poland, announcements such as the KSRs issued by the ASC, are not an obligatory source of legislation. Thus PFSEs have the option rather than the obligation to refer to KSRs for guidance on accounting matters where not already provided for in the AA. They may follow them in full or in part by selecting which standards to follow or even which selected parts of any particular standard.

36. Currently there are nine issued KSRs. KSRs are developed in such a way that they are always in line with the AA regulations as they are intended to provide further guidance and clarity in those areas where the AA is silent or covers only basic issues. At the same time, the ASC takes into account international best practice and, if deemed appropriate, models KSRs on

relevant IFRSs. As a result, applying a KSR usually ensures a high level of compliance with the relevant IFRS. Given that the majority of IPSASs are also developed using IFRSs as a starting point, generally there is a high level of compliance between KSRs and the relevant IPSASs. That being said, only six of the nine KSRs issued are relevant for comparison with IPSASs because the remaining three have no equivalent IPSAS. The table below present the nine KSRs and their equivalent IAS / IFRS and IPSAS

Table 3: Polish National Accounting Standards and their equivalent IFRSs and IPSASs

Polish National Accounting Standard (KSR)	Equivalent IAS / IFRS	Equivalent IPSAS
KSR 1 "Statement of cash flows"	IAS 7 "Cash flow statements"	IPSAS 2 "Cash flow statements"
KSR 2 "Income tax"	IAS 12 "Income tax",	N/A – no equivalent IPSAS
KSR 3 "Unfinished construction services"	IAS 11 "Construction contracts"	IPSAS 11 "Construction contracts"
KSR 4 "Impairment of assets"	IAS 36 "Impairment of assets"	IPSAS 26 "Impairment of cash-generating assets"
KSR 5 "Leasing, *najem* and *dzierżawa*"	IAS 17 "Leases"	IPSAS 13 "Leases"
KSR 6 "Provisions, accruals, contingent liabilities"	IAS 37 "Provisions, contingent liabilities and contingent assets"	IPSAS 19 "Provisions, contingent liabilities and contingent assets"
KSR 7 "Changes in accounting principles (policy), estimates, correction of errors, events occurring after balance sheet date – recognition and presentation"	IAS 8 "Accounting policies, changes in accounting estimates and errors" IAS 10 "Events after the reporting date"	IPSAS 3 "Accounting policies, changes in accounting estimates and errors" IPSAS 14 "Events after the reporting date"
KSR 8 "Developer activity"	N/A – no equivalent IFRS	N/A – no equivalent IPSAS
KSR 9 "Report on performance"	N/A – no equivalent IFRS	N/A – no equivalent IPSAS[8]

37. In practice PFSEs rarely look for guidance in KSRs. The few that do are mainly the bigger entities because they are subject to statutory audit (e.g. Warsaw city). There are a variety of likely reasons why KSRs are not adopted by PFSEs. Some KSRs are perceived as adding little value over and above the requirements already made in the AA e.g. in respect of

[8] The IPSASB issued in March 2015 Recommended Practice Guideline (RPG) 3 *Service Performance Information*. As an RPG it is non-binding guidance. It was developed for public sector specific needs, without reference to any IFRS.

provisions, changes in accounting policy, estimates, and correction of errors. Some KSRs are perceived as addressing matters of only marginal interest e.g. in respect of cash flow statements, and leasing or construction contracts. KSR 4 in respect of impairment of assets is perceived as very demanding and costly to implement particularly with respect to the need for a valuation exercise which serves to deter PFSEs from adopting it.

38. If KSRs became mandatory for PFSEs then in some areas where currently there is a gap between Polish PS GAAP and IPSAS (mainly due lack of provisions in the Polish PS GAAP) the gap between Polish PS GAAP and IPSAS would be reduced. Those areas are: cash flow statements, impairment of cash-generating assets, leases, provisions, changes in accounting policy, estimates, correction of errors, and events after the reporting date.

5. CONCLUSIONS AND NEXT STEPS

5.1. Benefits of accruals-based PS GAAP over budget execution reporting framework

39. Anecdotally, and notwithstanding any shortcomings in Polish PS GAAP, there is little evidence that financial statements produced in accordance with Polish PS GAAP are used by decision-makers. Rather, decision-makers and government refer to and rely on cash based budget execution reports. Public sector decision-makers need to be convinced of the value-added of financial statements prepared in accordance with an accruals based framework over cash based budget execution reports. This could in turn lead to a demand for accruals-based public sector financial information as well as eventual reform of Polish PS GAAP. The remainder of this section outlines the value-added of financial information prepared in accordance with an accruals-based framework over the current Polish cash based budget execution statements.

40. The degree of fiscal transparency has been shown to be an important predictor of a country's fiscal credibility and performance[9]. A growing body of empirical research has highlighted the positive relationship between the degree of fiscal transparency and measures of fiscal sustainability (such as government deficits and debts), with a stronger correlation among low and middle income countries than among high income countries.

41. Fiscal transparency plays an important part in the evaluation and management of fiscal risks. Fiscal risks are factors that give rise to differences between a government's forecast and actual fiscal position. These differences can be the result of (i) an incomplete understanding of the government's underlying fiscal position; (ii) exogenous shocks to the public finances; or (iii) endogenous changes in fiscal policy settings. While improvements in fiscal transparency cannot eliminate these risks, they can help policymakers and the public to understand and respond to them. For example:

- more frequent and timely public reporting of fiscal developments can help ensure that fiscal forecasts are based on the most up-to-date understanding of the current fiscal position and facilitate rapid policy responses to shocks;
- comparisons with independent budget forecasts, and alternative macro-fiscal forecast scenarios can help ensure that fiscal forecasts are credible and fiscal policy settings are robust within a range of macroeconomic outcomes;
- fiscal risk statements can raise awareness of the magnitude of potential shocks to the public finances and encourage government to mitigate or provide for those risks;

[9] IMF (2012): Fiscal Transparency, Accountability and Risk. Prepared by the Fiscal Affairs Department in collaboration with the Statistics Department. Approved by Carlo Cottarelli, August 2012

- expanding the institutional coverage of public fiscal reporting can reduce the scope for off-budget fiscal activity whose costs can later adversely affect the activities of government;
- implementation of international accounting and statistical standards can highlight otherwise hidden costs, contingent liabilities and obligations and encourage governments to budget for them;
- aligning the methodologies and standards for fiscal forecasting, budgeting, and reporting can help eliminate unexplained inconsistencies between forecasts and outturns; and
- publication of audit reports in accordance with internationally accepted standards can highlight weaknesses in government financial control or accounting practices and prompt governments to address them.

42. Government activity accounts for a major part of gross domestic product (GDP) and government assets and liabilities are usually substantial in all economies. It is therefore important that they are effectively managed and that governments are accountable for this management to their citizens, their representatives, investors and other stakeholders. Government finance statistics provide information on the accounts of the different sub-sectors of general government so that policy makers and other stakeholders are able to analyze the financial position and performance of government and the long-term sustainability of public finances. The main sources of these statistics are the accounting records and reports of the various government entities, supplemented with financial information.

43. The sovereign debt crisis underlined the need for governments to clearly demonstrate their financial stability and for more rigorous and more transparent reporting of fiscal data. Even before the crisis, governments held significant stocks of financial and nonfinancial assets and liabilities. In 2007, the 36 governments that produced financial balance sheets reported holdings of financial assets of 21 percent of GDP on average with shares and other equity and currency and deposits accounting for the largest instruments in their financial portfolios[10]. In some countries, especially those that have built up large sovereign wealth funds, government holdings of financial assets can be two or more times GDP. The crisis saw an expansion and diversification of government assets and liabilities, especially in advanced economies. Government holdings of financial assets increased by around 4 to 5 percent of GDP on average while liabilities increased by more than 20 percent of GDP[11]. The increase was most dramatic in those countries whose governments have extended large-scale financial support to distressed banks and financial institutions to provide liquidity, maintain confidence, and stimulate economic activity. As a result, governments acquired significant

[10] Cottarelli (2012), p19.
[11] Cottarelli (2012), p19.

new financial assets (such as shares in financial institutions) and assumed new liabilities and contingent liabilities (such as guarantees over particular classes of privately held assets).

44. Empirical evidence also points to a positive relationship between the degree of fiscal transparency and market perceptions of fiscal solvency (such as credit default swap spreads on sovereign debt, credit ratings, and foreign equity investment), this time with a stronger correlation among high-income than middle-income countries. Recent studies have also shown a positive relationship between fiscal obfuscation (such as the use of accounting stratagems to hide deficits and debts) and perceptions of sovereign default risk.

45. Article 3 of Directive 2011/85/EU requires Member States to 'have in place public accounting systems comprehensively and consistently covering all sub-sectors of general government and containing the information needed to generate accrual data with a view to preparing data based on the ESA 95 standard'. It thereby acknowledges the essential incoherence between public sector accounts, which only record cash flows, and the fact that EU budgetary surveillance is based on ESA 95 accruals data. Two of the most important indicators of fiscal sustainability are debt and deficit, which are used within the EU for monitoring compliance with the terms of the Stability and Growth Pact. In the context of EU fiscal surveillance and the Excess Deficit Procedure (EDP), the Commission has the task of regularly assessing the quality both of actual data reported by Member States and of the underlying government sector accounts compiled according to the ESA. Recent developments, in particular incidences of inappropriate financial reporting by some Member States, have demonstrated that the system for fiscal statistics has not sufficiently mitigated the risk of substandard quality data being notified to Eurostat. The Commission is therefore seeking to extend and improve the surveillance of fiscal policies, macroeconomic policies and structural reforms to remedy the shortcomings found in existing legislation. New enforcement mechanisms are planned in the event of non-compliance by Member States. The Commission is of the clear view that these mechanisms must rely on high quality statistical information, produced on the basis of robust and harmonized accounting standards adapted to the European public sector. Further, the Commission has submitted that harmonized micro-accounting systems for all public-sector entities (i.e. general government) in all EU Member States, combined with internal control and external audit, is the only effective way forward in compiling accruals-based debt and deficit data of the highest quality standards in accordance with existing legal requirements.

46. As discussed earlier in relation to IPSAS 24, both national government as well as TLGUs prepares budget execution reports in accordance with a cash methodology which are distinct from financial statements prepared in accordance with Polish PS GAAP. Annual national and TLGU-level budget execution reports include consolidated, comprehensive information on revenues and expenditures on a cash basis as well as comparisons with the original budget and the revised budget both in numerical and in narrative form. The annual budget execution report does not include a balance sheet, contains no information on non-

financial assets or bank balances but does include some information on financial liabilities (e.g. amounts payable, debt and contingent liabilities resulting from issued guarantees) and receivables.

47. Accruals accounting is the only generally accepted information system that provides a complete and reliable picture of the financial and economic position and performance of a government, by capturing in full the assets and liabilities as well as revenue and expenses of an entity. Accruals accounting entails the recording of entries, not when cash payments are made, but when economic value is created, transformed or extinguished, or when claims and obligations arise, are transformed or extinguished. Cash accounting records transactions when the amount is received or paid. Accruals accounting is economically sounder than cash accounting, which is why fiscal monitoring by all major international agencies is accruals based.

48. Moreover, the use of accruals accounting in the public sector is necessary to avoid some of the window-dressing opportunities afforded by cash accounting; for example where a payment can be brought forward or postponed so as to be recorded in the period that the government chooses. However, accruals accounting is not meant to abolish or replace cash accounting, in particular where the latter is used for the purposes of budgeting and budget control. In fact, accruals accounting should be seen as complementary, rather than as an alternative, to pure 'cash accounting'. In providing the full picture of the economic and financial position and performance of the entities, it puts cash accounting in its overall context.

5.2. Options to strengthen Polish PS GAAP

49. There are various options to strengthen Polish PS GAAP beyond the obvious wholesale replacement of it by IPSAS. This section proposes and discusses the rationale for the most significant of these options which may also be regarded as likely necessary steps towards any eventual adoption of IPSAS.

50. *Consolidation.* Polish PS GAAP contains very little in the way of consolidation requirements and therefore the Polish government does not prepare or present consolidated whole-of-government accruals-based financial statements. Instead, the Polish government prepares consolidated cash based budget execution reports but these fall significantly short in terms of information compared to that which would be available if they produced consolidated accruals-based financial statements; notwithstanding any deficiencies of Polish PS GAAP. Such consolidated information would provide government and other interested stakeholders with a more comprehensive understanding of the overall financial position than is available currently through the analysis of budget execution reports. Government

might want to require and also make plans to implement technical solutions to produce consolidated financial statements.

51. *Simplification and standardization of Polish PS GAAP.* As described earlier, Polish PS GAAP is fragmented. All PFSEs apply the AA, however most PFSEs additionally apply the RMF with exceptions from three sections of the AA. Tax collecting RMF PFSEs apply additional MOF-specified GAAP while the AA permits, but does not oblige PFSEs to refer to KSRs. Polish PS GAAP is complex, non-standard across PFSEs and thus likely only to be complied with by PFSEs to varying degrees. The various subsets of Polish PS GAAP also create a challenge to understand and interpret the various types of financial statements produced. This may, in part explain why these financial statements are seldom used by decision-makers. In addition the requirements of the AA were driven by corporate sector financial reporting and auditing EU directives and regulations, requirements rather than standards more pertinent to the public sector. Finally, a fragmented financial reporting framework is an impediment to consolidation. Serious consideration should be given to the simplification and standardization of Polish PS GAAP with an explicit public sector focus.

52. *Uniform chart of accounts.* Currently, and because of the fragmented nature of Polish PS GAAP, different charts of accounts are used by different sets of PFSEs. A key step in the simplification and standardization of Polish PS GAAP would be the design of a unified chart of accounts and guidance on its usage. Such a chart of accounts will need to be mindful not only of the requirements of any revised Polish PS GAAP but also of other financial and statistical reports produced for and required by other government agencies as well as supervisory and tax bodies which are derived from PFSEs' accounting and financial records.

53. *Coverage and definition of PFSEs.* The PFA omits certain public sector entities from the definition of PFSE and as such they are not subject to Polish PS GAAP. These entities include Treasury and the Road Fund. In addition, certain public sector transactions fall outside the scope of Polish PS GAAP. These transactions include revenues of taxes and customs by entities subordinate to the MOF as well as EU grants. As such, financial statements prepared in accordance with Polish GAAP are incomplete. Polish PS GAAP could be reviewed and revised to include all appropriate entities and transactions.

5.3. Proposed approach to plan for the development of Polish PS GAAP

54. The further development of Polish PS GAAP would affect approximately 71,000 public finance sector entities. These PFSEs would need training of their staff, modification of their accounting and financial reporting systems and assistance in implementation. Prior to this, there would need to be considerable preparatory work including in terms of: simplifying and standardizing Polish PS GAAP including considering the extent to which Polish PS GAAP

should be consistent with IPSAS, designing uniform charts of accounts, ensuring that all public sector entities and transactions are subject to Polish PS GAAP, and planning for consolidation. This preparatory work itself needs prior and explicit consideration of the benefits of reforming Polish PS GAAP. This report comparing Polish PS GAAP with IPSAS is a useful first step in considering the benefits of reforming Polish PS GAAP.

55. The Enhancement of Public Sector Accounting and Financial Reporting Program (EPSARP) in Poland was specifically created within the ongoing Swiss-financed Financial Reporting Technical Assistance Program (FRTAP) for delivery by the World Bank to assist in the consideration and design efforts of any program to reform Polish PS GAAP. Next steps could include those described in the paragraphs below.

56. Consider benefits of reforming Polish PS GAAP. This would include a range of activities:

    a. Develop and deliver training on IPSAS and its setting process for the regulators and other stakeholders to enhance practical knowledge and understanding of those standards.

    b. Organize study visits to chosen EU countries that apply either IPSAS or national standards based on IPSAS.

    c. Provide a range of other awareness raising and capacity building activities on public sector accounting and financial reporting

    d. Conduct policy setting workshops for reform of Polish public sector GAAP

57. Assess actual accounting practices. This would assess actual accounting practices and compare them to Polish PS GAAP. This assessment will cover a selection of PFSEs and will be performed primarily by reference to the entities' financial statements and will use as its starting point the understanding of Polish PS GAAP as determined in this report. The number and types of public sector entities included in this assessment will be confirmed with in-country authorities.

58. Assess Polish institutional framework and capacity for public sector accounting. This would include an assessment of the following ten different aspects of the public sector accounting framework and would be guided by a toolkit questionnaire. Constraints identified in this assessment would need to be taken into account in the design of any reform efforts.

    I. Statutory Framework

    II. Academic Education, Professional Education, Training

    III. Setting Accounting Standards

    IV. Budget System

    V. Government Financial Statistics (GFS)

    VI. Audit, Monitoring and Enforcement

    VII. Quality and Availability of Financial Reporting

VIII. Staff Levels

IX. Information Technology

X. Country Data

59. Conduct workshops to consult with key stakeholders and develop reform action plan using inputs from the above activities.

ANNEX 1: COMPARISON OF POLISH PUBLIC SECTOR GAAP WITH IPSAS

1. This chapter describes the main similarities and differences between the Polish Public Sector Generally Accepted Accounting Principles (Polish PS GAAP) and accrual basis International Public Sector Accounting Standards (IPSAS). Further detailed information may be found in this report's Annex which itself is based on a detailed World Bank-developed toolkit questionnaire that was completed separately for the purpose of informing this report.

IPSAS 1 Presentation of Financial Statements

2. IPSAS 1 Presentation of Financial Statements has not been adopted as a national standard. However, Polish PS GAAP does address the issue of presentation of financial statements in the AA and RMF to the extent described below.

Responsibility for and Components of Financial Statements

3. Responsibility for the preparation and presentation of financial statements is defined as lined out in IPSAS 1.19. The manager or the members of the managing board of the entity are responsible for accounting tasks and obligations.

4. However, the scope of information presented varies significantly between the entities and in the majority of cases, there are fewer components required than in IPSAS 1.21, which requires entities to include (a) a statement of financial position, (b) a statement of financial performance, (c) a statement of changes in net assets/equity, (d) a cash flow statement, (e) a budget comparison and (f) notes and accounting policies.

5. All entities are required to prepare the statement of financial position (Polish PS GAAP uses the term "balance sheet"), with certain exceptions including state earmarked funds, tax bodies and customs service subordinated to the MoF and associations of TLGUs. Other components depend on the type of entity. Only those entities subject to annual audit are obligated to prepare a statement of changes in equity (fund) and a cash flow statement. The following table summarizes the financial statements prepared:

Table 4: Summary of the financial statements prepared

Territorial local government units:
a. financial statements consisting of the following components:

• a balance sheet of budget execution[12] by the territorial local government unit; • a combined[13] balance sheet including data from balance sheets of local government budget units and local government budget facilities; • a combined profit and loss statement including data from profit and loss statements of local government budget units and local government budget facilities; • a combined statement of changes in the fund including data from statement of changes in the fund of local government budget units and local government budget facilities; b. a consolidated balance sheet – according to RMF, when preparing such a balance sheet, the entity should apply respective provisions of Chapter 6 of AA (“Consolidated financial statements of a capital group”), assuming that the controlling entity (a parent) is the territorial local government unit;
State and local government budget units and local government budget facilities:
a. a balance sheet, b. a profit and loss statement (comparative version), c. a statement of changes in the fund;
Establishment abroad:
a. a balance sheet
Other entities:
a. a balance sheet, b. a profit and loss statement and c. explanatory notes including introduction to financial statements as well as additional information and explanations.

Overall Considerations

6. The AA explicitly uses term, “true and fair”, view as a guiding principle for the presentation of financial statements. However, financial statements prepared and presented in accordance with Polish PS GAAP do not present a “fair view” as defined by IPSAS due to the numerous differences in the scope and type of financial statements as already outlined above. Under IPSAS, a “fair view” is only possible if the financial position, financial

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[12] This is a special format of a statement of budget execution, resembling a balance sheet; however, only actuals are presented, without reconciliation to amounts presented in the final or revised budgets.

[13] “Combined” means the aggregation of data from separate financial statements of budget units and local government budget facilities, which are then adjusted for eliminations of mutual receivables, payables as well as the eliminations of profit/loss resulting from transactions between budget units and local government budget facilities. Combining is similar to consolidation but specifically relates to an entity with branches or other internal organizational units without separate legal personality but still producing separate financial statements.

performance, and cash flows of an entity is prepared and presented in accordance with all IPSASs with additional disclosure where required.

7. The AA is in line or broadly in line with the following presentation principles:
   a. Going concern (IPSAS 1.38)
   b. Consistency of presentation (IPSAS 1.42)
   c. Materiality (IPSAS 1.45)
   d. Offsetting (IPAS 1.48)
   e. Comparative Information (IPSAS 1.53)

Structure and Content

8. Financial statements can clearly be distinguished from other information in the same published document (IPSAS 1.61), and each component of the financial statements is clearly identifiable (IPSAS 1.63).

9. Both the AA and the RMF require financial statements to be presented annually as required in IPSAS 1.66.

10. Both the AA and the RMF require financial statements to be prepared within three months and to be approved no later than 6 months after the reporting date in line with IPSAS 1.69.

11. All mandatory formats of financial statements, prepared in line with both the AA and with the RMF, envisage separate presentation of current and non-current assets as well as long term and short term liabilities in line with IPSAS 1.70. The definition for current assets is to a large extent compliant with IPSAS 1.76. The definition for current liabilities is only partly the same as in IPSAS 1.80 as it does not take into account the liabilities which are held for trading purposes and those in which the entity does not have an unconditional right to defer the settlement for at least 12 months after the reporting date.

12. Information to be presented on the face of the statement of financial position for both the AA and the RMF are largely the same as required by IPSAS 1.88. For both, mandatory formats of financial statements envisage disclosure of disaggregated data directly in the balance sheet. Additionally, according to the AA, more detailed information about balance sheet items is to be provided in the notes.

Statement of Financial Performance / Changes in net assets/equity / notes

13. The minimum requirements as defined in IPSAS 1.102 and 1.103 are partially met. Both the AA and the RMF require line items to be presented on the face of the statement of financial performance. Mandatory items include disclosure of revenues, financial costs, and profit or

loss, however share of the surplus or deficit of associates and joint ventures accounted for using the equity method, or pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinuing operations are not included.

14. While the notes include more general presenting requirements, there is no requirement to separately disclose items of revenue and expense that are material in nature and amounts (IPSAS 1.106) and could have an impact on an assessment of a reporting entity's property, financial standing and financial result.

15. The requirements of IPSAS 1.118 are met to a limited extent. According to the AA, a statement of changes in equity (fund) is mandatory only for those entities which are subject to audit, whilst according to the RMF such a statement is mandatory only for budget units and local government budget facilities. TLGU additionally prepare a combined statement of changes in fund. The format of this statement differs depending on whether it is prepared by an entity subject only to the AA, generally in line with requirements of IPSAS 1.118-119, or additionally to the RMF, IPSAS 1.118 requirements are met only to a very small extent.

16. There is no requirement concerning the systematic structuring of the notes to the financial statements (IPSAS 1.128) although in practice according to the AA this is a frequently applied approach. There are, however, very few disclosure requirements under RMF.

17. The AA disclosure of accounting policies is in line with IPSAS 1.132 but the RMF is not. The AA requires description of adopted accounting principles (policy) in the introduction to financial statements, including principles of measurement of assets/liabilities, measurement of financial result and methods of preparing the financial statements in such scope as the AA gives the entity the discretion to choose. No similar regulation exists for the RMF.

18. Some requirements in the AA are broadly in line with IPSAS 1.140 concerning sources of estimation uncertainty, however there is nothing comparable in the RMF.

19. **In summary, Polish PS GAAP conforms with IPSAS 1 in terms of responsibilities for the preparation and presentation of financial statements, main principles, structure and content and presentation of items, as well as the basic definitions of assets and liabilities and the presentation of line items on the face of financial statements. However, financial statements prepared and presented in accordance with Polish PS GAAP do not present a "fair view" as defined by IPSAS because to do so would require the financial position, financial performance, and cash flows of an entity to be prepared and presented in accordance with all IPSASs with additional disclosure where required. There are only very limited disclosure requirements for the AA, but even less for the RMF.**

IPSAS 2 Presentation of the Cash Flow Statement

20. IPSAS 2 Presentation of the Cash Flow Statement has not been adopted as a national standard. However, the Polish PS GAAP does address the issue of presentation of cash flow statements in the AA to the extent described below.

21. The provisions of Polish PS GAAP relating to the preparation and presentation of cash flow statements apply only to entities that are statutorily audited and prepare their financial statements in accordance with the AA. All other entities, including those under the RMF, are not obligated to prepare a cash flow statement.

Presentation of a Cash Flow Statement

22. The AA is in line with IPSAS 2.18, it requires a statement of cash flows presenting all the cash receipts and payments arising from the operating, investing and financing activities of an entity.

23. In order to correctly measure the cash flows, the AA defines the following:

    a. operating activities mean the core business activities of an entity as well as other activities not classified as investing or financing activities;

    b. investing activities mean the acquisition and disposal of fixed assets and short-term financial assets as well as any related cash expenses and gains;

    c. financing activities mean the acquisition or loss of sources of finance (changes in the debt to equity proportion and their respective volumes in an undertaking) as well as any related cash expenses and gains.

24. Statement of cash flows can either be prepared following the direct or indirect method, in line with IPSAS 2.27.

Reporting Cash Flows

25. In line with IPSAS 2.31, the AA requires that entities report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities. As required by IPSAS 2.32, there are no detailed regulations in the AA requiring cash flows arising from certain operating, investing or financing activities to be reported on a net basis.

26. The requirements regarding the determination of foreign exchange rates for transactions are significantly compliant with IPSAS 2.36 which states that cash flows arising from transactions in a foreign currency are recorded in an entity's functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the cash flow. The AA requires that the transaction date

exchange rate should be used, unless it is impossible to be determined in which case the average NBP exchange rate from the preceding day should be applied.

27. In line with IPSAS 2.40, interest and dividends received are presented within the framework of investment activity while interest and dividends paid are recognized within the framework of financial activity.

28. IPSAS 2.44 is not reflected in Polish PA GAAP. The AA does not envisage separate presentation of cash flows related to income tax. While the direct method includes “taxes and public levies” in operating activity this includes other public levies besides income tax, so even if taxes and levies pertain specifically to investment or financial activity they are recognized in operations[14] which is out of line with IPSAS 2.44.

Components

29. The format of cash flow statement required by AA is more aggregated than required by IPSAS 2.49. The AA envisages only cash flows from financial assets, including those in affiliated entities, are classified as investment activity. IPSAS 2.49 requires that aggregate cash flows arising from acquisitions and from disposals of controlled entities or other operating units shall be presented separately and classified as investing activities.

30. There is consistency with IPSAS 2.54. Investing and financing transactions that do not require the use of cash or cash equivalents are excluded from a cash flow statement.

31. AA requirements are consistent with IPSAS 2.56. The notes should provide an explanation of the structure of cash and cash equivalents recognized in the statement of cash flows, and if the statement of cash flows is prepared using the direct method, a reconciliation of net cash flows from operating activities prepared using the indirect method should also be presented; in the event of any discrepancies between the changes in certain items on the balance sheet and the changes in those items shown in the statement of cash flows, the reasons for these should be presented.

32. There is some consistency with IPSAS 2.59. Information on cash and cash equivalent balances not available for use by the economic entity is presented on the face of the cash flow statement as would be required by IPSAS 2.59. However, there are no additional specific requirements in scope of providing management comments pertaining to such items.

[14] Some of the public finance sector entities, e.g. budget units, some of the executive agencies, territorial local government units and others, are type exempt from income tax.

National Accounting Standards

33. PS GAAP permits but does not oblige entities to refer to Polish National Accounting Standards (KSRs) for guidance on accounting issues not already provided for in the main legislation that comprises PS GAAP. As discussed in Annex 3, KSR 1 "Statement of cash flows" (developed from IAS 7 "Cash flow statements" as was IPSAS 2) is substantially in compliance with IPSAS 2.

34. **Polish PS GAAP broadly conforms with IPSAS 2 in terms of the AA, but not in terms of the RMF as cash flow statements are only presented by entities subject to the AA and to statutory audit. There is no general requirement that an entity presenting accrual based financial statements shall also present a cash flow statement as an integral part of financial reporting. The application of the non-mandatory KSR 1 would result in a statement of cash flows that is substantially in compliance with IPSAS 2.**

IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors

35. IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors has not been adopted as a national standard. However, the Polish PS GAAP does address the issue in the AA and RMF to the extent described below.

Accounting Policies

36. There is a hierarchy of Polish public sector GAAP, starting with the AA, followed by regulations based thereon. If any matters remain unregulated, the entity may apply National Accounting Standards (KSR). If there is no relevant national standard, the AA states that entities may apply International Accounting Standards (IAS), which is defined by the AA as including International Accounting Standards, International Financial Reporting Standards and interpretations related to them as issued in the form of European Commission regulations. Entities subject additionally to the RMF have no further obligations or exemptions from the approach prescribed by the AA in respect of matters covered by IPSAS 3 unless specifically discussed below.

37. The AA is compliant with IPSAS 3.16 which requires entities to select and apply accounting policies consistently for similar transactions, other events and conditions. The AA requires that accepted accounting principles (policy) should be applied in a consistent manner, and the rules applied to the grouping of business transactions, measurement of assets and liabilities, determination of the financial result and preparation of financial statements should be identical over the consecutive financial years, so that the information resulting from them is comparable over the years.

38. In relation to IPSAS 3.17, the AA allows an entity to change the applied accounting policy with effect as from the first day of a financial year. Unlike IPSAS 3.17, this provision does not directly require that the changes result in more relevant financial statement information, but the entity must prove that the change is made for the purpose of providing a true and fair view of the situation, which however is only a very subtle difference in practice. The RMF does not address changes to accounting policy.

39. The AA deviates from IPSAS 3.24-3.28, requiring the application of changes in accounting polices retrospectively, but is in line with IPSAS 3.33-3.35, requiring the disclosure of the nature, reason and effect of any mandatory or voluntary changes of accounting policies. In the case of changes to accounting principles, the AA requires entities to specify the reasons for the changes, the impact of such changes on the financial statements in quantifiable terms for the period in which the changes took place as well as ensure comparability with the financial statements for the preceding periods in the notes. Unfortunately, the AA does not specify how comparability is to be ensured and there is no requirement to disclose information about changes in regulations already published but not yet binding.

Changes in Accounting Estimates

40. The AA is more or less in line with IPSAS 3.41, requiring that the effect of a change in an accounting estimate shall be recognized prospectively by including it in current or future surplus or deficit. It is also in line with IPSAS 3.42 requiring the adjustment of the carrying amount in the period of change. Although the AA does not have a general principle on the approach to changes in estimates, there are detailed regulations concerning estimates such as useful life, impairment losses, fair value or provisions indicating the adoption of a prospective approach.

41. The regulation is in line with IPSAS 3.44-3.45 in respect to AA, but not regarding the RMF. The AA has no general principle on the disclosure of changes in estimates but requires the entity to consider whether more detailed information should be disclosed if this could have a significant impact on the assessment of the property and financial results. However, detailed disclosures for both the amounts and reason for changes are require for some items, e.g.:

    a. Depreciation: depreciation method and useful life for individual types of intangible and fixed assets;

    b. Provisions: broken down by purpose, the amount in the opening balance at the beginning of the period, increases, uses and releases and the amount at the end of the period;

    c. Accounts receivable: amounts in the opening balance, adjustments (impairment allowances) at the beginning of the period, increases, uses and releases as well as the amounts at the end of the period;

d. Impairments on PPE: amounts and explanations;

e. Impairments on inventories.

42. The RMF does not contain any detailed disclosure requirements. However, budget units, budget facilities, as well as TLGUs shall disclose under the balance sheet, information about closing balance of following estimates: amortization of intangible assets, depreciation of PPE, impairment losses to PPE, PPE under construction, intangible assets and accounts receivable.

Errors

43. The AA is in line with IPSAS 3.47 which requires the retrospective correction of material prior period errors while the RMF does not regulate this matter in any way. The AA regulates that if in a given financial period or prior to the approval of the financial statements for that period, an entity identifies an error made in previous periods, as a result of which the financial statements for the preceding period(s) may not be deemed in compliance with the AA, then the adjustment amount resulting from rectification of this error should be recognized in the equity as "retained earnings (losses)".

44. The AA is in line with IPSAS 3.54, the RMF is not as it does not regulate this matter in any way. The AA requires the entity to disclose in the notes information on major events concerning previous periods, recognized in the financial statements for the given period, including any errors made and the amount of adjustments.

45. **Polish PS GAAP is broadly in line with IPSAS 3, especially regulation in the AA. Areas in line with IPSAS 3 include: a prescribed hierarchy for the selection and application of accounting policies; regulations concerning changes to accounting policies including retrospective changes; regulations for the prospective recognition of effects of a change in an accounting estimate and recognition of such a change by adjusting the carrying amount in the period of change. For entities subject to the AA only, disclosures are broadly in line with IPSAS 3. However, regulations are missing concerning the accounting treatment of prior period errors as well as disclosure requirements for entities subject additionally to the RMF.**

IPSAS 4 The Effects of Changes in Foreign Exchange Rates

46. IPSAS 4 Effects of Changes in Foreign Exchange Rates has not been adopted as a national standard. Polish PS GAAP addresses it in the AA and RMF to the extent described below.

47. The AA imposes a functional currency and a presentation currency, which is the Polish Zloty.

Transactions

48. The AA is generally compliant with IPSAS 4.24, though slightly more detailed on the issue of initial recognition. Economic operations in foreign currencies in the AA are initially recognized on the day of the transaction according to the following exchange rate:

    a. Exchange rate actually applied on this day in the case of the sale or purchase of currencies and payment of receivables or liabilities;

    b. Average exchange rate announced for a given currency by the National Bank of Poland from the day preceding this day in the case of payment of receivables or liabilities, if it is not justified to use the exchange rate referred to in point 1, and also in the case of other operations.

49. The AA provides for one exception, which is not in line with IPSAS 4 – namely, in the case of funds originating from the budget of the European Union and other states in the European Economic Area, as well as funds not subject to return, originating from foreign sources, exchange rates resulting from other provisions concerning these funds have priority of application[15]. It was not possible within the scope of this report to determine the magnitude of this exception to IPSAS 4 although it is unlikely to be significant.

50. The AA requires that at the reporting date assets and liabilities expressed in foreign currencies are translated using the average exchange rate for the given currency applicable on the reporting date, announced by the National Bank of Poland. Cash (from entities conducting purchase and sale of foreign currencies) shall be translated according to the exchange rate at which it was purchased; however, the amount shall not be higher than when translating it by the average exchange rate announced for a given currency at the reporting date by the National Bank of Poland.

51. The accounting approach does not differ significantly from the approach on reporting at subsequent reporting dates required by IPSAS 4.27, despite the lack of distinction between monetary and non-monetary items in the AA. In practice, the items in foreign currency will be translated at the reporting date. The difference mainly concerns the exchange rate that will be used, because in contrast to IPSAS, the AA imposes a closing exchange rate which is the average exchange rate announced by the NBP. Non-monetary items in a foreign currency measured at fair value are translated using the exchange rates that were applicable on the day on which the fair value was determined.

[15] Council Regulation (EC) No. 1083/2006, states that member states that have not accepted the Euro as their official currency by the day on which the application for payment is submitted, convert the amounts of expenses incurred in the national currency into Euros. These amounts are converted into Euros using the monthly accounting exchange rate used by the Commission in the month in which expenses were accounted for by the institution certifying the given operational program. The exchange rate is published every month by the Commission in electronic media.

52. In line with IPSAS 4.32 and IPSAS 4.35 concerning the recognition of exchange differences, the AA requires:

    a. exchange differences concerning other assets and liabilities expressed in foreign currencies arising on the day of their revaluation, and during payment of receivables and liabilities in foreign currencies, as well as currency sales, are recognized in surplus or deficit, and in justified cases into the manufacturing cost or purchase price of products, as well as the purchase price or manufacturing cost of fixed assets, fixed assets under construction, or intangible and legal assets;

    b. Exchange differences for long-term investments are recognized in equity in the period in which they arise.

Use of presentation currency other than functional currency

53. The AA prescribes the Polish Zloty as presentation currency. However, the RMF contradicts the AA in allowing establishments abroad to use currencies of approved financial plans or currencies specified by the administrator of a budgetary part as presentation currencies. Such a currency is then both functional and presentation currency at the same time. Neither AA nor RMF contain requirements or guidance on translating any financial statements produced by the establishment into Polish Zloty.

54. IPSAS 4.48 and 49 are not applicable as the Zloty is not the currency of a hyperinflationary economy.

Disclosures

55. IPSAS 4.61 prescribes the disclosure of the amount of exchange rate differences recognized in surplus and deficit and classification of net exchange rate differences as a separate component of net assets/equity together with a reconciliation of the amount of such exchange differences at the beginning and end of the period. The AA is not in line with this. It requires the disclosure of the exchange rates used to measure balance sheet items and prepare the income statement. For consolidated financial statements, it is required to disclose only the final balance resulting from exchange rate differences (a separate reserve in equity). For the RMF, there are no requirements regarding disclosures concerning currency exchange rates or exchange rate differences.

56. The disclosure requirements outlined in IPSAS 4.62-4.66 for a presentation currency different from the functional currency are not applicable as the AA prescribes the Polish Zloty as presentation currency. The RMF is not compliant with this requirement as entities are not obliged to make disclosures for any currency other than the one used for preparing their statement of financial position.

57. **Polish PS GAAP is broadly in line with IPSAS 4 because initial recognition of foreign currency transactions in the functional currency is calculated by applying the spot exchange rate at the date of the transaction. Foreign currency monetary items are translated using the closing rate; non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction; and non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising on the settlement or on translating monetary items at rates different from those at which they were translated on initial recognition are recognized in surplus or deficit. Also, when a gain or loss on a non-monetary item is recognized directly in net assets/equity, any exchange component of that gain or loss is also recognized directly in net assets/equity. The main area of Polish PS GAAP that is not consistent with IPSAS 4 is that the foreign exchange rates used to record transactions and balances of funds received from the EU or other foreign governments and sources are determined by the regulations of the providers. Furthermore, disclosure requirements are only partially met.**

IPSAS 5 Borrowing Costs

58. IPSAS 5 Borrowing Costs has not been adopted as a national standard. Polish PS GAAP addresses it in the AA to the extent described below.

59. In line with the benchmark treatment outlined in IPSAS 5.14[16] for the recognition of borrowing costs, the AA envisages interest to be recognized as expenses in the results of financial operations.

60. In line with the alternative approach of IPSAS 5.17 and 5.18, two cases of capitalization are an exception from that rule:

    a. The AA prescribes mandatory capitalization, including the costs of servicing any debt occurred to finance the assets as well as any related foreign exchange differences, less any related gains, for PPE under construction and intangible assets during construction, assembly, adaptation and improvement, until these assets are fit for use;

    b. The AA allows that the acquisition price or manufacturing cost of inventories may be increased by the costs of servicing the debt incurred in order to finance the stock of goods or products during the time they were being prepared for sale or manufactured as well as the related foreign exchange differences, less any related gains if justified by long-lasting preparation of goods or products for sale or manufacturing time (inventories).

[16] The Benchmark treatment is in line with ESA as well.

61. IPSAS 5.20 is not met as capitalization is a voluntary option and the alternative treatment is therefore not consistently applied to all borrowing costs that are directly attributable to the acquisition, construction or production of all qualifying assets of the entity.

62. In line with IPSAS 5.23, borrowing costs in the AA are costs of servicing any debt incurred in order to finance the purchase or manufacturing of assets as well as any related foreign exchange differences, less any related gains. The AA, however, has two differences:

    a. all foreign exchange differences for liabilities resulting from financing are capitalized, while IPSAS 5.6(e) only allows capitalization of exchange differences that are adjustments of interest costs;

    b. IPSAS 5, when talking about costs of external financing, refers to costs related to borrowing, while AA talks about cost of servicing any liabilities incurred for the purpose of financing, which in practice also includes trade liabilities.

63. AA guidance is essentially compliant with IPSAS 5.31, although more general, concerning the commencement of capitalization as:

    a. PPE under construction and intangible assets, cost of financing should be capitalized in the course of construction, assembly, adaptation and improvement, until the balance sheet date or the date they are accepted for use;

    b. the cost of inventory financing can be capitalized during manufacture or time being prepared for sale.

64. The moment of cessation of capitalization should therefore not differ too much from IPSAS 5.36-39, terminating capitalization when most activities necessary to prepare the qualifying asset for its intended use or sale are complete.

65. The AA is not in line with IPSAS 5.16 (for benchmarking) and 5.40 (for the alternative treatment) which require disclosure of the accounting policy applied to borrowing costs. The AA only requires disclosure of accounting policies in areas in which the law gives the entity a choice. In the context of borrowing costs, therefore, the entity need only disclose its approach to servicing debt costs incurred financing goods inventories.

66. **Polish PS GAAP is broadly in line with IPSAS 5. Borrowing costs are recognized as an expense in the period in which they are incurred (benchmark treatment). However, there are two main exceptions: mandatory capitalization for PPE, PPE under construction and intangible assets; and voluntary capitalization for inventories. Again, there are limited disclosure requirements.**

IPSAS 6 Consolidated and Separate Financial Statements

67. IPSAS 6 Consolidated and Separate Financial Statements has not been adopted as a national standard. Although Polish PS GAAP addresses the issue of consolidation in the AA, the scope of the application to PFSEs is very narrow as the regulation only applies to entities meeting the definition of a parent entity. Such an entity can only be a commercial company or a state owned enterprise. Due to this definition not being in line with IPSAS 6, the respective regulation set out in the AA – though being broadly in line with IPSAS 6 - is of no direct relevance to any of the PFSEs.

68. There is an exception, however, as the RMF requires the application of the consolidation regulation of the AA by TLGUs (voivodships, powiats, gminas) although they are only required to prepare a consolidated balance sheet. The underlying assumption is that the TSGE is the parent entity.[17]

69. Since the Treasury of State is not an accounting entity or a PFSEs, principles applicable to TLGUs do not apply to the issuing of treasury securities. At present, no consolidated financial statements are prepared for the State of Poland.

70. The further comments therefore exclusively focus on provisions of the AA in the context of consolidated balance sheets prepared by TLGUs as these are the only PFSEs required to perform any form of consolidation.

Group of Entities/Scope of Consolidation

71. In the context of reporting obligations imposed on PFSEs, only TLGUs are obligated to prepare a consolidated balance sheet according to the RMF, so only one element of consolidated financial statements as understood in IPSAS 6 is addressed.

72. The AA defines exercising control over another entity as an entity's ability to direct the financial and operating policy of another entity in order to derive economic benefits from its operations. This definition is compliant with IPSAS 6. The controlling entity is called parent entity and the controlled entity is called a subsidiary. However, those definitions do not pertain to the PFS, as the parent entity must be a commercial company or a SOE, while the subsidiary must be a commercial company or an entity established and operating pursuant to regulations of a foreign commercial law.

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[17] As TSGUs may take loans and issue securities to cover deficits, settle liabilities or pre-finance, they have to meet obligations stemming from the Act of July 29, 2005 on public offering, conditions governing the introduction of financial instruments to organized trading system and public companies. As a consequence, they need to issue a prospectus including consolidated financial statements, so as to provide the buyers of securities with valuable data necessary for evaluation of the issuer's property, financial standing and financial result. These provisions are due to the implementation of the Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

73. The RMF requires TLGUs to prepare a consolidated balance sheet, based on the assumption that the TLGU is the parent entity. Unfortunately, the RMF does not explain which entities should be regarded as its subsidiaries, resulting in significant issues of interpretation. Three groups of entities may be considered:

    a. local government budget units and local government budget facilities, created by the TLGUs, included in the PFS, and subject to the same Regulation on specific principles of accounting as TLGUs, namely RMF;

    b. other entities classified as PFSEs, through which the TLGUs may implement their tasks, e.g.: public healthcare facilities (SPZOZ), institutions of culture, or other legal persons which are not obligated to apply the provisions of RMF;

    c. entities from outside the PFS: TLGUs may provide their public services also in form of commercial law companies.[18]

74. In summary, the broadest possible approach should be taken and the definition of subsidiaries of TLGUs should also encompass such entities that TLGUs themselves identify as subsidiaries by applying the definition of control in the understanding of AA.

75. A subsidiary entity should not be consolidated if its shares were acquired, purchased or otherwise obtained for the exclusive purpose of their subsequent resale within one year of being acquired, purchased or otherwise obtained, which is in line with IPSAS 6.21.

76. Provisions of the AA do not directly address the exclusion of an entity from consolidation upon loss of control. However, it outlines that a subsidiary entity is only consolidated until the day of its disposal which is more or less in line with IPSAS 6.38-6.42.

77. The current consolidation scope is therefore patchy. It is represented in the graph below. The public sector is divided into different levels (national government, voivodships, powiats and gminas, as well as an obligatory social security system), as well as into centralized and decentralized entities. Entities are centralized if they do not have a legal status or personality, but belong to the core administration. Decentralized entities therefore comprise contracted entities, public enterprises and entities with their own legal status, but which are controlled by public sector entities.

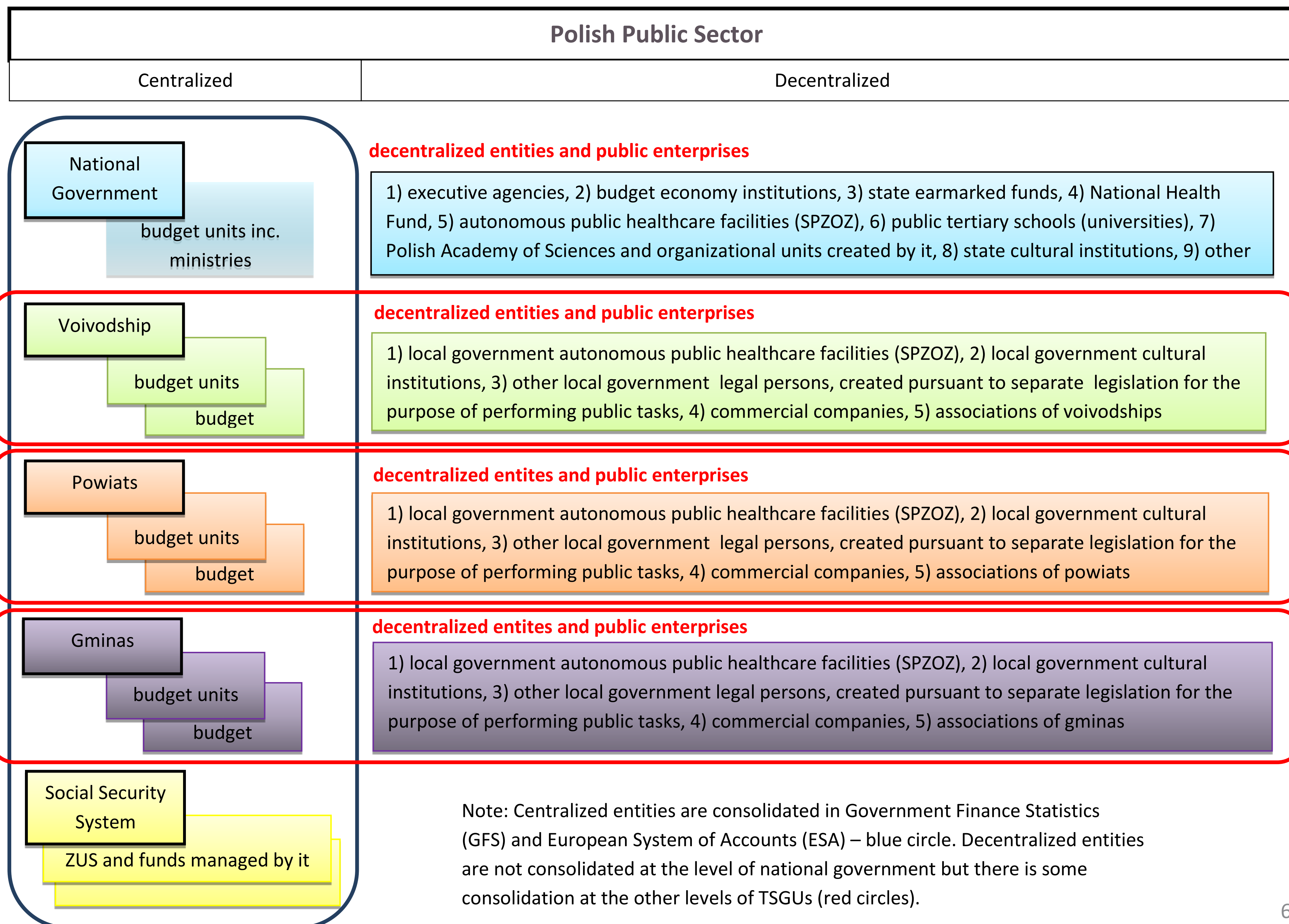
78. Financial statistics are consolidated following the requirements of ESA. This is illustrated using the blue vertical circle. Financial statistics consolidation only comprises the GGS and leaves aside any controlled entity not belonging to the GGS, e.g. public enterprises.

79. In terms of economic consolidation, currently only TLGUs need to provide a consolidated balance sheet. This would be illustrated by the red, horizontal circles. However, as discussed

[18] If municipal activity is conducted in form of a commercial company, such a company may be recognized as a subsidiary in the understanding of the AA, especially since TSGU governing bodies determine the level of prices and charges, or the method of determining prices and charges for public services, as well as for use of public facilities managed by the TSGU.

above, there is no clear consolidation guidance for TLGUs as the control criterion is unclear. There exist consolidated balance sheets of the single gminas, poviats and voivodships, and their more or less controlled entities, but the different levels are not consolidated as a whole. Assessment of the total assets or liabilities at any level, e.g. of gminas, using consolidated economic information is therefore not possible.

80. There is currently no consolidation at the national level.



Note: Centralized entities are consolidated in Government Finance Statistics (GFS) and European System of Accounts (ESA) – blue circle. Decentralized entities are not consolidated at the level of national government but there is some consolidation at the other levels of TSGUs (red circles).

Consolidation Procedures

81. The principles of full consolidation method described in AA (adding up items, elimination of mutual amounts receivable and payable and elimination of book value of investments, recognition of minority equity) are in line with IPSAS 6.43. Unlike IPSAS 6, AA also regulates recognition of goodwill or negative goodwill. IPSAS 6.43(a) refers in this matter to other national or international accounting standards, which deal with business combinations. The AA also requires full elimination of mutual transactions, which is in line with IPSAS 6.45.

82. AA requires financial statements of consolidated entities to be prepared for the same reporting date or, if the same date is impractical, up to 3 months before that date. IPSAS 6.47 and 6.48 allows for a time difference of 3 months before or after that date. These provisions have little practical importance for a TLGU preparing a consolidated balance sheet as the PSE reporting period is a calendar year and no time differences in the reporting date should therefore exist.

83. The AA expects consolidated entities, notably subsidiary entities and jointly controlled subsidiary entities, to use the same methods of measurement of assets and liabilities and of preparing financial statements, in accordance with the accounting principles (policy) adopted by the parent entity.

84. Where TLGUs identify their subsidiaries following the definition of control in the AA, then for formal and legal reasons it is not possible to adopt a single set of accounting principles for the group, as the budget body, budget units and local government budget facilities are governed by RMF and thus apply specific accounting principles which are not applicable to other entities. Therefore, IPSAS 6.49 is not met.

85. The RMF meets the requirements of IPSAS 6.54, requiring minority interest items to be presented separately.

86. In line with IPSAS 6.58 the AA requires participating interest in subordinated entities (i.e. subsidiaries, jointly controlled entities, and associates) to be measured in the separate financial statements of, respectively, the parent entity, joint venture partner and significant investor, by one of following methods:

    a. at acquisition cost less any impairment losses; or
    b. at fair value; or
    c. by the equity method, provided that it is applied consistently in respect to all subordinated entities.

87. The scope of disclosures in a consolidated balance sheet of a TLGU is very discretionary and would not be in line with IPSAS 6.62. The RMF imposes a very general requirement of

disclosing, for the balance sheet, supplementary information significant for a true and fair view of the entity.

88. **In summary, Polish PS GAAP is not in line with IPSAS 6 because only TLGUs are required to perform a limited form of consolidation; requiring only the production of a consolidated balance sheet. Guidance regarding the definition of a subsidiary entity and procedures for consolidation are largely unaddressed. Finally, there is no requirement to produce consolidated financial statements of national government.**

IPSAS 7 Investment in Associates

89. IPSAS 7 Investment in Associates has not been adopted as a national public sector accounting standard. Although the AA addresses this issue for non-PFSEs, PFSEs are specifically excluded from its requirements. For the purposes of information, Annex 2: Detailed comparison of Polish public sector GAAP and IPSAS lists the main requirements of IPSAS 7 that would need to be introduced into Polish PS GAAP to bring it in line with IPSAS 7.

90. **Polish PS GAAP is not in line with IPSAS 7 as there is no guidance on the accounting treatment for investment in associates that would be applicable for PFSEs.**

IPSAS 8 Interest in Joint Ventures

91. IPSAS 8 Interest in Joint Ventures has not been adopted as a national public sector accounting standard. Although the AA addresses this issue for non-PFSEs, PFSEs are specifically excluded from its requirements. For the purposes of information, Annex 2: Detailed comparison of Polish public sector GAAP and IPSAS lists the main requirements of IPSAS 8 that would need to be introduced into Polish PS GAAP to bring it in line with IPSAS 8.

92. **Polish PS GAAP is not in line with IPSAS 8 as there is no guidance on the accounting treatment for interest in joint ventures that would be applicable for PFSEs.**

IPSAS 9 Revenue from Exchange Transactions

93. IPSAS 9 Revenue from Exchange Transactions has not been adopted as a national standard. However, Polish PS GAAP does address the issue of revenue from exchange transactions in a limited way in the AA to the extent described below.

94. In compliance with IPSAS 9.11 the AA defines fair value as the amount for which a given component of assets could be exchanged, and a liability settled under the conditions of

a market transaction between interested and well-informed, unrelated parties. However, there is a lack of detailed regulations concerning the measuring method of revenue from commercial transactions. In the AA, revenues from sales of products, goods, and materials account for subsidies, discounts, rebates, and other increases or reductions and are reported without value added tax. In principle, these guidelines are consistent with IPSAS 9.12.

95. The AA requires that revenues from unfinished services being subject to a contract, including construction services, with a contract period of more than 6 months and completed to a significant extent, are recognized to the percentage of completion method (PoC) of the transaction at the reporting date, if the degree of completion and the total costs of the service can be reliably determined. This requirement is compliant with IPSAS 9.19, except that IPSAS does not specify a minimum contract period whereas the AA does.

96. Compliant with IPSAS 9.25, if the degree of advancement of an unfinished service, or the total cost of it cannot be reliably determined, the revenue is determined to the extent of the costs incurred in the given reporting period, but not greater, than to the extent of the expenses recoverable in future.

97. In terms of conditions required for identifying revenue from the sale of goods, the only guidelines in the AA are the definition of revenues and profits and the general principle of accounting for revenues. Revenues and profits are understood as the probable flow of economic benefits of a reliably determined value to the entity in the reporting period, in the form of increases in the values of assets or reductions in the values of liabilities, leading to an increase in equity or a reduction of its deficit that does not result from the deposition of funds by shareholders or owners. Furthermore, entities must account for all achieved revenue and incurred costs related to this revenue in the given period in their accounting ledgers. These provisions ensure compliance only with sub-point (c) and (d) from the list of conditions in IPSAS 9.28. The transfer of risks and rewards of ownership; giving up managerial involvement and effective control over the goods sold and costs incurred are not covered.

98. Revenues and profits are understood as the probable occurrence of economic benefits of a reliably determined value during the reporting period, in the form of increases in the values of assets or reductions in the values of liabilities, that lead to growth of own equity or reduction of its deficit that does not result from the deposition of funds by shareholders or owners. These criteria ensure compliance with IPSAS 9.33 which covers recognition criteria for interest, royalties and dividends, though there is a lack of more detailed regulations regarding these types of revenues.

99. Although the AA does not directly require disclosures on the accounting policy for the recognition of revenue, this is the generally accepted practice. Those entities should also disclose the material (types of activity) and territorial (country, export) structure of net

revenues from sales of products, goods, and materials in the additional information. However, entities subject additionally to RMF are exempt from these disclosure requirements. According to the AA, the revenue categories of sale of goods, interest and dividends are being disclosed. This is more or less the same as for the RMF. In comparison to IPSAS 9.39, only services and royalties are not being separately disclosed.

100. **Polish PS GAAP is broadly in line with IPSAS 9. Regulations are aligned as to the recognition of revenue by reference to the stage of completion, reliably estimating the outcome of the transaction involving the rendering of services and if the outcome of the transaction cannot be estimated reliably, recognition of revenue only to the extent of recoverable expenses and recognition of revenue arising from the use by others of entity assets yielding interest, royalties and dividends. Disclosures are generally in line, however there is no requirement to measure revenue at the fair value of the consideration received or receivable and the issue of recognition of revenue from the sale of goods is regulated only to some extent.**

IPSAS 10 Financial Reporting in Hyperinflationary Economies

101. IPSAS 10 Financial Reporting in Hyperinflationary Economies has not been adopted as a national standard. Polish PS GAAP does not address the issue as Poland is not a hyperinflationary economy. This is not a gap *per se* since IPSAS 10 does not require any regulation for non-hyperinflationary economies. For the purposes of information, Annex 2: Detailed comparison of Polish public sector GAAP and IPSAS lists the main requirements of IPSAS 10 that would need to be introduced into Polish PS GAAP to bring it in line with IPSAS 10.

102. **IPSAS 10 is not applicable to Poland as it is not a hyperinflationary economy. Full compliance with IPSAS is possible without including IPSAS 10 in national standards in the case of economies which are not hyperinflationary.**

IPSAS 11 Construction Contracts

103. IPSAS 11 Construction Contracts has not been adopted as a national standard. The Polish PS GAAP addresses the issue in the AA to the extent described below.

104. The regulations in the AA pertain in general to service contracts in progress with implementation periods longer than 6 months, including also construction contracts. It has to be pointed out that regulation in scope of IPSAS 11 would be of limited practical use as reporting entities seldom get engaged in construction work.

105. There is no regulation in the AA concerning the following issues:

a. definition of a construction contract being a contract specifically negotiated for the construction of an asset (such as a bridge, building, dam, pipeline, road, ship or tunnel) or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function of their ultimate purpose or use as outlined in IPSAS 11.4 and 11.5;

b. treatment of assets as separate construction contracts where a contract covers a number of assets as outlined in IPSAS 11.13;

c. treatment of a group of contracts, whether with a single customer or with several customers, as a single construction contract under the conditions as outlined in IPSAS 11.14;

d. treatment of an additional asset as a separate construction contract as outlined in IPSAS 11.15;

e. contract revenue as outlined in IPSAS 11.16;

f. treatment of non-commercial contracts.

106. There is no regulation as outlined in IPSAS 11.23 on contract costs comprising costs that relate directly to the specific contract; on costs that are attributable to contract activity in general and can be allocated to the contract on a systematic an rational basis; and on such other costs as are specifically chargeable to the customer under the terms of the contract.

107. Although AA does not refer directly to the possibility of reliable measurement of the outcome of the contract, it is broadly in line with IPSAS 11.30. The AA requires income from uncompleted service, including a construction service, under a contract over a period longer than six months, completed to a considerable degree at the reporting date, to be reported in proportion to the stage of completion of the service if this stage of completion as well as the total expected costs of completion of the service can reliably be measured for the entire time of implementation. If income from an uncompleted service is measured on a stage of completion basis differently to the above mentioned, then the costs should be recognized as a portion of the total contract costs as corresponds to the stage of completion of the service, following deduction of the costs that were recognized in the financial result for the previous reporting periods, having taken account of losses resulting from the performance of the service under the contract.

108. However, in case of local government budget facilities (LGBF), which implement tasks of TLGUs in scope of so-called municipal management (including construction contracts), there may be a deviation from requirements of AA. As they may receive an earmarked subsidy for financing or co-financing investments[19], such revenues from subsidies are immediately recognized to their full amount in the financial result for the period, regardless of the stage of completion of the service. This would not be in line with requirements from IPSAS 11.30,

[19] "Investments" in the understanding of PFA, i.e. property, plant and equipment under construction

stating that contract revenue and contract costs associated with the construction are recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date when the outcome of a construction contract can be estimated reliably.

109. In line with IPSAS 11.40 if the stage of completion of an uncompleted service, including a construction service, or the expected total cost of its completion cannot be reliably measured as of the balance sheet date, then the income is carried at costs incurred in the given reporting period, however no higher than the costs that are likely to be covered by the customer.

110. In line with IPSAS 11.44 and 11.30, regardless of the method of measuring the income, an entity's financial result is affected by any expected losses resulting from the performance of a service covered by the contract.

111. There are no disclosure requirements as outlined in IPSAS 11.50, 11.51 and 11.53 except for a general requirement of disclosure of accounting principles adopted by the entity, but this is only followed by entities preparing their financial statements in accordance with the AA.

112. **Polish PS GAAP is generally in line with IPSAS 11. Although there is no definition of a construction contract as such, because of the limited occurrence of such contracts the absence of such a standard is of little consequence. There is compliance in the following areas:**

- **Recognition of contract revenue and contract costs associated with the construction by reference to the stage of completion when the outcome of a construction contract can be estimated reliably**
- **Estimation of outcome of fixed price contracts and cost plus or cost based contracts; Recognition in case that the outcome cannot be estimated reliably**
- **Recognition of the expected deficit when it is probable that total contracts costs will exceed total revenue**

There is no regulation on the issue of combining and unbundling of construction contracts, contracts providing for the construction of an additional asset, on what contract revenue and contract costs comprises; or the treatment of non-commercial contracts. Some contract revenues (subsidies) are not recognized by reference to the stage of completion at the reporting date and there are only limited disclosure requirements.

IPSAS 12 Inventories

113. IPSAS 12 Inventories has not been adopted as a national standard. However, Polish PS GAAP does address the issue of inventories in the AA to the extent described below.

114. The matter of inventories is regulated in the AA in following scope:

a. definition: the AA uses the term “tangible current assets” instead of “inventories”;

b. measurement at initial recognition;

c. measurement as of reporting date: acquisition price, cost of manufacturing, net sales price; impairment write downs;

d. disclosures;

e. methods for keeping subsidiary ledger accounts;

f. stock taking;

The RMF does not introduce regulations other than those set forth in the AA, except for other military equipment and stock taking obligations with respect thereto.

115. The AA defines tangible current assets to be:

a. materials purchased to be consumed for the entity’s own purposes,

b. finished goods manufactured or processed by the entity (goods and services), fit for sale, or work in progress,

c. semi-finished products and

d. goods purchased to be resold unprocessed.

The definitions of inventories are worded somewhat differently, but in essence they are compliant with IPSAS 12. Moreover, tangible current assets are included in the category of current assets: an entity’s assets which are intended for sale or consumption within 12 months of the balance sheet date or within the normal operating cycle typical for a given activity, if longer than 12 months.

116. There are no requirements to measure inventories at the lower of cost and current replacement cost where they are held for (a) distribution at no charge or for a nominal charge; or (b) consumption in the production process of goods to be distributed at no charge or for a nominal charge (IPSAS 12.17).

117. Though there is no detailed regulation of non-exchange transactions in Polish law, the AA outlines that if it is impossible to determine the acquisition price of an asset (including a tangible current asset), especially assets received free of charge like a donation, it is measured at the selling price of an identical or similar asset. Since the selling price of an identical or similar asset in most cases is the fair value of such an asset, the AA is in line with IPSAS 12.27. However, if for any reason the selling price is not possible to determine, it remains unsolved what would be the measurement basis.

118. Compliant with IPSAS 12.15 requiring inventories to be measured at the lower of cost and net realizable value, the AA, as a principle, measures tangible current assets at acquisition price or manufacturing cost not higher than their net selling price as of the reporting date.

119. Moreover, AA regulates the matter of measurement of films, computer software, standard designs or other products of a similar nature developed by an entity and designed for sale. They are measured during the time of bringing economic benefits, no longer than five years, at the amount of the surplus of manufacturing costs over the income at net selling prices derived from the sale of the products during this time. Any manufacturing costs remaining unallocated upon the expiry of this period should increase other operating expenses. There is no equivalent guidance in IPSAS 12.

120. The AA regulates in detail elements which can be included in the initial cost: all costs of purchase, of conversion and other costs incurred in bringing the inventories to their present location and condition, which is compliant with IPSAS 12.18. Potential differences may pertain to the matter of recognition of cost of servicing liabilities (including foreign exchange differences) at initial measurement, which was discussed in comments to IPSAS 5.

121. The AA allows for certain simplifications as long as the true and fair view is not being distorted. Goods and materials can be measured at purchase prices only, and work in progress at the direct manufacturing cost or direct materials cost, or they need not be measured at all. However, this principle may not be applied to production with an expected completion time of longer than three months, intended for sale or for the purposes of the entity's construction in progress. It is also possible to use budgeted cost for measurement, including standard cost, as long as the differences between the budgeted and actual manufacturing costs are insignificant. Such simplifications are in line with IPSAS 12.30.

122. In the AA, there is no clear differentiation of inventories into interchangeables and non-interchangeables. However, with respect to inventories which are considered similar due to type and purpose, the AA allows four different methods of determining disposal value, one of them being the identification of actual prices (costs) of the assets, if they are related to strictly specified projects. Thus, the method for assets assigned to specific projects is in line with requirements of IPSAS 12.32.

123. There are no regulations pertaining to inventories which cannot be deemed similar, except for films, computer software, standard designs or other products of a similar nature developed by an entity and designed for sale.

124. In the event that the acquisition or purchase prices or manufacturing costs of tangible current assets that are similar, or deemed similar, are different, the carrying amount in the balance sheet is identified by either of the methods:

    a. at average prices;

    b. FIFO;

c. LIFO;

d. by identifying in detail the actual prices (costs) of the assets relating to strictly specified projects, irrespective of the date of their purchase or manufacture.

Compared to IPSAS 12.33, the AA allows LIFO method and detailed identification method. According to IPSAS, applying detailed identification method in case of interchangeable assets within a given inventory group is incorrect, although not prohibited.

125. Concerning the recognition of the carrying amount of inventories as an expense in the period those inventories are sold, exchanged or distributed, the AA introduces a more general principle which is in line with IPSAS 12.44. Manufacturing costs that can be directly linked to income generated by an entity should affect the entity's financial performance for the reporting period in which the income occurred. Moreover, within the framework of operating costs, the entity should recognize costs related to giving or receiving assets free of charge, including by way of a donation.

126. Based on the prudence principle, assets and liabilities are measured at cost of acquisition (manufacturing). Decreases in the value-in-use or commercial value of assets, including in the form of depreciation or amortization charges, should be take into account. Impairment write downs recognized in respect of tangible current assets, resulting from their measurement at net selling prices rather than at acquisition/ purchase prices or manufacturing costs should be classified as other operating expenses. The combination of these two provisions requires recognizing impairment write downs at the moment of identification. This is in line with IPSAS 12.44. However, there are no regulations guiding the matter of reversal.

127. Requirements concerning disclosures are mostly compliant with IPSAS 12.47. More specifically, the AA requires:

a. accepted accounting principles (policy), including methods for the measurement of inventories;

b. inventories impairment write down;

c. specification of groups of liabilities secured by the entity's assets (with details thereof);

d. total carrying value of inventories and carrying value of inventories broken down by materials, semi-finished products and work in progress, finished products, goods, advance payments for delivery – disclosed on the face of the balance sheet;

e. value of inventories recognized as an expense during the period.

However, as already mentioned earlier, the RMF does not give detailed disclosure requirements so financial reports prepared on that basis are not compliant with IPSAS 12.

128. **In summary, Polish PS GAAP is broadly in line with IPSAS 12. Areas of compliance include definitions of inventories; measurement of inventories acquired through non-exchange transactions; measurement of inventories at the lower of cost and net realizable value; cost of inventories; recognition of the carrying amount as an expense in the period when those inventories are sold or exchanged and recognition of write downs or losses in the period in which the write downs or losses occur. For entities subject to AA, disclosure requirements are in line with IPSAS 12. Areas not in line include the absence of regulations regarding the measurement of inventories held for distribution at no charge or for a nominal charge. There is also no requirement that for the cost of items that are not ordinarily interchangeable. Further, LIFO method is allowed and there is no regulation regarding the reversal of any write down. For entities subject to the RMF, there are no disclosure requirements.**

IPSAS 13 Leases

129. IPSAS 13 Leases has not been adopted as a national standard. Currently, Polish PS GAAP does not address the issue of leases. However, the AA describes an agreement which has the same accounting consequences as the financial lease under IPSAS 13.

130. The arrangement is between two entities, of which one entity accepts third party items of PPE or intangible assets for use on the basis of a contract according to which the financing party gives the user items of PPE or intangible assets for use against remuneration, including deriving benefits, for a defined period of time.

131. Such assets should be recognized as the user's fixed assets if the contract meets at least one of the following conditions:

a. ownership of the assets is transferred to the user at the end of the term;

b. conferring the right for the user to acquire the assets following the expiry of the contract at a price lower than the market price prevailing at the acquisition date;

c. the term for which it was concluded largely corresponds to the expected useful economic life of the fixed asset or property right and is not less than three-quarters of that period. The ownership title to the assets being the subject matter of the contract may be transferred to the user following the expiry of the term for which the contract was concluded;

d. the total charges, less the discount, determined at the date of the contract's conclusion and payable during the term of the contract exceed 90 per cent of the market value of the assets at that date. The total charges include the terminal value of the assets that the user undertakes to pay for the transfer of the ownership title. The total charges do not include the payments to the financing party for additional

services, taxes or insurance premiums relating to the asset if the user covers these in addition to the charges for use;

e. contains a pledge by the financing party to conclude another contract with the user to give the same asset for use against remuneration or extend the existing contract on more advantageous terms and conditions than those stipulated in the existing contract;

f. provides for the possibility of terminating it, subject that any resulting costs and losses incurred by the financing party will be borne by the user;

g. the asset has been adapted to the user's individual needs. Without material changes being introduced to it, it may be used exclusively by the user.

132. The AA contains basic guidelines in scope of recognition of the asset by the lessee, called the user. The asset is recognized as an intangible or fixed asset by one of the parties to the agreement. Analyzed regulations do not contain any guidelines with respect to recognition of the liability or measurement of the asset and the liability, and therefore are not in line with IPSAS 13.38 prescribing the recognition of both assets and obligations by the lessee.

133. There is no regulation concerning apportioned payments as outlined in IPSAS 13.34, consistent depreciation policy as outlined in IPSAS 13.36, or disclosures of financial leases as outlined in IPSAS 13.40.

134. The AA contains only basic guidelines on the accounting treatment by the lessor called the financing party and requires that if one of the conditions listed above is met then the property, plant and equipment or intangible assets given to a user for use are recognized as the financing party's long-term or short-term financial assets. Thus, the AA indicates the need to recognize the financial assets in the lessor's balance sheet, but does not regulate the measurement method. Nonetheless, this approach is in its basic scope compliant with IPSAS 13.48.

135. There are no regulations on the accounting treatment of the operating lease.

National Accounting Standards

136. PS GAAP permits but does not oblige entities to refer to Polish National Accounting Standards (KSRs) for guidance on accounting issues not already provided for in the main legislation that comprises PS GAAP. As discussed in Annex 3, KSR 5 "Leasing, najem and dzierżawa" (developed from IAS 17 "Leases" as was IPSAS 13) is generally compliant with IPSAS 13.

137. **Polish PS GAAP is silent in respect of all aspects of accounting for lease transactions and as such is not in line with IPSAS 13 although it does provide for a similar arrangement to a finance lease. There are no regulations on the accounting treatment of the operating**

lease. The application of the non-mandatory KSR 5 would result in an accounting treatment of leases that is generally compliant with IPSAS 13.

IPSAS 14 Events after the Reporting Date

138. IPSAS 14 Events after the Reporting Date has not been adopted as a national standard. However, the Polish PS GAAP does address the issue in the AA to the extent described below.

139. The AA regulates that if, after the reporting date but before approval of financial statements, an entity receives information that has a significant impact on the statements or casts doubt on the assumption of going concern, the entity shall change the statement, while making adjustments for the reporting year and informing the auditors of the statement. If the events do not cause changes to the statements, then the appropriate explanations are included in the notes. These provisions are compliant with IPSAS 14.5, 14.10, 14.12 and 14.18.

140. These provisions do not apply to entities applying the RMF. In addition, RMF introduces a separate principle, which says that entities undergoing liquidation measure their assets following the same principles as entities continuing as a going concern, unless regulations pertaining to liquidation of the entity specify otherwise. This principle is not in line with IPSAS 14.

141. If an entity receives information about events after the approval of the financial statements, then the accounts for the accounting year in which the entity obtained this information are adjusted for the effects.

142. As PSE in Poland do not have a formal capability of paying dividends, understood as distributions of surpluses to holders of equity investments in proportion to their holdings of a particular class of capital (as defined in IPSAS 9), the issue of not recognizing such dividends at reporting date as outlined in IPSAS 14.14 is not applicable.

143. The AA requires that the financial report is signed and dated by the person entrusted with keeping accounting ledgers and the manager of the entity or all members in case of a managing body. Refusal to sign the report requires a written justification attached to the financial report. These provisions do not apply to units applying the RMF. For reports prepared according to the RMF, the signatures of the chief accountant and unit manager or board are required, along with the date of preparation. Therefore, both regulations are compliant to IPSAS 14.26, requiring dates and names of authorization of financial statements.

144. Disclosures requirements as mentioned in IPSAS 14.30 - nature of the event and estimate of the financial effect - are fulfilled only partially and apply only to those entities applying the AA. Which contains a much more general requirement, namely that information about significant events that took place after the reporting date and which are not accounted for in the financial statement be disclosed. The RMF is not in line with the disclosure requirements.

145. **Polish PS GAAP is broadly in line with IPSAS 14 for entities subject to the AA, but not for entities under the RMF. Entities subject to the AA have to report on adjusting and non-adjusting events, they shall not prepare financial statements on a going concern basis if this assumption ceases to exist and disclosures are more or less in line. For entities subject to the RMF, there is no regulation on adjusting or non-adjusting events. Although the going concern assumption is not met entities following RMF still measure their assets following the same principles as entities continuing as a going concern, unless regulations pertaining to liquidation of the entity specify otherwise. Disclosure requirements are not met. For both, AA and RMF, recognition of dividend liabilities is not applicable as entities formally cannot pay out dividends. There is no requirement to disclose the fact that another body has the power to amend the financial statements after their issuance.**

IPSAS 15 Disclosure and Presentation of Financial Instruments

146. IPSAS 15 has been withdrawn as an IPSAS and is no longer applicable. For information on the treatment of financial instruments, please refer to IPSASs 28-30.

IPSAS 16 Investment Property

147. IPSAS 17 Investment Property has not been adopted as a national standard. However, the Polish PS GAAP does address the issue in the AA to the extent described below. PSEs which apply the RMF do not have specific regulations which would refer to the definition of "investments" in the understanding of the AA. Financial statements prepared pursuant to the RMF do not include a relevant balance sheet item. PSEs do not generally present investment property as a separate item.[20]

[20] Entities reporting in accordance with AA as well as in accordance with RMF may present balance sheets in a more detailed way than prescribed in the mandatory formats to the regulations. A good example is City of Warsaw as this category appears in its financial statements. However, it is not possible to estimate how many other entities follow Warsaw's approach at the moment.

148. The AA does not provide separately defined criteria for the recognition of different types of assets or liabilities. Investment property is a part of the broader category of investments. Investments are assets with a specific purpose, i.e. held by an entity in order to derive economic benefits from them as a result of an increase in their value, to gain income in the form of interest, dividends (shares in profits) or other benefits, including from commercial transactions, in particular financial assets as well as immovable property and intangible assets that are not used by an entity but are held by it in order to obtain such benefits. Assets are understood to mean the property controlled by an entity, with a reliably assessed value, which arose as a result of past events, and which will bring economic benefits to the entity in the future. Thus, in order to recognize an investment item, it must meet the definition of an asset provided above. Individual elements of assets definition in AA are very similar to the criteria for recognition of investment property under IPSAS 16.20, the difference being that:

   a. The AA does not specify the level of probability of achieving the economic benefit;

   b. The AA does not mention service potential (but also does not define anywhere what is included in the scope of economic benefits).

149. In accordance with AA, financial assets that have been acquired or have arisen as well as other investments (including investment property) should be recognized as at the date of their acquisition or arising at acquisition or purchase price, if the transaction and settlement costs are not significant. This approach is compliant with IPSAS 16.26.

150. There is no detailed regulation of non-exchange transactions in Polish law. However, if it is impossible to determine the acquisition price of an asset, it is measured at the selling price of an identical or similar asset. Since the selling price of an identical or similar asset in most cases is the fair value of such asset, the AA requirement is compliant with requirements of IPSAS 16.27.

151. Immovable property classified as investments may be measured:

   a. according to the rules applicable to PPE and intangible assets (i.e. cost model); or

   b. at market price or an otherwise determined fair value (i.e a market price model).

152. The AA does not specify that if the fair value model is selected then all investment property shall be measured at fair value, as outlined in IPSAS 16.42. However the selection of a measurement method is an adopted accounting principle, so it should be applied consistently to all immovable property classified as investment.

153. There is no provision to include in surplus or deficit a gain or loss arising from a change in the fair value of investment property for the period in which it arises as outlined in IPSAS 16.44. However, indirectly, the recognition approach for such a change can be derived from the definition of other income and expenses. Those include expenses and income related to maintenance of immovable property and intangible assets classified as investments,

including their value adjustments, as well as their reclassification as PPE and intangible assets as appropriate, if the investments' value was measured based on the market price or an otherwise determined fair value. Value adjustments are considered at every reporting date.

154. Provided that an entity selected a market price model then at every reporting date, it updates the property valuation to current market price or otherwise determined fair value. Although more detailed guidelines are not available, it is clearly the intent of AA to refer first to the market price, and should that be impossible to determine, other techniques of determining fair value. Whilst in theory, fair value should respond to market price and this is therefore in line with IPSAS 16.47, this solution is actually (unintendedly) closer to the new IPSAS conceptual framework, which also uses market price, rather than fair value.

155. There is no regulation concerning the measurement method for investment property where the fair value is not reliably determinable on a continuing basis. According to IPSAS 16.62, this should be the cost model with different implications for investment property under construction and other investment property.

156. There is no regulation concerning continued measurement at fair value until disposal even if comparable market transactions become less frequent or market prices become less readily available if an entity has previously measured an investment property at fair value as outlined in IPSAS 16.64.

157. Immovable property classified as investments after initial recognition may be measured according to the rules applicable to PPE and intangible assets, i.e. at acquisition price or cost of manufacturing, less accumulated depreciation and accumulated impairment loss. This is compliant with IPSAS 16.65.

158. There is no regulation as outlined in IPSAS 16.66 concerning the transfers to or from investment property to be made when, and only when, there is a change in use, as evidenced by commencement of owner-occupation, commencement of development with a view to sale, end of owner-occupation or commencement of an operating.

159. There is no requirement as outlined in IPSAS 16.71 for the property's cost to be its fair value at the date of change in use in case of a transfer from investment property carried at fair value to owner-occupied property or inventories.

160. There is no requirement as outlined in IPSAS 16.72 that if an owner-occupied property becomes an investment property carried at fair value, an entity shall apply the equivalent to IPSAS 17 up to the date of change and that it shall treat any difference at that date between the carrying amount of the property under IPSAS 17 and its fair value in the same way as a revaluation under IPSAS 17.

161. There is no requirement as outlined in IPSAS 16.74 that for a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount should be recognized in surplus or deficit.

162. There is no requirement (IPSAS 16.76) that when an entity completes the construction or development of a self-constructed investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount be recognized in surplus or deficit.

163. There are no provisions unequivocally regulating the disposal or de-recognition of investment property as outlined in IPSAS 16.77. Despite that, upon disposal (i.e. due to sale or retirement) such property would be derecognized from the balance sheet, as it would no longer meet definition of an asset.

164. The measurement method for gains or losses arising from disposal can indirectly be derived from the definition of other operating expenses and income. It includes expenses and income related to disposal of investment property. For entities applying the RMF, those items are also presented, however only in scope of profit from disposal of non-financial non-current assets. This is basically in line with IPSAS 16.80, specifying that gains or losses arising from retirement or disposal should be determined as the difference between the net disposal proceeds and the carrying amount of the asset, and should be recognized in surplus or deficit in the period of the retirement or disposal.

165. Only entities applying the AA for their financial statements, within the framework of description of adopted accounting policy, have to disclose which measurement model of investment in property was selected. Therefore, the comprehensive disclosure requirements as outlined in IPSAS 16.86, 16.87 (fair value measurement) and 16.90 (cost model) are not met.

166. **Polish PS GAAP is broadly in line with IPSAS 16 concerning the recognition requirements, initial measurement at cost, subsequent measurement at fair value or at cost and de-recognition of investment property when it is disposed. Areas of divergence include missing regulations on the transfer to or from investment property, with no requirement to continue to measure at fair value even if market prices are not readily available and with limited disclosure requirements.**

IPSAS 17 Property, Plant and Equipment

167. IPSAS 17 Property, Plant and Equipment has not been adopted as a national standard. However, the Polish PS GAAP addresses the issue in the AA and in the RMF to the extent described below.

168. The AA requires that PPE keep subsidiary ledgers, including construction in progress, and intangible assets as well as their amortization or depreciation charges. Subsidiary ledger accounts contain entries that detail and supplement the general ledger accounts and are kept in a systematic manner as a separate system of books, files (sets of accounts) and computerized data files, reconciled with the balances and entries in the general ledger. Also, the RMF provides a detailed chart of accounts, which budget units and LGBFs are obligated to use for PPE, and gives detailed guidance on the scope of accounting.

169. In line with IPSAS 17.14 the AA defines PPE as tangible fixed assets, while assets in general are: property controlled by an entity, with a reliably measured value, arising as a result of past events, and bringing economic benefits to the entity in the future. However, the AA does not specify the level of probability of achieving the economic benefit and does not define what is included in the scope of economic benefits.

170. The RMF introduces an additional criterion for the recognition of PPE, namely that the assets were received from the Treasury of State or a TLGU for management or use, and are designated to serve the needs of the entity.

171. The AA regulates the recognition of an asset's maintenance costs indirectly, by indicating which subsequent expenditures relating to PPE are eligible for capitalization. The respective list does not include costs of current repairs and renovations, which is in line with IPSAS 17.23 stating that day-to-day servicing of assets should be excluded from recognition in the balance sheet.

172. The AA defines the initial value of an item of PPE as the acquisition price or manufacturing cost. These measurement methods are in line with IPSAS 17.26, though slight differences may exist with specific elements being included in the initial cost (foreign exchange differences, provisions for dismantling, general overhauls).

173. The RMF, however, introduces additional special principles for establishments in foreign countries as their PPE may be measured at acquisition price, or cost of construction or improvement costs, or in accordance with principles set forth by the holder of the relevant budget part. These principles for establishments in foreign countries allowing for simplifications and measurement at value other than cost are not in line with IPSAS 17.26.

174. If it is impossible to determine the acquisition price of an asset, for example for an asset received free of charge, the AA prescribes it to be measured at the selling price of an identical or similar asset. Since the selling price of an identical or similar asset resembles the fair value of such an asset, the requirement is compliant with requirements of IPSAS 17.27.

175. The RMF introduces a special principle with respect to initial measurement of PPE owned by the Treasury of State or TLGU, received free of charge, based on a decision of a relevant body. Such items of PPE may be measured at value specified in that decision, which, if that

decision results in an initial measurement value other than the selling price of an identical or similar asset, would not be in line with IPSAS 17.27.

176. The AA envisages that after initial recognition PPE are measured at cost or at a revalued amount less accumulated depreciation and accumulated impairment losses. However, in practice normally the cost model will be used as revaluation is possible only if other regulations allow for it. The restatement option has so far happened only once, with a separate regulation of the Ministry of Finance allowing restatement of PPE to compensate for high inflation rates in previous years. This restatement was called a valuation update and it is unlikely that such a restatement (revaluation) will be allowed again in the near future. Therefore it can be concluded that AA, as a principle, requires the application of the cost model. This is in line with IPSAS 17.42, allowing for either the cost model or the revaluation model.

177. PPE is carried at the acquisition price or manufacturing cost, less depreciation and impairment losses. Only land is not subject to depreciation, except for land used for open pit mining of minerals. This approach is compliant with IPSAS 17.43. However, the RMF allows establishments in foreign countries not to depreciate PPE, which would be an exception to it.

178. The AA does not envisage a component approach as outlined in IPSAS 17.59, but quite the opposite. The definition of tangible fixed assets emphasizes the completeness of an asset: fit for use and designed to serve an entity’s purposes.

179. In accordance with AA, depreciation charges in respect of PPE are recognized by way of a systematic, scheduled allocation of the initial value over a pre-determined depreciation period. When determining useful life, the following aspects need to be taken into account:

a. the number of shifts on which the item is used;

b. the pace of technological and economic progress;

c. the number of operating hours of an item of PPE or the number of products manufactured or another relevant measure;

d. legal or other restrictions on the useful life of an item of PPE;

e. the expected net selling price of a substantial residual value of the item upon liquidation.

These treatments are in line with IPSAS 17.64 and 17.66.

180. For items of PPE with a low initial unit value, depreciation charges may be defined in a simplified manner, by recognizing collective charges for groups of assets similar in type and purpose or by a single depreciation charge. As the AA does not define the amount of “low initial unit value”, the entities usually follow the guidance of tax regulations, which define low value on the level of 3.500 PLN. Additionally the RMF allows entities to adopt

rates specified in provisions on corporate income tax, or by others. If these tax values or such tax code based valuation differs too much from economic life, such treatment would not be in line with IPSAS 17.64 and 17.66.

181. The AA requires entities to periodically revise the correctness of the applied depreciation amounts of PPE, duly correcting the depreciation charges recognized in the subsequent financial years. This is more or less in line with IPSAS 17.67, requiring such revisions annually.

182. However, the AA does not require the depreciation method to reflect the pattern in which the asset's future economic benefit or service potential is expected to be consumed by the entity. Methods most popular among PFSEs are the straight-line and other methods permissible under tax legislation including the immediate expensing of low value assets, however these methods are applied without explicit consideration of whether such methods reflect the pattern in which the future economic life of the asset is expected to be consumed. Accordingly, the requirements of IPSAS 17.76 is not met.

183. Derecognition from the balance sheet upon sale or liquidation results from the fact, that the item no longer meets the definition of an asset. In the event of a change in the manufacturing technology, liquidation or decommissioning or other circumstances causing the impairment of an item of PPE, the relevant impairment loss should be recognized in other operating expenses. Such treatment is in line with IPSAS 17.82.

184. Though there is no regulation in the AA regarding de-recognition of an item of PPE, other operating expenses and income include, amongst others, expenses and income relating to disposal of PPE and construction in progress. Similar regulation is provided in the RMF. The AA requires separate presentation of profit / loss from disposal of non-financial non-current assets which indicates that the result from disposal is calculated as the difference between income from disposal and net book value. Similar regulation can be found in the RMF. Such treatment would be in line with IPSAS 17.83 and 17.86.

185. The disclosure requirements as outlined in the AA are less detailed than those in IPSAS 17.88 and 17.89, but they are basically compliant as they include following information:

  a. description of adopted accounting principles (policy) including depreciation methods;

  b. detailed information on the carrying amount of respective groups of PPE, including opening balance at the beginning of the period, increases and decreases due to revaluation or impairment, purchases and internal movements as well as the closing balance, amounts and reasons for changes of accumulated depreciation and amortization;

  c. value of land held in perpetual usufruct;

  d. specification of groups of liabilities secured by the entity's assets (with details thereof);

  e. amounts of impairment losses on PPE and reasons thereof;

f. for entities preparing a statement of financial performance, expenses by function, information on type of costs, including depreciation;

g. the manufacturing cost of construction in progress, including interest and capitalized foreign exchange differences on liabilities incurred in order to finance these;

h. expenditure on non-financial non-current assets made in the last year and planned for the following year; expenditures made and planned for environmental protection should be disclosed separately.

As the above mentioned requirements do not apply for entities preparing their financial statements in accordance with the RMF, they would not be compliant with IPSAS 17.88.

186. **In summary, Polish PS GAAP is broadly in line with IPSAS 17. Areas of compliance include recognition, initial and subsequent measurement at cost for entities applying the AA, allocation of the depreciable amount of an asset over its useful life and the depreciation charge is recognized in surplus or deficit. The residual value and the useful life are reviewed periodically and the carrying amount of an item of PPE is being derecognized on disposal or when no future economic benefits or service potential is expected.**

187. **However, for entities applying the RMF simplifications are allowed at initial measurement, for measurement of assets acquired through a non-exchange transaction and for depreciation charges. Establishments abroad are exempted from depreciation. There are no explicit regulations on the depreciation methods to be applied.**

IPSAS 18 Segment Reporting

188. IPSAS 18 Segment Reporting has not been adopted as a national standard. The Polish PS GAAP does not address the issue. For the purposes of information, Annex 2: Detailed comparison of Polish public sector GAAP and IPSAS lists the main requirements of IPSAS 18 that would need to be introduced into Polish PS GAAP to bring it in line with IPSAS 18.

189. **Polish PS GAAP does not address the issue of segment reporting and is therefore not consistent with IPSAS 18.**

IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets

190. IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets has not been adopted as a national standard. However, Polish PS GAAP addresses the issue in the AA and in the RMF to the extent described below.

191. The AA allows provisions for:

a. certain or highly probable future liabilities which can reliably be estimated, including in particular losses on pending business transactions, including on guarantees and suretyships granted, loan operations and the effects of current court proceedings;

b. future liabilities resulting from restructuring if an entity has obligations resulting from separate legal regulations, or if binding agreements have been concluded in this respect, and it is possible to reliably estimate the value of such future liabilities based on the restructuring plans.

Liabilities are defined as an obligation, resulting from past events, to make payments of a reliably determined value, which will cause the current or future assets of an entity to be used. This approach is compliant with IPSAS 19.22.

192. There are no detailed guidelines for cases where it is not clear whether there is a present obligation. In the AA, provisions are created for certain or highly probable future liabilities, but it is unclear what "high probability" exactly means.

193. Although contingent liabilities are defined in the AA as an obligation to make payments that may become due depending on the occurrence of certain events, there are no guidelines with respect to their accounting treatment. They are mentioned in the context of compulsory disclosures and therefore it can be assumed that contingent liabilities are not recognized in the balance sheet. Such a disclosure will only pertain to entities preparing their financial statements in line with the AA. For the RMF, there are no disclosures with respect to contingent liabilities. However, on off-balance sheet accounts at least some of the contingent liabilities are recognized. This is more or less compliant with IPSAS 19.35.

194. There is no regulation on the issue of recognizing contingent assets as outlined in IPSAS 19.39.

195. In the AA, provisions are measured as of reporting date at a reliably estimated value. This is in line with IPSAS 19.44, though more generally worded, as the requirement would be to recognize the amount equal to the best estimate of the expenditure required to settle the present obligation at the reporting date.

196. There is no regulation in the AA or in the RMF on the following issues:

a. taking into account the risks and uncertainties surrounding events and circumstances in reaching the best estimate of a provision as outlined in IPSAS 19.50;

b. material effect of the time value of money as outlined in IPSAS 19.53;

c. discount rates not reflecting risks for which future cash flow estimates have been adjusted as outlined in IPSAS 19.56;

d. reflecting future events that may affect the amount required to settle an obligation in the amount of a provision where there is sufficient objective evidence that they will occur as outlined in IPSAS 19.58;

e. not taking into account any gains from the expected disposal of assets when measuring a provision as outlined in IPSAS 19.61;

f. where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, recognizing the reimbursement when it is virtually certain that reimbursement will be received if the entity settles the obligation as outlined in IPSAS 19.63.

197. In the AA, in line with IPSAS 19.96, as of each reporting date provisions are recognized at a reasonable, reliably estimated value. Thus, previous estimates must be reviewed and updated. On the other hand, when the risk justifying the recognition of a provision is mitigated or ceases to exist, any unused provisions should increase other operating income, financial income or extraordinary gains, as applicable, on the date on which they transpired to be redundant.

198. The AA requires the reduction of a provision in occurrence of a liability for which the provision has been recognized. Such an approach is compliant with IPSAS 19.71.

199. Although recognizing provisions for net deficits from future operating activities is not prohibited, as outlined in IPSAS 19.73, a similar approach results from the definition of liabilities and provisions as it is not possible to define a present obligation for future operating losses.

200. The AA allows the creation of provisions for, among other things, losses from ongoing economic transactions, which conceptually includes also onerous contracts. However, with respect to accounting recognition and measurement of provisions for onerous contracts as outlined in IPSAS 19.76, there is no guidance in AA requiring the recognition and measurement of the present obligation as a provision.

201. The AA allows the creation of provisions for future obligations related to restructuring, if there is an obligation to restructure based on separate legal regulations, or if there is a binding agreement in this respect, and it is possible to reliably estimate the value of such future liabilities. There is a restructuring plan, which is however not very detailed. Therefore, the approach is not yet in full compliance with IPSAS 19.83 and 19.93.

202. The AA obliges disclosure in the notes of information about details of provisions broken down on purpose, the carrying amount at the beginning of the period, increases, uses and releases of provisions and the amount at the end of the period, as well as specification of major items of prepayments and accruals. The RMF has no disclosure requirements. Therefore, the AA would broadly be in line with IPSAS 19.97, however, there are no regulations concerning disclosures for each class of provisions as outlined in IPSAS 19.98. The RMF is not compliant with the disclosure requirements.

203. There is no regulation, as outlined in IPSAS 19.99, on the issue of recognition in the financial statements provisions for social benefits for which an entity does not receive consideration

that is approximately equal to the value of goods and services provided, directly in return from the recipients of those benefits.

204. The AA obligates disclosure in the notes information about contingent liabilities, including guarantees and suretyships granted by the entity, as well as bill guarantees; guarantees and suretyships granted to associates should be disclosed separately. Though the requirement is more general, it is in line with IPSAS 19.100. Again, for the RMF there are not disclosure requirements.

205. Neither in the AA, nor in the RMF, there are any requirements concerning the disclosure of contingent assets as outlined in IPSAS 19.105.

National Accounting Standards

206. PS GAAP permits but does not oblige entities to refer to Polish National Accounting Standards (KSRs) for guidance on accounting issues not already provided for in the main legislation that comprises PS GAAP. As discussed in Annex 3, KSR 6 "Provisions, accruals, contingent liabilities" (developed from IAS 37 "Provisions, contingent liabilities and contingent assets" as was IPSAS 19) is generally compliant with IPSAS 19.

207. **In summary, Polish PS GAAP is basically consistent with IPSAS 19. Provisions are being recognized, while contingent liabilities are not recognized but are disclosed. There are basic requirements for their measurement and estimation, like the review of provisions at each reporting date, use of provisions for initial purpose and no recognition of provisions for net deficits from future operating activities. Entitles subject to the AA meet some disclosure requirements. However, contingent assets are not regulated and there is no risk assessment for provisions either in the AA, or in the RMF. Some details, such as different recognition criteria for restructuring provisions and recognition of provisions for onerous contracts, are not inconsistent with IPSAS 19, and disclosure requirements by entities subject additionally to the RMF are at all consistent with IPSAS 19. The application of the non-mandatory KSR 6 would result in accounting treatment of provisions, accruals, contingent liabilities that is generally compliant with IPSAS 19.**

IPSAS 20 Related Party Disclosures

208. IPSAS 20 Related Party Disclosures has not been adopted as a national standard. The Polish PS GAAP addresses the issue in the AA in respect to related entities of an entity (related entities to the entity are its parent entity, significant investor, subsidiary entities, jointly controlled subsidiary entities, associates, entities controlled by the same parent entity, and shareholders of jointly controlled subsidiary entities)and its related parties (which is a broader category that includes related entities and some other parties and is similar to the

definition per IPSAS 20). However, the definitions of related entities formally do not apply to PFSE, as an individual related entity per definition require a specific legal form – either a commercial company or a state owned enterprise (with the exception of a jointly controlled entity, in which case there are no specific requirements with respect to legal form). Related parties include personal connections, which to some extent may be applicable to PFSEs.

209. Entities preparing their financial statements according to the AA have to provide information about significant transactions, including information about the nature of those transactions concluded by the entity other than on arms' length basis, with related parties, in the note. Therefore, IPSAS 20.27 is partially met.

210. **Polish PS GAAP is not in line with IPSAS 20 as there are only some disclosure requirements for entities subject to the AA. The definition of related parties applicable to PFSEs is only in terms of personal connections and there is no requirement to disclose related party relationships where control exists. Further, there are no disclosure requirements for entities subject to RMF.**

IPSAS 21 Impairment of Non-Cash Generating Assets

211. IPSAS 21 Impairment of Non-Cash Generating Assets has not been adopted as a national standard. Polish PS GAAP does not address the issue as there is no such group of assets identified in the regulations. Thus, there is likely to be no consequence if, say the service potential of the school building is impaired for example due to a significant drop of student numbers. There are no regulations which would explicitly require to account for the impairment in such circumstances. However, the issue of impairment more generally is addressed in the AA. For the purposes of information, Annex 2: Detailed comparison of Polish public sector GAAP and IPSAS lists the main requirements of IPSAS 21 that would need to be introduced into Polish PS GAAP to bring it in line with IPSAS 21.

212. **Polish PS GAAP does not specifically address the accounting treatment relating to the impairment of non-cash generating assets although impairment more generally is addressed in the AA and discussed in relation to IPSAS 26.**

IPSAS 22 Disclosure of Financial Information about the General Government Sector

213. IPSAS 22 Disclosure of Financial Information about the General Government Sector (GGS) has not been adopted as a national standard. The Polish PS GAAP does not address the issue. For the purposes of information, Annex 2: Detailed comparison of Polish public sector

GAAP and IPSAS lists the main requirements of IPSAS 22 that would need to be introduced into Polish PS GAAP to bring it in line with IPSAS 22.

214. Government Financial Statistics (GFS) are being prepared for the GGS, although the government does not prepare consolidated financial statements.

215. **IPSAS 22 applies only to an entity which "presents consolidated financial statements … and elects to disclose financial information about the GGS" (IPSAS 22.2). Therefore, as the Polish government does not elect to do so, IPSAS 22 is not applicable.**

IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)

216. IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) has not been adopted as a national standard. However, Polish PS GAAP addresses the issue of revenue from non-exchange transactions in the AA and the RMF as well as RMF of 25.10.2010, OMF no. 54 and OMF no. 53 to the extent described below**.**

217. The AA does not contain any regulation in scope of recognition and measurement of revenue from non-exchange transactions such as taxes and transfers. Relevant regulation must be sought in other acts of law, specifically PFA, RMF of 5.07.2010, RMF of 25.10.2010 and OMF 54 and 53, as well as other legislation remaining outside the scope of this work (e.g. Tax Ordinance). Those regulations focus primarily on charts of accounts and principles for recording specific transactions on specific accounts; they also pertain to selected entities and by imposing specific recording methods. They indirectly set certain principles for recognizing revenues which results in difficulties conducting a comparative analysis with IPSAS 23.

218. According to the RMF of 25/10/2010 par. 9, tax records related to taxes collected at the local government level are an integral part of accounting records of TLGU. TLGU's financial statements therefore include taxes collected by TLGU tax bodies and present them as revenues. The RMF of 25.10.2010 regulates also principles of accounting and CoA for tax bodies of TLGU, regulating the tax administration as such (e.g. individual accounts).

219. In summary:

    1) Tax collection bodies not subordinate to the MOF (tax collection bodies at TLGU level) follow the RMF 25/10/2010 which determines accounting principles and the chart of accounts for those bodies. At the same time they follow RMF 5/07/2010 because RMF of 25/10/2019 par. 9 requires that all the bookings (tax records) are made using accounts/ledgers of a TLGU office (a budget unit which follows RMF 5/07/2010). So the financial operations and position with respect to the taxes collected at the local

level are presented in the various financial statements of TLGUs as prescribed by RMF 5/7/2010.

2) Tax collection bodies subordinate to the MOF follow OMF 54 of 23/12/2010 and OMF 53 of 28/12/2011 and use the chart of accounts specified in these OMFs. OMFs do not prescribe financial statements for tax collection bodies, they only set chart of accounts. What is more – in this chart of accounts there are no income or expense accounts (only balance sheet accounts). They are organized as a separate accounting ledger which is not combined with any other ledgers (like it happens at the local level – see pt 1 above). As a result tax and customs revenues at the national level are not reported in any financial statements. So it is a huge information gap in terms of accruals based financial reporting.

220. A similar situation applies to European funds. When they are received by a TLGU they are recognized as revenue in its financial statements. However, when they are received by state budget unit (approximately 78 billion PLN for 2015) they are not recognized as state revenues.

Identification of non-exchange transactions

221. The RMF, for the statement of financial performance, requires entities separately to account for:

a. Income from budget revenues: including income from budget revenues related directly to core operations of the entity, in particular income including taxes, contributions, charges, other revenues of state budget, territorial local government units and other entities, based on separate legislation or international agreements.

b. Subsidies and investment financing: records subsidies received from the budget of the territorial local government unit, as well as other funds for financing core activities of local government budget facility, as well as financing for PPE under construction; The economic scope is limited to local government budget facilities and does not include all the subsidies which may be received by other entities applying the Regulation.

c. Other operating income: records revenues not related directly to the entity's core activity, in particular, written down overdue liabilities, compensations received, fines, assets depreciated one-off as received free of charge, including as a donation, tangible current assets, etc.

At the end of the reporting period, the accumulated balance in each of the above-listed sets of accounts is transferred to the operating result of the entity.

222. Therefore, GAAP do identify transactions which are non-exchange transactions within the line of IPSAS 23.7 within the scope of the RMF, but not within the AA.

Recognition and Measurement

223. In the AA, regardless of the nature of the transaction (exchange vs non-exchange), in order to recognize an asset, the definition of an asset must be met. Assets are property controlled by an entity, with a reliably assessed value, which arose as a result of past events, and which will bring economic benefits to the entity in the future. This would be compliant with IPSAS 23.31. However, the AA has practically no importance in this subject matter (see para above).

224. Concerning the recognition of liabilities, the AA defines a liability as an obligation, resulting from past events, to make payments of a reliably determined value, which will cause the current or future assets of an entity to be used. However, in case of non-exchange transactions the PSEs do not recognize a liability; sometimes they treat it as an adjustment of revenues. This is not in compliance to IPSAS 23.50.

225. Liabilities are measured as of the reporting date at the amount required to be paid, while financial liabilities may be measured at adjusted acquisition price and if an entity allocates them for sale within up to three months, then at the market value or an otherwise determined fair value. This is not in line with IPSAS 23.57, requiring the amount recognized as a liability to be the best estimate of the amount required to settle the present obligation at the reporting date.

Taxes

226. Neither the AA, nor the RMF take account of tax revenue recognition.

227. The moment of revenue recognition is outlined in the Tax Ordinance Act (TOA). Tax obligation (revenue) arises when:

    a. an event occurs with which the tax act associates the creation of such an obligation;

    b. there exists a decision of a tax authority whereby the amount of that obligation is determined.

    This would be in line with IPSAS 23.59, however is out of the scope of this paper.

Disclosures

228. Concerning disclosures, as the RMF has very limited requirements anyway, the requirements of IPSAS 23.106 would not be met.

229. **In summary, Polish PS GAAP is not in line with IPSAS 23 as large parts of revenue from taxes and customs (being for those entities subordinated to the MoF) are not presented in financial statements, but only in budget execution reports. The same is true for EU grants.**

Further, there are various deviations from recognition and measurement requirements including:

- **No requirement to initially measure an asset at its fair value**
- **No requirement to recognize as revenue an inflow of resources from a non-exchange transaction recognized as an asset**
- **No requirement that when the entity satisfies a present obligation recognized as a liability, the carrying amount of this liability is reduced and recognized as an amount of revenue equal to that reduction**
- **No requirement to recognize and measure a present obligation arising from a non-exchange transaction that meets the definition of a liability**
- **No regulations on recognition and disclosure of revenue resulting from services in kind**

However, taxes collected by TLGUs are recognized when the taxable event occurs and the asset recognition criteria are met.

IPSAS 24 Presentation of Budget Information in Financial Statements

230. IPSAS 24 Presentation of Budget Information in Financial Statements has not been adopted as a national standard and Polish PS GAAP does not specifically address the issue however both general government budgetary units as well as TLGUs prepares budget execution reports[21] in accordance with a national cash methodology which are distinct from financial statements prepared in accordance with Polish PS GAAP. The regulation on budget reporting does not require to publish separate budget reports by each reporting unit.

231. In-year consolidated general budget execution reports cover the main aggregates of revenues and expenditures and are usually published on the Ministry of Finance website within 1 or 2 months of the end of every calendar quarter. Annual general and TLGU-level budget execution reports are prepared within six months of the end of every calendar year after which they are also published on the Ministry of Finance website. The annual general government budget execution report is subject to audit by Supreme Audit Office NIK; and TLGU aggregated budgetary execution report is subject to audit by Regional Chamber of Control RIO within 6 month after the end of the fiscal year. Both consolidated annual general government and TLGU aggregated budget execution reports are submitted to the

[21] The term *budget execution reports* is used throughout this report to refer to reports on the execution of the state budget as distinct from financial statements prepared in accordance with Polish PS GAAP. The format, content and frequency of the budgetary reports are defined in the Regulation of the Minister of Finance dated 16 January 2014 On budgetary reporting (Dz.U.2014.119)

Parliament for discharge. The annual general government budget execution report includes consolidated, comprehensive information on revenues and expenditures on a cash basis as well as comparisons with the original budget and the revised budget both in numerical and in narrative form. The annual budget execution report does not include a balance sheet, contains no information on non-financial assets or bank balances but does include some fragmented information on financial liabilities (e.g. amounts payable and debt, contingent liabilities resulting from issued guarantees) and receivables. The budget execution reports and financial statements prepared under Polish PS GAAP are both derived from PFSEs' accounting systems.

232. IPSAS 24 applies to public sector entities which are required or elect to make their approved budgets publicly available and it requires entities to present a comparison of: original and final budget amounts; actual amounts on a comparable basis; and a narrative explanation of material differences between the three. IPSAS 24 also requires the presentation of these comparisons to be made either in separate columns on the primary PS GAAP financial statements or in a separate financial statement ("Statement of Comparison of Budget and Actual Amounts") that is included in the complete set of PS GAAP financial statements. The former applies where the budgets are prepared on a comparable basis, and the latter applies where they are not. Polish PS GAAP does not comply with IPSAS 24 in that it does not include budget execution reporting. However, the budget execution reporting framework does comply with the requirements of IPSAS 24.

233. **The Polish public sector reporting framework, as defined for the purposes of this report is not consistent with IPSAS24. However, the budget execution reporting framework is in line with the requirements of IPSAS 24 as this framework includes a comparative statement of budget and actual amounts.**

IPSAS 25 Employee Benefits

234. IPSAS 25 Employee Benefits has not been adopted as a national standard. However, Polish PS GAAP addresses the issue of employee benefits in the AA and in the RMF to the extent described below.

235. The AA regulates the matter of creating accrued expenses (presented as provisions in the balance sheet) for future employee benefits, including pension benefits. In contrast, the RMF states that entities covered by this Regulation do not account for accrued expenses stemming from an obligation to pay future employee benefits, including pension benefits. Thus, RMF exempts the PSEs (i.e. TLGU, budget entities and SGBU) from regulations in the AA.

Short term Employee Benefits

236. See comment above. The AA regulates the matter of creating accrued expenses for future employee benefits, including pension benefits. For this purpose, a provision is being recognized in the balance sheet as the amount of the benefit is uncertain. PSEs which apply provisions of RMF are exempt from the regulation.

237. There are no regulations pertaining directly to principles of recognition and measurement of short-term employee benefits. As a result, they are recognized based on general principles for cost recognition – all income as well as the related expenses corresponding to a given financial year are recognized in the period incurred, irrespective of the time of the payment. As a result, such costs as: payroll, social insurance contributions, paid leave, paid sick leave, profit sharing and bonuses, medical care, company housing, company vehicles and other provided free of charge or subsidized goods or services should be recognized in the period, during which the employee was working. However entities subject to RMF, thanks to a specific exemption in the RMF, will recognize only those employee benefits that are current employee payables (usually evidenced on the monthly payroll report) ignoring those which at the reporting date should be presented as accruals or provisions. These accruals and provisions on short-term employee benefits tend to be insignificant so it can be concluded that Polish public sector GAAP regulations are broadly in line with IPSAS 25.13.

Postemployment Benefits

238. There is no differentiation between Defined Contribution Plans (DCP) and Defined Benefit Plans (DBP) in Polish GAAP and therefore, none of the paragraphs of IPSAS 25 dealing with this issue are being met.

Other long-term Employee Benefits

239. There is no detailed regulation requiring other long term employee benefits to be recognized as a liability equal to the net total of: (a) the present value of the defined benefit obligation; minus (b) the fair value of the plan assets (if any) as outlined in IPSAS 25.150. There is only the general requirement in the AA to recognize the liabilities resulting from a benefit obligation, including retirement benefits, in the amount of probable obligations attributable to the current period. Thus, in basic recognition requirement it is in line with IPSAS 25.150. PSE applying the RMF are exempt from the requirement.

240. **Polish PS GAAP has only limited alignment with IPSAS 25. Short term employee benefits are considered as any other type of expenditure and are thus required to be recognized in the accounting period the employee has rendered the service as an expense and as a liability (accrued expense) after deducting any amount already paid. Entities subject to RMF are exempt from recognizing those employee benefits that would be presented as**

accruals or provisions at the reporting date – it pertains both to short-term and long-term benefits. For entities subject only to AA, there is a requirement to recognize liabilities resulting from other long-term employee benefits. However, accounting for post-employee benefits is not regulated at all.

IPSAS 26 Impairment of Cash-Generating Assets

241. IPSAS 26 Impairment of Cash-Generating Assets has not been adopted as a national standard. However, the Polish PS GAAP addresses the issue in the AA to the extent described below. Entities subject additionally to the RMF have no further obligations or exemptions from the approach prescribed by the AA.

242. In the Polish PS GAAP, there is no definition of *cash generating assets* and *non-cash-generating assets* as in IPSAS 26.14, defining cash generating assets as assets held with the primary objective of generating a commercial return, and non-cash-generating assets are all other assets.

243. The AA defines impairment as a situation in which an asset controlled by an entity is highly unlikely to bring the expected future economic benefits either substantially or at all. Although the wording is different, the definition is compliant with IPSAS 26.20.

244. AA does not use such notions as recoverable amount, fair value less costs to sell or value in use. However, a certain sort of equivalent of recoverable amount can be found in net selling price, and in case of absence of such, fair value determined by other means. Therefore, IPSAS 26.13 is not met, defining the recoverable amount as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

245. There is no requirement for an entity to assess at each reporting date whether there is any indication that an asset may be impaired, however, there is one exception as the AA requires that impairment write downs on investment classified as non-current assets are made no later than at the end of the reporting period. Although an analysis of impairment is not being mentioned, a write down without such analysis does not seem probable. Therefore, requirements of IPSAS 26.22 and 26.23 are partially met.

246. There is no requirement to consider both external and internal sources of information when assessing whether there is an indication of impairment. Therefore, requirements of IPSAS 26.25 are not met.

247. AA does not use the notion of fair value less costs to sell, but rather the net selling price. The net selling price is defined as the selling price recoverable on the balance sheet date, net of value added tax and excise duty, less any rebates, discounts and any other similar reductions and costs to adapt the asset for sale and to sell it, increased by any targeted

subsidy receivable. This is in line with IPSAS 26.38, stating that the best evidence of fair value less costs to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for incremental costs directly attributable to the disposal of the asset.

248. As there is no asset value in use defined there is also no requirement to reflect the following elements in the calculation (outlined in IPSAS 26.43);: (a) an estimate of the future cash flows the entity expects to derive from the asset; (b) expectations about possible variations in the amount or timing of those future cash flows; (c) the time value of money, represented by the current market risk-free rate of interest; (d) the price for bearing the uncertainty inherent in the asset; and (e) other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.

249. Future cash flows are not estimated for a maximum period of five years as outlined in IPSAS 26.46 and there is no regulation concerning the definition of discount rates as pre-tax rates that reflect current market assessments of: (a) the time value of the money; and (b) the risks specifics to the asset for which the future cash flow estimates have not been adjusted as outlined in IPSAS 26.68.

250. Impairment write downs in scope of PPE, construction in progress and intangible assets, as well as inventories are recognized in current result (other operating expenses) unless there is a revaluation reserve which is debited first and only then the excess is debited to profit or loss. This is in partial compliance with IPSAS 26.72 which requires that any impairment loss is debited to surplus or deficit immediately.

251. However, there is no regulation as outlined in IPSAS 26.77 concerning determining the recoverable amount based on the cash-generating unit to which the asset belongs if the recoverable amount cannot be estimated.

252. Though there is no direct mentioning of a change in estimates, the AA regulates that if the reason for the recognition of an impairment, including permanent impairment of an asset, ceases to exist; the relevant proportion of impairment should be added to the value of an asset and should be credited to income. This is in line with IPSAS 21.103. There is no regulation concerning the limitation of reversals of impairment losses to the carrying amount as required in IPSAS 26.106.

253. In the AA, as well as in the RMF, there are only limited disclosure requirements as outlined in IPSAS 26.114 to 26.124. The AA requires entities to provide, in the notes, following information:

    a. amounts and explanations of impairment losses on PPE,

    b. amounts of impairment losses on inventories.

    The RMF requires entities to disclose under the balance sheet:

    a. impairment losses on PPE,

b. impairment losses on construction in progress,

c. impairment losses on intangible assets.

254. **Polish PS GAAP is generally in line with IPSAS 26 as basic issues like the definitions for both impairment and fair value is given and impairment losses need to be presented at the end of each reporting period. However, there is no differentiation between cash-generating and non-cash generating assets. There is also no requirement to assess at each reporting date whether there is any indication that an asset may be impaired except for non-current investments, and there is no consideration of external and internal sources of information when testing for impairment. Further, there is no guidance on how to calculate value in use and there is no requirement to limit reversals of impairment losses to the carrying amount that would have been determined had no impairment loss been recognized. There are also no disclosure requirements except for the total amount of impairment losses for particular types of assets.**

IPSAS 27 Agriculture

255. IPSAS 27 Agriculture has not been adopted as a national standard. The Polish PS GAAP does address the issue of agriculture but only a limited way.

256. The AA does not contain detailed guidelines in scope of agriculture, and in particular valuation of biological assets and agricultural products. The only regulation related to this matter is the classification of livestock as PPE, while livestock is not defined in either the AA itself or its secondary legislation. In accordance with the classification of PPE used for tax purposes, livestock includes: pets, farm animals, circus animals, zoo animals and other livestock. This seems to be different from IPSAS 27, which clearly excludes animals held for purposes other than farm production. Thus in IPSAS 27 animals held for entertainment, education (e.g. zoo animals), research or security (e.g. police dogs) are excluded. On the other hand side, IPSAS 27 includes plants, not only animals. For the purposes of information, Annex 2: Detailed comparison of Polish public sector GAAP and IPSAS lists the main requirements of IPSAS 27 that would need to be introduced into Polish PS GAAP to bring it in line with IPSAS 27.

257. In case of livestock meeting the definition of PPE (i.e. is used for a period exceeding one year and used for the entity's own purposes), PPE principles for measurement and disclosures should be applied (see IPSAS 17). Remaining livestock shall be treated as current assets (see IPSAS 12).

258. **Polish PS GAAP is not in line with IPSAS 27 as there is very little guidance on the issue of accounting for agriculture.**

IPSAS 28 Financial Instruments: Presentation

259. IPSAS 28 Financial Instruments: Presentation has not been adopted as a national standard. However, Polish PS GAAP addresses the presentation of financial instruments in the AA to the extent described below.

260. The AA defines a financial instrument, an equity instrument, a financial asset and a financial liability very similar to IPSAS 28:

    a. financial instruments – a contract that causes financial assets to arise for one of the parties and a financial obligation or an equity instrument for the other, provided that the contract has unambiguously economic effects, irrespective of whether the performance of the rights or obligations under the contract is of a conditional or unconditional nature;

    b. financial assets – cash and cash equivalents, equity instruments issued by other entities, as well as contractual rights to receive cash or cash equivalents, or rights to exchange financial instruments with another entity on beneficial terms and conditions;

    c. equity instruments – contracts vesting a right to an entity's assets following satisfaction or securing of the claims of all its creditors, as well as the entity's obligation to issue or deliver its own equity instruments, including in particular participating interests, shares, options for its shares or warrants;

    d. financial liabilities – an entity's obligation to issue financial assets or to exchange a financial instrument with another entity on unfavorable terms and conditions.

    The differences are as follows:

    a. the definition of an equity instrument in the AA is more detailed; equity instruments are understood to mean contracts vesting a right to an entity's assets following satisfaction or securing of the claims of all its creditors, as well as the entity's obligation to issue or deliver its own equity instruments, including in particular participating interests, shares, options for its shares or warrants;

    b. the definition of a financial asset and financial liability in the AA leaves out "contracts that will or may be settled in the entity's own equity instruments" (subject to conditions described in full in IPSAS 28.9);

    c. the AA lacks a definition of a puttable instrument.

261. The AA does not regulate the classification of a financial instrument on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions. However, there are separate definitions for individual financial instruments and the prevalence of economic substance over form. As a result, those provisions ensure an approach compliant with IPSAS 28.13.

262. At the date of a contract's inception, the issuer or other entity issuing a financial instrument should recognize the instrument issued and the components thereof classified in equity as equity instruments or in short-term or long-term liabilities, as applicable, also if an item having the nature of a liability is not a financial liability. Though this regulation is more general than IPSAS 28.33, nonetheless it does require classifying a financial instrument issued to equity or liabilities, respectively.

263. Any gains or losses from disposal or retirement transactions on treasury shares (entity's own equity instruments) are recognized in equity. For entities applying the AA, own interests (shares) are presented as a separate item (negative value) in equity. For entities preparing their financial statements in accordance with RMF there is no equivalent requirement, since those entities do not issue interests or shares. In summary, above provisions are compliant with IPSAS 28.38.

264. Depending on the classification of the instrument, differences from the revaluation of a financial instrument, as well as income gained or costs incurred, should be recognized in the financial result or revaluation reserve. However, only gains or losses related to revaluation of long-term financial assets are to be recognized in the revaluation reserve, if the entity chooses the mark to market method. This approach is compliant with IPSAS 29.

265. Moreover, financial result constitutes the difference between financial income, including in particular dividends (profit sharing), interest, gains on disposal and revaluation, surpluses of exchange differences and financial expenses, including in particular interest, losses on disposal and impairment of investments, deficit of exchange differences, save for the interest, commission, foreign exchange gains and losses capitalized within the framework of acquisition price/manufacturing cost of PPE and inventories. In summary, the above provisions ensure compliance with IPSAS 28.40.

266. Financial assets and liabilities should be disclosed in the balance sheet at net values after offsetting if the entity has an unconditional right to offset assets and liabilities of a given type and intends to account for them as net amounts or simultaneously issue a financial asset and settle a financial liability. This approach is compliant with IPSAS 28.47. However, it is formally not applicable to TLGUs and associations thereof, as well as state and local government budget units and local government budget facilities.

267. **Polish PS GAAP is essentially consistent with IPSAS 28 as there are basic definitions of financial instruments in place and initial recognition meets the requirement of classifying instruments as liabilities, assets or equity instruments. Treasury shares are deducted from equity. Interest, dividends, losses and gains relating to financial instruments or their components are recognized as revenues or expenses in surplus or deficit. For entities subject to the AA, assets and liabilities are offset. However, there is no offsetting for TLGUs, budget units and budget facilities and there is no definition of a puttable instrument.**

IPSAS 29 Financial instruments: Recognition and Measurement

268. IPSAS 29 Financial Instruments: Recognition and Measurement has not been adopted as a national standard. However, Polish PS GAAP addresses the issue of of financial instruments in the AA to the extent described below. Entities subject additionally to the RMF have no further obligations or exemptions from the approach prescribed by the AA in respect of matters covered by IPSAS 29.

269. Of the items listed under IPSAS 29.10 (derivatives; 4 types of financial assets; financial guarantee contract; 5 methods recognition and measurement; definitions relating to hedge accounting), the AA only defines the adjusted acquisition price method which is equivalent to the amortized cost method.

270. There is no unequivocal provision concerning recognition criteria for financial instruments in the AA. However, at the date of a contract's inception, the issuer or other entity issuing a financial instrument should recognize the instrument issued and the components thereof classified in equity as equity instruments or in short-term or long-term liabilities, as applicable, also if an item having the nature of a liability is not a financial liability. This provision indicates that a criterion necessary for recognition of an issued instrument is entering into a contract. Financial assets that have been acquired or have arisen as well as other investments should be recognized as at the date of their acquisition or arising at acquisition or purchase price, if the transaction and settlement costs are not significant. These regulations are more or less in line with IPSAS 29.16.

271. There is no regulation as outlined in IPSAS 29.40 regarding the recognition of a regular way purchase or sale of financial assets using trade date accounting or settlement date accounting.

272. There is no regulation as outlined in IPSAS 29.41 concerning the removal of a financial liability from the statement of financial position when, and only when, it is extinguished.

273. There are no separate provisions pertaining to measurement on initial recognition of financial liabilities. Therefore, the general principle for liabilities applies: amounts receivable and payable should be recognized for the date of acquisition or incurring – at their nominal value. At the same time, any financial assets that have been acquired or have arisen as well as other investments should be recognized as at the date of their acquisition or arising at acquisition or purchase price, if the transaction and settlement costs are not significant. Above regulations are compliant with requirements of IPSAS 29.45 only to a negligible extent. Potential compliance is given with measurement of financial assets, as acquisition price is in most cases the best reflection of fair value taking into account transaction costs.

274. AA does not introduce financial asset categories similar to those in IPSAS 29.48, according to which financial assets shall be measured at fair values after initial recognition, except for

loans and receivables, measured at amortized cost; held-to-maturity investments, measured at amortized cost; and investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to delivery of such unquoted equity instruments, measured at cost. Principles of recognition as of reporting date pertain to following types of financial assets:

a. participating interest in subordinated entities (i.e. subsidiaries, jointly controlled subsidiary entities and affiliated entities) classified as non-current assets – in accordance with the rules specified in item 2 below or by the equity method;

b. participating interest in entities other than subordinated entities, and investments classified as non-current assets other than investment property and intangible assets:

   (i) at acquisition price less any impairment losses; or

   (ii) at fair value, or

   (iii) at adjusted acquisition price, if a maturity date is specified for a given asset;

c. short term investments:

   (i) at market price (value), or

   (ii) at acquisition price or market price (value) (whichever is lower), or

   (iii) at adjusted acquisition price, if a maturity date is specified for a given asset,

   (iv) at an otherwise determined fair value for short-term investments for which no active market is available;

d. amounts receivable and loans granted classified as financial assets may be measured at adjusted acquisition price, and if an entity allocates them for sale within up to three months, then at the market value or an otherwise determined fair value.

The adjusted acquisition price measurement method is the same as amortized cost measurement method. Although the measurement methods are to a certain extent compliant with requirements of IPSAS 29, there exists a different categorization of financial assets and greater possibilities in terms of selection of various measurement methods.

275. Financial liabilities may be measured at adjusted acquisition price, or at market value or an otherwise determined fair value if an entity allocates them for sale within up to three months. Given that the adjusted acquisition price method is the same as amortized cost method and liabilities measured at fair value through surplus or deficit include liabilities held for sale in short time, these provisions are largely compliant with IPSAS 29.49, stating that after initial recognition, financial liabilities shall be measured at amortized cost using the effective interest method, except for:

a. Financial liabilities at fair value through surplus or deficit;

b. Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;

c. Financial guarantee contracts as defined in paragraph 2(a) (IPSAS 29.10);

d. Loans provided at a below-market interest rates.

The differences pertain mostly to liabilities referred to in IPSAS 29.49 (iii) and (iv) which are not regulated by the AA. As there are no specific regulations on the measurement of loans provided at a below-market interest rates public sector entities generally tend to ignore the fact of the interest rate being more beneficial that the market one. As a result they accrue interest at the nominal rate at which the loan is granted with no recognition of the notional or effective subsidy.

276. The AA contains a definition of fair value which is compliant with the definition used by IPSAS: *"The fair value is understood to mean the amount for which a given asset could be exchanged and the liability paid off in an arm's length transaction between willing, well informed and unrelated parties."* Moreover, AA provides following guidelines with respect to fair value of financial instruments: *"The fair value of financial instruments traded in an active market is the market price less any costs of completing the transaction, if these are substantial. The market price of the financial assets held by an entity, as well as the financial liabilities that an entity intends to incur is the current bid price reported on the market, whereas the market price of the financial assets that an entity intends to acquire as well as the financial liabilities incurred by it is the ask price reported on the market."* However, the above regulations are much sparser than guidelines provided in IPSAS 29.

277. Due to differences in categorization of assets, there is no requirement as outlined in IPSAS 29.52 not to reclassify any financial instrument into the fair value through surplus or deficit category after initial category.

278. Due to these differences, it is also difficult to provide an unequivocal answer in line with IPSAS 29.64 on the matter of recognition of a gain or loss arising from a change in the fair value of a financial asset or financial liability that is not part of a hedging relationship.

279. Concerning the impairment assessment at the end of each reporting period for a financial asset or group of financial assets as outlined in IPSAS 29.67; 29.72; 29.75-76, the AA prescribes impairment write downs on investments classified as non-current assets to be recognized no later than at the end of a reporting period. However, there are no guidelines as to objective evidence of impairment, or for the calculation of write down amount (including determination of recoverable value), except for receivables, where AA provides detailed guidelines. Impairment of receivables is recognized based on the degree of probability of their payment, in respect of:

a. amounts receivable from debtors in liquidation or bankruptcy;

b. amounts receivable from debtors in the event that a bankruptcy petition has been dismissed;

c. amounts receivable disputed by debtors and overdue, and based on an assessment of a debtor’s property and financial standing, the amount receivable is unlikely to be paid in the agreed amount – up to the amount not covered by a guarantee or any other security;

d. amounts receivable equivalent to amounts increasing the amounts receivable that were previously impaired – in their actual amounts, until they are received or impaired;

e. amounts receivable that are overdue or which are highly likely to be uncollectible, in cases justified by the customers’ type of activity or structure – at a reliably estimated amount of provision, including a general provision, for uncollectible amounts receivable.

Impairments related to receivables are recognized in other operating expenses or financial expenses, depending on the type of amount receivable to which the provision relates.

If the reason for the recognition of an impairment, including permanent impairment of assets, ceases to exist the total or relevant proportion of the previously recognized impairment or write down should increase the value of a given asset and should be credited to other operating income or financial income, as appropriate.

In summary, although significant gaps can be identified in the regulations, the basic scope requirements of the AA are compliant with IPSAS 29 as there is an obligation to evaluate and recognize impairment write downs. Due to a different categorization of assets in IPSAS 29, the regulations are not fully comparable.

280. Also the matter of hedge accounting is regulated in negligible scope, and limited to the specification of conditions for a given contract to be recognized as a hedging instrument. Contracts relating to financial instruments are deemed to reduce the asset or liability-related risk of an entity, i.e. hedging those assets or liabilities, if, at least:

a. the purpose of the contract was defined and the assets or liabilities to be hedged under this contract were identified before entering into the contract;

b. the hedging financial instrument which is the subject matter of the contract, as well as the assets or liabilities hedged by it, have similar features, including in particular their nominal value, maturity date, sensitivity to interest rate or exchange rate changes;

c. the degree of certainty of the expected cash flows resulting from the contract is considerable.

281. **Polish PS GAAP is only partially in line with IPSAS 29 as only very basic requirements of recognition and measurement of financial instruments are met. Financial liabilities are measured at amortized cost after initial recognition, except for:**

a. financial liabilities: at fair value through surplus or deficit

b. **financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies**

c. **financial guarantee contracts**

d. **loans provided at a below-market interest rates.**

282. **Gains or losses arising from a change in the fair value of an asset or liability that is not part of a hedging relationship is recognized in surplus/ deficit in case of liabilities and either in surplus/ deficit or in the net assets/equity. There is an impairment assessment at each reporting date.**

283. **However, except for amortized cost of a financial asset or liability, there are no further IPSAS 29-equivalent definitions in Polish PS GAAP, e.g. of derivatives, of the four classifications of financial instruments, of financial guarantee contracts; there are no definitions relating to recognition and measurement and to hedge accounting. There is also no regulation on measuring financial instruments at fair value and there are different subsequent measurement principles in place. Finally, there is no regulation on derecognizing financial instruments.**

IPSAS 30 Financial Instruments: Disclosure

284. IPSAS 30 Financial Instruments: Disclosure has not been adopted as a national standard. Polish PS GAAP addresses disclosure of financial instruments to only a limited extent, pertaining solely to entities preparing their financial statements in accordance with the AA. There are no other guidelines for entities preparing their financial statements in accordance with RMF.

285. Entities subject only to AA are obligated to disclose, in the notes:

a. the opening balance and details of impairment allowances for amounts receivable at the beginning of the year, increases, uses and releases as well as the year-end closing balance;

b. a breakdown of long-term liabilities by balance sheet item maturing within:

(i) up to one year,

(ii) between one and three years,

(iii) between three years and five years,

(iv) more than five years.

286. There is no regulation as outlined in IPSAS 30.38 and IPSAS 30.40 – 49 concerning the disclosure of information enabling users to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period.

287. Polish PS GAAP is not in line with IPSAS 30 as there are very limited disclosure requirements in respect of financial instruments.

IPSAS 31 Intangible Assets

288. IPSAS 31 Intangible Assets has not been adopted as a national standard. However, the Polish PS GAAP addresses intangible assets in the AA to the extent described below.

289. Intangible assets are defined as any property rights acquired by an entity, classified as non-current assets, with a foreseeable useful life of longer than one year, designed and fit for use in business by the entity for its purposes, including in particular:

    a. commercial copyrights, neighboring rights, licenses, concessions,

    b. rights to inventions, patents, trademarks, utility or decorative models,

    c. know-how.

    In accordance with the definition, intangible assets also include acquired goodwill as well as costs of completed development works. This is compliant with IPSAS 31.

290. The criteria of control and economic benefits are also met as intangible assets in Polish PS GAAP are classified as non-current assets, and assets are: property controlled by an entity, with a reliably assessed value, which arose as a result of past events, and which will bring economic benefits to the entity in the future (see IPSAS 17).

291. There is no definition of separate criteria for recognition of various types of assets or liabilities. In order to be recognized, an intangible asset must meet the definition of an asset. The definition of assets is in line with IPSAS 31.28 criteria of recognition of intangibles, with the following differences:

    a. the level of probability of achieving the economic benefit is not specified;

    b. service potential is not mentioned;

    c. and there is no definition of what is included in the scope of economic benefits.

292. Although there is no separate provision for initial measurement of intangible assets, from the principles of measurement as of reporting date it can be followed that initial measurement is at acquisition price or manufacturing cost, which are in line with the concept of cost as per IPSAS 31.31.

293. There is no detailed regulation for non-exchange transactions in Polish law. However, if it is impossible to determine the acquisition price of an asset, including in particular an asset received free of charge, including as a donation, it is measured at the selling price of an identical or similar asset. Since the selling price of an identical or similar asset in most cases is the fair value of such asset, this is in compliance with IPSAS 31.31.

294. In accordance with the definition of intangible assets, they may include only acquired goodwill, but there is no prohibition of capitalization of internally generated goodwill as outlined in IPSAS 31.46.

295. There is no prohibition of recognizing intangible assets arising from research as outlined in IPSAS 31.52, but in accordance with the definition of intangible assets, they only include costs of completed development works. Thus, there is no possibility of capitalizing costs of research.

296. The costs of completed development works carried out by an entity for its own purposes, incurred before manufacturing is started or a technology applied, are recognized as intangible assets, if:

    a. product or technology are strictly defined, and the related development costs can reliably be determined;

    b. the technical fitness of a product or technology for use is ascertained and properly documented and, on this basis, the entity decided to manufacture such products or apply such technology;

    c. development costs are expected to be covered by the proceeds from the sale of these products or application of this technology.

    The period of amortization of development costs may not exceed five years. Though IPSAS 31 does not include a similar time restriction, this is in line.

297. There is no requirement to recognize expenditure on an intangible item as an expense when it is incurred unless it forms part of the cost of an intangible asset as lined.

298. Concerning subsequent measurement, the AA prescribes the cost model for intangible assets, which is in line with IPSAS 31.71. Further paragraphs referring to the revaluation model therefore are not applicable.

299. Amortization principles for intangible assets are identical with those for PPE. They state that when determining the amortization period and rate, useful life of the intangible asset should be taken into account. This is in line with IPSAS 31.88.

300. For intangible assets with a low initial unit value, amortization charges may be defined in a simplified manner, by recognizing collective charges for groups of assets similar in type and purpose or by a single amortization charge. As the AA does not define "low initial unit value", the entities usually follow the guidance of tax regulations, which define low value on the level of 3.500 PLN. Moreover, AA envisages two restrictions: in case of capitalized completed development works, the amortization period cannot exceed 5 years; and amortization charges on goodwill can be made over a period not exceeding 5 years. In justified cases, the manager of the entity may extend that period to 20 years. Extension of the amortization period and its justification must be disclosed in the notes. Additionally, the

RMF allows entities to adopt rates specified in provisions on corporate income tax, or by others. If these tax values differ too much from economic life, such treatment would not be in line with IPSAS 31.88 (similar to the provisions for IPSAS 17).

301. There is no category of intangible assets with an indefinite useful life. All intangible assets are subject to amortization based on the same principles as PPE – see comments above and for IPSAS 17. Therefore, the regulation is in line with IPSAS 31.96-105 for intangible assets with a finite useful life, whilst it is not in line with IPSAS 31.106-109 for intangible assets with an indefinite useful life.

302. There are no provisions regulating accounting effects of retirements and disposals of intangible asset. Derecognition from the balance sheet upon sale or liquidation results from the fact, that the item no longer meets the definition of an asset. However, if there are changes in the manufacturing technology, in case of liquidation or decommissioning or other circumstances causing the impairment of an item of intangibles, the relevant impairment loss should be recognized in other operating expenses. This is in line with IPSAS 31.111, requiring de-recognition of intangible assets in the case of disposal or when no future economic benefits or service potential are expected from its use.

303. There are no regulations as outlined in IPSAS 31.112 on determining the gain or loss arising from de-recognition as the difference between the net disposal proceeds and the carrying amount of the asset, or on the inclusion of such gain or loss in surplus or deficit. However, a similar treatment derives from the definition of other operating expenses and income, which include, amongst others, expenses and income relating to disposal of intangible assets. Similar regulation can be found in the RMF.

304. Separate presentation is envisaged of profit from disposal of non-financial non-current assets, and loss from disposal of non-financial non-current assets indicating that results from disposal are calculated as difference between income from disposal and net book value. Similar regulation can be found in the RMF.

305. Disclosure requirements in scope of intangible assets are less detailed than those in IPSAS 31 but compliant in their basic scope and include:

a. description of adopted accounting principles (policy) including amortization methods;

b. detailed information on the carrying amount of respective groups of intangibles, including opening balance at the beginning of the period, increases and decreases due to revaluation or impairment, purchases and internal movements as well as the closing balance, amounts and reasons for changes of accumulated amortization;

c. specification of groups of liabilities secured by the entity's assets (with details thereof);

d. for entities preparing a profit and loss statement, expenses by function, information on type of costs, including depreciation and amortization;

e. expenditure on non-financial non-current assets made in the last year and planned for the following year; expenditures made and planned for environmental protection should be disclosed separately.

As the above mentioned requirements do not apply for entities preparing their financial statements in accordance with the RMF, they would not be compliant with IPSAS 31.117.

306. As the revaluation model is not applicable, there are no subsequent disclosure requirements as outlined in IPSAS 31.123.

307. **In summary, Polish PS GAAP is broadly in line with IPSAS 31 as the concepts of intangible assets and their recognition, initial measurement and subsequent measurement at cost with amortization charges based on their useful life are consistent with the IPSAS. However, there are provisions which permit amortization charges to differ from those reflecting their useful life and there is no regulation on intangible assets with indefinite useful life. For the RMF, there are very limited disclosures.**

IPSAS 32 Service Concession Arrangement: Grantor

308. IPSAS 32 Service Concession Arrangement: Grantor has not been adopted as a national standard. The Polish PS GAAP does not address the issue of service concession arrangements, neither from the grantor, nor the operator side. For the purposes of information, Annex 2: Detailed comparison of Polish public sector GAAP and IPSAS lists the main requirements of IPSAS 32 that would need to be introduced into Polish PS GAAP to bring it in line with IPSAS 32.

309. However, there are service concession arrangements existing in Poland.

310. **Polish PS GAAP does not in any way address the accounting treatment of grantors' service concession arrangements and as such is not consistent with IPSAS 32 despite the fact that there are believed to be many such arrangements in the public sector in Poland.**

ANNEX 2: DETAILED COMPARISON OF POLISH PUBLIC SECTOR GAAP AND IPSAS

This table below lists the consistencies and inconsistencies between Polish public sector GAAP and IPSAS by reference to the main paragraphs of each IPSAS[22].

Table 5: Consistencies and inconsistencies between Polish public sector GAAP and IPSAS

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
IPSAS 1 - Presentation of Financial Statements	
1. IPSAS 1.19 – the responsibilities for the preparation and presentation of financial statements are defined 2. IPSAS 1.38 – an assessment of an entity's ability to continue as a going concern is made when preparing financial statements 3. IPSAS 1.42 – the presentation and classification of items in the financial statements are retained from one period to the next 4. IPSAS 1.45 – items that are material by virtue of their nature are presented separately in the financial statements 5. IPSAS 1.48 – assets and liabilities are not offset unless required or specifically permitted 6. IPSAS 1.53 – comparative information is disclosed in respect of the previous period including for all numerical, narrative and descriptive information in the financial statements (however Polish PS GAAP does not require comparatives for all narrative and descriptive information in the financial statements)	1. IPSAS 1.21 – financial statements do not include all of the following components: a. Statement of financial position; b. Statement of financial performance; c. Statement of changes in net assets/equity d. Cash flow statement; e. When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements f. Accounting policies and notes to the financial statements 2. IPSAS 1.27 – financial statements do not present fairly the financial position, financial performance and cash flows of an entity

[22] The table is based on a detailed toolkit questionnaire that was prepared separately for the purpose of informing this report

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
7. IPSAS 1.61 – it is possible to identify and distinguish financial statements clearly from other information in the same published document 8. IPSAS 1.63 – each component of the financial statements is clearly identified (name of reporting entity, reporting date, presentation currency, level of rounding) 9. IPSAS 1.66 – the financial statements are presented annually or, when financial statements are presented for a period longer or shorter than one year, the reason for the longer or shorter period and the fact that comparative amounts for certain statements are not entirely comparable is disclosed 10. IPSAS 1.69 – financial statements are presented within 6 months of the reporting date 11. IPSAS 1.70 – current and non-current assets and current and non-current liabilities have to be presented as separate classifications on the face of the statement of financial position 12. IPSAS 1.76 – an asset is classified as a current asset when it: a. is expected to be realized in, or is held for sale or consumption in, the normal course of the entity's operating cycle; or b. is held primarily for trading purposes; or c. is expected to be realized within 12 months of the reporting date; or d. is cash or a cash equivalent asset 13. IPSAS 1.80 – a liability is classified as a current liability when it: a. is expected to be settled in the normal course of the entity's	3. IPSAS 1.118-119 – entities do not present a statement of changes in net assets/equity unless they are subject only to AA and to statutory audit requirements 4. IPSAS 1.128 – there is no requirement that the notes to the financial statements should be presented in a systematic manner such that each item on the face of the statement of financial position, statement of financial performance, statement of changes in net assets/equity, and cash flow statement is cross-referenced to any related information in the notes 5. IPSAS 1.132 – entities subject to the RMF are not required to disclose their accounting policies in their financial statements 6. IPSAS 1.140 – entities are not required to disclose in the notes information about (a) the key assumptions concerning the future, and (b) other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
operating cycle; or b. is due to be settled within twelve months of the reporting date; or c. it is held primarily for trading purposes, or d. the entity does not have an unconditional right to defer the settlement for at least 12 months after the reporting date (however Polish PS GAAP does not regulate on (c) and (d)) 14. IPSAS 1.88 – there is a minimum requirement in respect of which line items have to be presented on the face of the statement of financial position 15. IPSAS 1.93 – an entity discloses either on the face of the statement of financial position or in the notes to the statement of financial position further sub-classifications of the line items presented on the face of the statement of financial position, classified in a manner appropriate to the entity's operations 16. IPSAS 1.102 and 1.103 – there is a minimum requirement in respect of which line items have to be presented on the face of the statement of financial performance 17. IPSAS 1.106 – when items of revenue and expense are material, their nature and amounts are disclosed separately 18. IPSAS 1.118-119 – entities that are subject only to AA and to statutory audit requirements present a statement of changes in net assets 19. IPSAS 1.132 – the accounting policies section of the notes to the financial statements of entities subject only to the AA (i.e. entities	

<table>
<tr><th>Areas of Polish PS GAAP that are consistent with IPSAS</th><th>Areas of Polish PS GAAP that are not consistent with IPSAS</th></tr>
<tr><td>not additionally subject to the RMF) describe:
a. the measurement basis (bases) used
b. the extent to which the entity has applied any transitional provisions in any Polish PS GAAP
c. the other accounting policies that are relevant to an understanding of the financial statements</td><td></td></tr>
<tr><td colspan="2">IPSAS 2 – Cash Flow Statements</td></tr>
<tr><td>Notice – below points pertain only to entities that are subject only to AA and to statutory audit as other entities are not required to produce cash flow statements
1. IPSAS 2.18 – cash flow statement reports cash flows during the period classified by operating, investing and financing activities
2. IPSAS 2.27 – cash flows from operating activities are reported using either the direct method or the indirect method
3. IPSAS 2.31 – major classes of gross cash receipts and gross cash payments arising from investing and financing activities are reported separately
4. IPSAS 2.36 – cash flows arising from transactions in a foreign currency are recorded in an entity’s functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the cash flow
5. IPSAS 2.40 – cash flows from interest and dividends or similar distributions received and paid are disclosed separately and classified in a consistent manner from period to period as either</td><td>1. IPSAS 2.1 – there is no such a requirement that an entity that prepares and presents financial statements under the accrual basis of accounting shall prepare a cash flow statement and shall present it as an integral part of its financial statements for each period for which financial statements are presented (under Polish PS GAAP preparation of cash flow statement is obligatory only for entities subject only to AA and to statutory audit requirements)
2. IPSAS 2.32 – there is no requirement that cash flows arising from the following operating, investing or financing activities should be reported on a net basis:
(a) cash receipts collected and payments made on behalf of customers, taxpayers, or beneficiaries, and
(b) cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short (however relevant guidance which is compliant with IPSAS 2.32 is provided in KSR 1)</td></tr>
</table>

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
operating, investing, or financing activities 6. IPSAS 2.54 – investing and financing transactions that do not require the use of cash or cash equivalents are excluded from a cash flow statement (but rather are disclosed elsewhere in the financial statements in a way that provides all the relevant information) 7. IPSAS 2.56 – it is required to disclose the components of cash and cash equivalents and present a reconciliation of the amounts in its cash flow statement with the equivalent items reported in the statement of financial position 8. IPSAS 2.59 – it is required to disclose, together with a commentary by management in the notes to the financial statements, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the economic entity (however Polish PS GAAP does not require a commentary by management in the notes)	3. IPSAS 2.44 – cash flows arising from taxes on net surplus are not separately disclosed and classified as cash flows from operating activities unless they can specifically identified with financing and investing activities 4. IPSAS 2.49 – the aggregate cash flows arising from acquisitions and from disposals of controlled entities or other operating units are not presented separately and classified as investing activities 5. IPSAS 2.59 – entities other than those subject only to AA and to statutory audit are not required to disclose, together with a commentary by management in the notes to the financial statements, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the economic entity
IPSAS 3 – Accounting Policies, Changes in Accounting Estimates and Errors	
1. IPSAS 3.9 to 3.15 – entities apply hierarchy for the selection and application of accounting policies 2. IPSAS 3.16 – entities are required to select and apply accounting policies consistently for similar transactions, other events, and conditions 3. IPSAS 3.17 – entities are only able to change an accounting policy if the change: a. is required by national public sector GAAP; and b. results in the financial statements providing reliable and more	1. IPSAS 3.33 to 3.35 – entities subject additionally to RMF are not required to disclose the nature, reason and effect of any mandatory, voluntary or prospective changes of accounting policies (however relevant guidance which is compliant with IPSAS 3.33-35 is provided in KSR 7) 2. IPSAS 3.44 and 3.45 – entities subject additionally to RMF are not required to disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect on future

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
relevant information about the effects of transactions, other events, and conditions on the entity's financial position, financial performance, or cash flows 4. IPSAS 3.24 to 3.28 – there is a requirement to apply changes in accounting policies retrospectively (i.e. adjust the opening balance of each affected component of net assets/equity for the earliest period presented, and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied) except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change 5. IPSAS 3.33 to 3.35 (entities subject only to AA) – the nature, reason and effect of any mandatory, voluntary or prospective changes of accounting policies should be disclosed 6. IPSAS 3.41 – the effect of a change in an accounting estimate (other than those that give rise to changes in assets and liabilities, or relates to an item of net assets/equity) is recognized prospectively by including it in surplus or deficit in: a. the period of the change, if the change affects the period only; or b. the period of the change and future periods, if the change affects both 7. IPSAS 3.42 – a change in an accounting estimate that gives rise to changes in assets and liabilities, or relates to an item of net assets/equity, is recognized by adjusting the carrying amount of the	periods (however relevant guidance which is compliant with IPSAS 3.44-45 is provided in KSR 7) 3. IPSAS 3.47 – entities subject additionally to RMF are not required to correct material prior period errors retrospectively (however relevant guidance compliant with IPSAS 3.47 is provided in KSR 7) 4. IPSAS 3.54 – entities subject additionally to RMF are not required to disclose: a. the nature of the prior period error; b. the amount of the correction for each financial statement line item affected for each prior period affected and presented; c. the amount of the correction at the beginning of the earliest prior period presented; and d. if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected (however relevant guidance compliant with IPSAS 3.54 is provided in KSR 7)

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
related asset, liability, or net assets/equity item in the period of change 8. IPSAS 3.44 and 3.45 (entities subject only to AA) –the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect on future periods is disclosed, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect in which case that very impracticability should be disclosed 9. IPSAS 3.47 (entities subject only to AA) – material prior period errors are corrected retrospectively in the first set of financial statements authorized for issue after their discovery by restating comparative amounts and restating the opening balances of assets, liabilities and net assets/liabilities for the earliest prior periods affected and presented 10. IPSAS 3.54 (entities subject only to AA) – following disclosures are required: a. the nature of the prior period error; b. the amount of the correction for each financial statement line item affected for each prior period affected and presented; c. the amount of the correction at the beginning of the earliest prior period presented; and d. if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected	

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
IPSAS 4 – The Effects of Changes in Foreign Exchange Rates	
1. IPSAS 4.24 – with an exception to funds originating from the budget of the European Union and other states in the European Economic Area, a foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction 2. IPSAS 4.27 – at each reporting date: a. foreign currency monetary items are translated using the closing rate; b. non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and c. non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined 3. IPSAS 4.32 and 4.37 – exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements, are recognized in surplus or deficit in the period in which they arise (except to the extent that these exchange rate differences arise on monetary items of the reporting entity's net investment in a foreign operation) 4. IPSAS 4.35 – when a gain or loss on a non-monetary item is	1. IPSAS 4.24 – in case of funds originating from the budget of the European Union and other states in the European Economic Area, as well as funds not subject to return, originating from foreign sources, exchange rates resulting from other provisions concerning these funds have priority of application 2. IPSAS 4.44 – there are no regulations allowing an entity to choose presentation currency different from its functional currency 3. IPSAS 4.48 and 4.49 – there are no regulations referring to the phenomenon of hyperinflation 4. IPSAS 4.61 – there are no disclosure requirements regarding the effects of changes in foreign exchange rates, i.e. (i) the amount of exchange rate differences recognized in surplus or deficit; and (ii) the net exchange rate differences classified as a separate component of net assets/equity together with a reconciliation of the amount of such exchange differences at the beginning and end of the period 5. IPSAS 4.62 to 4.66 – there are no requirements to make disclosures when the presentation currency is different from the functional currency (as there are no regulations allowing an entity to choose presentation currency different from its functional currency)

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
recognized directly in net assets/equity, then any exchange component of that gain or loss is recognized directly in net assets/equity too and conversely – when a gain or loss on a non-monetary item is recognized in surplus or deficit, any exchange component of that gain or loss is recognized directly in surplus or deficit	
IPSAS 5 – Borrowing Costs	
1. IPSAS 5.14 – borrowing costs are recognized as an expense in the period in which they are incurred (however under Polish PS GAAP there are two exceptions – mandatory capitalization for property, plant and equipment, property, plant and equipment under construction and intangible assets and voluntary capitalization for inventories) 2. IPSAS 5.17 – borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are capitalized as part of the cost of a qualifying asset (under Polish PS GAAP there is mandatory capitalization for property, plant and equipment, property, plant and equipment under construction and intangible assets or voluntary capitalization for inventories) 3. IPSAS 5.18 – borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset (under Polish PS GAAP qualifying assets can only be property, plant and equipment, property, plant and equipment under construction, intangible assets or inventories)	1. IPSAS 5.16 – entities do not have a choice of alternative treatment, therefore there is no requirement to disclose the accounting policy adopted for borrowing costs in financial statements 2. IPSAS 5.20 – entities don’t have to apply capitalization of interest consistently to all borrowing costs that are directly attributable to the acquisition, construction or production of all qualifying assets of the entity (under Polish PS GAAP capitalization is a voluntary option for inventories) 3. IPSAS 5.25 – there are no regulations regarding the use of the capitalisation rate to determine the amount of general borrowing costs eligible for capitalization (other than borrowings made specifically for the purpose of obtaining a qualifying asset) 4. IPSAS 5.34 – there are no regulations regarding suspension of capitalization of borrowing costs and expensing them during extended periods in which active development is interrupted

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
4. IPSAS 5.23 – to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset is determined as the actual borrowing costs incurred on that borrowing during the period, less any investment income on the temporary investment of those borrowings 5. IPSAS 5.31 – the capitalization of borrowing costs as part of the cost of a qualifying asset commences when: a. outlays for the asset are being incurred; b. borrowing costs are being incurred; and c. activities that are necessary to prepare the asset for its intended use for sale are in progress (alternative treatment) 6. IPSAS 5.36-5.39 – the capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete	5. IPSAS 5.40 – entities are required only to a negligible extent to disclose the following: a. the accounting policy adopted for borrowing costs; b. the amount of borrowing costs capitalized during the period; and c. the capitalization rate used to determine the amount of borrowing costs eligible for capitalization (when it was necessary to apply a capitalization rate to funds borrowed generally)
IPSAS 6 – Consolidated and Separate Financial Statements	
1. IPSAS 6.15 and 6.16 – only TLGU is required to present a consolidated statement of financial position (one component of the consolidated financial statements in the understanding of IPSAS 6) based on the assumption that it is a parent entity (a "controlling entity") 2. IPSAS 6.21 – controlled entities are to be excluded from consolidation if control is intended to be temporary because the controlled entity is acquired and held exclusively with a view to its disposal within twelve months from acquisition however unlike	1. IPSAS 6.15 and 6.16 – the requirement that the "controlling entity" presents consolidated financial statements in which it consolidates its "controlled entities" is not applicable to PFSEs as definitions of controlling entity and controlled entities under Polish PS GAAP are limited to specific legal forms which are not used by PFSEs 2. IPSAS 6.17-6.42 –although the terms used in Polish PS GAAP for "control", "controlled", "controlling entity" and "controlled entities" are defined in terms of both: (i) power

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
IPSAS 6.21 Polish PS GAAP does not require that management is actively seeking a buyer 3. IPSAS 6.38 – 6.42 - when a controlling entity loses control (i.e. control is no longer exercisable) with or without a change in absolute or relative ownership levels (e.g. when a controlled entity becomes subject to the control of another government, a court, administrator, or regulator or even as a result of a contractual agreement or if a foreign government sequesters the operating assets of a foreign controlled entity) the controlled entity is required to be excluded from consolidation 4. IPSAS 6.43 - in preparing a consolidated statement of financial position, a TLGU is required to combine the financial statements of the controlling entity and its controlled entities line by line, by adding together like items of assets, liabilities, net assets/equity, and thereafter eliminating the carrying amount of the controlling entity's investment in each controlled entity and the controlling entity's portion of net assets/equity in each controlled entity 5. IPSAS 6.45 – balances and transactions between the consolidated entities are eliminated in full 6. IPSAS 6.47 and 6.48 – the financial statements of the controlling entity and its controlled entities that are used in the preparation of the consolidated statement of financial position should be prepared as of the same reporting date unless it is impracticable to do so (then time difference of 3 months before the date of consolidated balance sheet statement is allowed)	– the power to govern the financial and operating policies of another entity; and (ii) benefit – the ability of the controlling entity to benefit from the activities of the other entity they are not applicable to PFSE except for TLGU (see pt 1 above) 3. IPSAS 6.48 – there is no requirement to post adjustments for the effects of significant transactions or events that occur between the reporting date of the controlled entity and the date of the controlling entity's consolidated financial statements (provided that those dates differ) 4. IPSAS 6.62 – when preparing its consolidated statement of financial position, a TLGU is not required to disclose any of the following:(i) list of significant controlled entities; (ii) the fact that a controlled entity is not consolidated and why; (iii) summarized financial information of controlled entities that are not consolidated; (iv) the names of consolidated entities where ownership interest and/or voting rights are 50% or less; (v) the names of non-consolidated entities where ownership interest and/or voting rights are more than 50%; (vi) the controlled entities whose financial statements as at a different reporting date from that of the controlled entity are used for consolidation; (vii) the nature and extent of any significant restrictions on the ability of any controlled entities to transfer funds to the controlling entity 5. IPSAS 6.49 – in case of a TLGU preparing its consolidated balance sheet, it is not always possible to adopt a single set

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
7. IPSAS 6.49 – generally consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances however taking into account that budget units and local government budget facilities are required to follow specific accounting rules that are not applicable to other entities 8. IPSAS 6.54 - minority interests are calculated and presented in the consolidated statement of financial position within net assets/equity, separately from the controlling entity's net assets/equity 9. IPSAS 6.58 – when a controlling entity prepares its own separate (i.e. non-consolidated) financial statements, is it required to account for investments in controlled entities, jointly controlled entities, and associates (i) using the equity method; (ii) at cost; or (iii) as a financial instrument	of accounting principles for the group, as budget units and local government budget facilities are governed by RMF of 5.07.2010, and thus apply specific accounting principles which will not be applicable to other members of the group i.e. those that follow only AA
IPSAS 7 – Investments in Associates	
	Currently there is no guidance in Polish PS GAAP on the accounting treatment for investments in associates that would be applicable to public finance sector entities. To comply with the main requirements of IPSAS 7, Polish PS GAAP would need to incorporate the following: 1. IPSAS 7.7 and 7.11 - define an associate is an entity in which the investor has both an ownership interest in the form of a shareholding or other formal equity structure as well as "significant influence" and which is neither a controlled

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	entity (see definition in IPSAS 6) nor a joint venture (see definition in IPSAS 8) 2. IPSAS 7.19 and 7.7 - require an investment in an associate to be accounted for using the equity method whereby the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets/equity of the investee and the surplus or deficit of the investor includes the investor's share of the surplus or deficit of the investee 3. IPSAS 7.7 and 7.12 - define and describe "significant influence" as the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies as evidenced by one or more of: (a) representation on the board of directors; (b) participation in the policy-making process; (c) material transactions between investor and investee; (d) interchange of managerial personnel; and (e) provision of essential technical information 4. IPSAS 7.19 –require an investment in an associate to be accounted for under the equity method, except when: (a) the investment is acquired and held exclusively with a view to its disposal within twelve months from acquisition, and management is actively seeking a buyer; (b) the investor need not present consolidated financial statements; and (c) the investor is itself "controlled" and does not have publicly

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	traded debt or equity instruments and did not file financial statements for a public offering and whose ultimate or any intermediary ultimate "controlling entity" produces public consolidated financial statements 5. IPSAS 7.24 and 7.25 – require an investor to discontinue the use of the equity method from the date that it ceases to have significant influence over an associate and is the carrying amount of the investment at that date regarded as its cost on initial measurement as a financial asset in accordance with IPSAS 29 6. IPSAS 7.41 - require to account in the separate financial statements for an investment in an associate: (a)using the equity method; or (b) at cost; or (c) as a financial instrument in accordance with IPSAS 29 7. IPSAS 7.43 – require the following disclosures to be made in respect of associates: (a) fair value of investments in associates for which there are published price quotations; (b) summarized financial information of associates; (c) details of associates where voting or potential voting power is less than 20%; (d) details of entities where voting or potential voting power is 20% or more but they are not regarded as associates; (e) details of associates whose financial statements which are included under the equity method are as at a different reporting date; (f) the nature and extent of any significant restrictions on the ability of

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	any associates to transfer funds to the investor; (g) the unrecognized share of losses of an associate, both for the period and cumulatively, if an investor has discontinued recognition of its share of losses of an associate; (h) the fact that an associate is not accounted for using the equity method; and (i) summarized financial information of associates that are not accounted for using the equity method 8. IPSAS 7.44 and 7.45 – require investments in associates using the equity method to be classified as non-current assets and require the investor's share of changes recognized directly in the associate's net assets/equity to be recognized directly in net assets/equity by the investor and require it to be disclosed in the statement of changes in net assets/equity as required by IPSAS 1
IPSAS 8 – Interests in Joint Ventures	
	Currently there is no guidance in the Polish PS GAAP on the accounting treatment for interests in joint ventures that would be applicable to public finance sector entities. To comply with the main requirements of IPSAS 8, Polish PS GAAP would need to incorporate the following: 1. IPSAS 8.6 - define joint ventures as a binding arrangement whereby two or more parties are committed to undertake an activity which is subject to joint control 2. IPSAS 8.17/8.22 /8.29 - distinguish between jointly

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	controlled operations, jointly controlled assets and jointly controlled entities 3. IPSAS 8.19 - require in respect of interests in *jointly controlled operations* that the venturer should recognize in its separate financial statements and consequently in its consolidated financial statements: (a) The assets that it controls and the liabilities that it incurs; and (b) The expenses that it incurs and share of the revenue that it earns 4. IPSAS 8.25 - require in respect of interests in *jointly controlled assets* that the venturer should recognize in its separate financial statements and consequently in its consolidated financial statements: (a) Its share in the jointly controlled assets, classified according to the nature of assets; and (b) Any liabilities which it has incurred; (c) Its share of any liabilities incurred jointly with the other venturers in relation to the joint venture; (d) Any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; (e) Any expense which it has incurred in respect of its interest in the joint venture 5. IPSAS 8.35 and 8.39 - for the consolidated financial statements of the venturer, require *proportionate consolidation* in one of two possible formats: (i) the venturer's share of a line item is combined with the

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	respective line item of the venturer, or (ii) the venturer includes separate line items for its share in joint ventures 6. IPSAS 8.43 and 8.45 - for the consolidated financial statements of the venturer, allow the *equity method* as an alternative (non-recommended) treatment to *proportionate consolidation* 7. IPSAS 8.47 - require the following interests to be accounted for as investment (in accordance with the national standard equivalent to IPSAS 29) rather than using *proportionate consolidation* or the *equity method*: an interest in a jointly controlled entity which is acquired and held exclusively with a view to its subsequent disposal within twelve months of acquisition and that management is actively seeking a buyer 8. IPSAS 8.54 and 8.55 - require partial elimination of gains and losses in transactions between the venturer and the joint venture 9. 8.57 - require an investor in a joint venture that does not have joint control, but does have significant influence, to account for its interest in a joint venture in accordance with IPSAS 7, Investments in Associates 10. IPSAS 8.59 - require operators or managers of a joint venture to account for any fees in accordance with IPSAS 9, Revenue from Exchange Transactions 11. IPSAS 8.61-8.64 – require the following disclosures in respect of associates: (a) contingent liabilities, (b)

<table>
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<tr><td></td><td>contingent assets, (c) capital commitments, (d) listing and description of significant joint ventures, (e) method used to account for joint ventures (proportionate consolidation or the equity method)</td></tr>
<tr><td colspan="2">IPSAS 9 – Revenue from Exchange Transactions</td></tr>
<tr><td>1. IPSAS 9.19 – when the outcome of a transaction involving the rendering of services can be estimated reliably, then revenue associated with the transaction is recognized by reference to the stage of completion of the transaction at the reporting date
2. IPSAS 9.19 – the conditions to be satisfied in order to estimate reliably the outcome of the transaction involving the rendering of services are:
a. the amount of revenue can be measured reliably;
b. it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
c. the stage of completion of the transaction at the reporting date can be measured reliably; and
d. the costs incurred for the transaction and the costs to complete the transaction can be measured reliably
3. IPSAS 9.25 – when the outcome of the transaction involving the rendering of services cannot be estimated reliably, the revenue is recognized only to the extent of the expenses recognized that are recoverable
4. IPSAS 9.33 – revenue arising from the use by others of entity assets</td><td>1. IPSAS 9.14 and 9.11 – there is no requirement to measure revenue at the fair value of the consideration received or receivable
2. IPSAS 9.28 – Polish PS GAAP regulates only to some extent the issue of recognition of revenue from the sale of goods and only (c) and (d) from the list below are satisfied:
a. the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
b. the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
c. the amount of revenue can be measured reliably;
d. it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
e. the costs incurred or to be incurred in respect of the transaction can be measured reliably</td></tr>
</table>

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
yielding interest, royalties and dividends or similar distributions is recognized when (a) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and (b) the amount of the revenue can be measured reliably 5. IPSAS 9.34 – revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognized using the following accounting treatments: a. interest is recognized on a time proportion basis that takes into account the effective yield on the asset; b. royalties are recognized as they are earned in accordance with the substance of the relevant agreement; and c. dividends or their equivalents are recognized when the shareholder's or the entity's right to receive payment is established 6. IPSAS 9.39 – generally, the entities disclose: a. the accounting policies adopted for the recognition of revenue including the methods adopted to determine the stage of completion of transactions involving the rendering of services; b. the amount for each significant category of revenue recognized during the period including revenue arising from: (i) the rendering of services; (ii) the sale of goods; (iii) interest; (iv) royalties; and (v) dividends or their equivalents; and	

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
c. the amount of revenue arising from exchanges of goods or services included in each significant category of revenue	
IPSAS 10 – Financial Reporting in Hyperinflationary Economies	
	1. In Polish PS GAAP there are no regulations concerning financial reporting under hyperinflation conditions, and full compliance with IPSAS is possible without including IPSAS 10 in their national standards in the case of economies which are not hyperinflationary.
IPSAS 11 – Construction Contracts	
1. IPSAS 11.30 – generally when the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction are recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date 2. IPSAS 11.31 – in the case of a fixed price contract, the outcome of a construction contract can be estimated reliably when all of the following conditions are satisfied: a. total contract revenue, if any, can be measured reliably; b. it is probable that the economic benefits or service potential associated with the contract will flow to the entity; c. both the contract costs to complete the contract and the stage of contract completion at the reporting date can be measured reliably; and d. the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs	1. IPSAS 11.4 and 11.5 – there is no definition of a construction contract (however guidance compliant with IPSAS 11.4-5 is provided in KSR 3) 2. IPSAS 11.13-14 there are no regulations regarding combining and unbundling of construction contracts (however guidance compliant with IPSAS 11.13-14 is provided in KSR 3) 3. IPSAS 11.15 – there are no regulations regarding a situation when a contract provides for the construction of an additional asset at the option of the customer or may be amended to include the construction of an additional asset (however guidance compliant with IPSAS 11.15 is provided in KSR 3) 4. IPSAS 11.16 – there are no regulations on what contract revenue comprises of (however guidance compliant with IPSAS 11.16 is provided in KSR 3)

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
incurred can be compared with prior estimates 3. IPSAS 11.32 – in the case of a cost plus or cost based contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied: a. it is probable that the economic benefits or service potential associated with the contract will flow to the entity; and b. the contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably 4. IPSAS 11.40 – when the outcome of a construction contract cannot be estimated reliably: a. the revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable; and b. contracts costs are recognized as an expense in the period in which they are incurred) 5. IPSAS 11.44 and 11.30 – when it is probable that total contracts costs will exceed total contract revenue the expected deficit recognized as an expense immediately	5. IPSAS 11.23 – there are no regulations on what contract costs comprises of (however guidance compliant with IPSAS 11.23 is provided in KSR 3) 6. IPSAS 11.30 – in case of local government budget facilities and educational budget units some contract revenues (subsidies) are recognized immediately (another words – not recognized by reference to the stage of completion of the contract activity at the reporting date) 7. IPSAS 11.50 – there are no requirements to disclose: a. the amount of contract revenue recognized as revenue in the period; b. the methods used to determine the contract revenue recognized in the period; and c. the methods used to determine the stage of completion of contracts in progress (however guidance compliant with IPSAS 11.50 is provided in KSR 3) 8. IPSAS 11.51 – there are no requirements to disclose each of the following for contracts in progress at the reporting date: a. the aggregate amount of costs incurred and recognized surpluses (less recognized deficits) to date; b. the amount of advances received; and c. the amount of retentions (however guidance compliant with IPSAS 11.51 is provided in KSR 3)

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	9. IPSAS 11.53 – there are no requirements to present: a. the gross amount due from customers for contract work as an asset; and b. the gross amount due to customers for contract work as a liability (however guidance compliant with IPSAS 11.53 is provided in KSR 3)
IPSAS 12 – Inventories	
1. IPSAS 12.9 – inventories are assets: a. in the form of materials or supplies to be consumed in the production process; b. in the form of materials or supplies to be consumed or distributed in rendering services; c. held for sale or distribution in the ordinary course of operations; or d. in the process of production for sale and distribution 2. IPSAS 12.16 – inventories acquired through non-exchange transactions are measured at fair value 3. IPSAS 12.15 –inventories are measured at the lower of cost and net realizable value (in those cases where the IPSAS 12.16 to 12. 17 do not apply) 4. IPSAS 12.18 – the cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition	1. IPSAS 12.17 – there are no regulations regarding measurement of inventories held for distribution at no charge or for a nominal charge; or consumption in the production process of goods to be distributed at no charge or for a nominal charge 2. IPSAS 12.32 – there is no requirement that the cost of inventories of items that are not ordinarily interchangeable, and goods or services produced or segregated for specific projects, is assigned by using specific identification of their individual costs 3. IPSAS 12.35 – Polish PS GAAP allows not only weighted average cost and FIFO formula but also LIFO and specific identification method 4. IPSAS 12.44 – there are no regulations regarding the reversal of any write down, in particular there is no requirement to present them as a reduction of expenses

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
5. IPSAS 12.44 – the carrying amount of inventories is recognized as an expense in the period when those inventories are sold, exchanged or distributed 6. IPSAS 12.44 – write downs or losses are recognized in the period in which the write downs or losses occur 7. IPSAS 12.47 (entities subject only to AA) –following disclosures are required: a. the accounting policies adopted in measuring inventories, including the cost formula used; b. the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity; c. the amount of inventories recognized as an expense during the period; d. the carrying amount of inventories pledged as security for liabilities e. the carrying amount of inventories carried at fair value less costs to sell; f. the amount of any write-down of inventories recognized as an expense in the period; g. the amount of any reversal of any write-down that is recognized in the statement of financial performance in the period; h. the circumstances or events that led to the reversal of a write down of inventories (however Polish PS GAAP does not require disclosures from (e)-(h) above)	in the period in which the reversal occurs 5. IPSAS 12.47 – entities subject additionally to RMF are not required to provide any disclosures related to inventories

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
IPSAS 13 – Leases	
1. IPSAS 13.48 – lessors recognize lease payments receivable under a finance lease as assets in their statements of financial position though there is no requirement that this receivable should be measured at an amount equal to the net investment in the lease	1. IPSAS 13.8 and 13.13 – there are no formal definitions of a lease, finance lease or operating lease under Polish PS GAAP (however relevant guidance, including definitions, is provided in KSR 5, but still those definitions differ from IPSAS 13) 2. IPSAS 13.28 – there is very limited guidance on the accounting treatment of the finance lease, namely – on what premises assets should be recognized by the lessee (user); and there is nothing about the liability side or measurement methods (however relevant guidance compliant with IPSAS 13.28 is provided in KSR 5) 3. IPSAS 13.34 – there are no regulations regarding how lease payments should be apportioned between the finance charge and the reduction of the outstanding liability, there is also no requirement that the finance charge should be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability (however relevant guidance compliant with IPSAS 13.34 is provided in KSR 5) 4. IPSAS 13.36 – there are no regulations on how the leased asset under finance lease should be depreciated by the lessee, in particular there is no requirement that the depreciation policy for depreciable leased assets should be consistent with that for depreciable assets which are

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	owned, and the depreciation is recognized on the basis set out for property, plant and equipment or intangibles assets (however relevant guidance compliant with IPSAS 13.36 is provided in KSR 5) 5. IPSAS 13.40 – lessees under finance lease are not required to make any of the following disclosures in respect of finance leases: a. for each class of asset, the net carrying amount at the reporting date; b. a reconciliation between the total of future minimum lease payments at the reporting date, and their present value; c. the total of future minimum lease payments at the reporting date, and their present value, for each of the following periods: (and) (i) < 1 year; (ii) >1 year and < 5 years; and (iii) > 5 years; d. contingent rents recognized as an expense in the period; e. The total of future minimum sublease payments expected to be received under non-cancellable subleases at the reporting date; and f. a general description of the lessee's material leasing arrangements (however relevant guidance partially

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	compliant with IPSAS 13.40 is provided in KSR 5) 6. IPSAS 13.42 – there are no regulations on the accounting treatment of the operating lease by the lessee, in particular there is no requirement to recognize lease payments as an expense on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the user's benefit (however relevant guidance compliant with IPSAS 13.42 is provided in KSR 5) 7. IPSAS 13.44 – lessees under operating lease are not required to make any of the following disclosures: a. the total of future minimum lease payments under non-cancellable operating leases for each of the following periods: (and) (i) < 1 year; (ii) >1 year and < 5 years; and (iii) > 5 years; b. the total of future minimum sublease payments expected to be received under non-cancellable subleases at the reporting date; c. lease and sublease payments recognized as an expense in the period, with separate amounts for minimum lease payments, contingent rents, and sublease payments; and d. a general description of the lessee's significant leasing arrangements (however relevant guidance partially

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	compliant with IPSAS 13.44 is provided in KSR 5) 8. IPSAS 13.51 – there are no regulations on the accounting treatment of the finance lease by the lessor, in particular there is no requirement to recognize finance revenue based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease (however relevant guidance compliant with IPSAS 13.51 is provided in KSR 5) 9. IPSAS 13.60 – lessors under finance lease are not required to make any of the following disclosures: a. a reconciliation between the total gross investment in the lease at the reporting date, and the present value of minimum lease payments receivable at the reporting date; in addition, an entity shall disclose the gross investment in the lease and the present value of minimum lease payments receivable at the reporting date, for each of the following periods: (i) < 1 year; (ii) >1 year and < 5 years; and (iii) > 5 years; b. unearned finance revenue; c. the unguaranteed residual values accruing to the benefit of the lessor; d. the accumulated allowance for uncollectible minimum lease payments receivable;

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	e. contingent rents recognized in the statement of financial performance; and f. a general description of the lessor's material leasing arrangements (however relevant guidance partially compliant with IPSAS 13.60 is provided in KSR 5) 10. IPSAS 13.62 – there are no regulations on the accounting treatment of the operating lease by the lessor, in particular there is no requirement to present assets subject to operating leases in the lessor's statements of financial position according to the nature of the assets (however relevant guidance compliant with IPSAS 13.62 is provided in KSR 5) 11. IPSAS 13.63 – there are no regulations on the accounting treatment of the operating lease by the lessor, in particular there is no requirement to recognize lease revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefits derived from the leased asset is diminished (however relevant guidance compliant with IPSAS 13.63 is provided in KSR 5) 12. IPSAS 13.66 - there are no regulations on how the leased asset under operating lease should be depreciated by the lessor, in particular there is no requirement that the depreciation policy for depreciable leased assets is consistent with the lessor's normal depreciation policy for

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	similar assets, and the depreciation charge is calculated in the same way as for property plant and equipment or intangible assets (however relevant guidance compliant with IPSAS 13.66 is provided in KSR 5) 13. IPSAS 13.69 – lessors under operating lease are not required to make any of the following disclosures: a. the future minimum lease payments under non-cancelable operating leases in the aggregate and for each of the following periods: (i) < 1 year; (ii) >1 year and < 5 years; and (iii) > 5 years; b. total contingent rents recognized in the statement of financial performance in the period; and c. a general description of the lessor's leasing arrangements (however relevant guidance partially compliant to with IPSAS 13.69 is provided in KSR 5) 14. IPSAS 13.71 – there are no regulations on the accounting treatment of the sale and leaseback transaction, in particular there is no requirement that if a sale and leaseback transaction results in a finance lease, then any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term (however relevant guidance compliant with IPSAS 13.71 is provided in KSR 5)

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	15. IPSAS 13.73 there are no regulations on the accounting treatment of the sale and leaseback transaction, in particular there is no requirement that if a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any gain or loss is recognized immediately (however relevant guidance compliant with IPSAS 13.73 is provided in KSR 5)
IPSAS 14 – Events after the Reporting Date	
1. IPSAS 14.5, 14.10, 14.12 (entities subject only to AA) – there is a requirement: a. to adjust the amounts recognized in its financial statements to reflect adjusting events, being events that occur between the reporting date and the date when the date when the financial statements are authorized for issue which provide evidence of conditions that existed at the reporting date; and b. to not adjust the amounts recognized in its financial statements to reflect non-adjusting events, being events that occur between the reporting date and the date when the date when the financial statements are authorized for issue which are indicative of conditions that arose after the reporting date 2. IPSAS 14.18 (entities subject only to AA) – entities shall not prepare its financial statements on a going concern basis if those responsible for the preparation of an entity's financial statements or the governing body determine after the reporting date either (a) that	1. IPSAS 14.5, 14.10, 14.12 – for entities subject additionally to RMF there are no regulations regarding the accounting treatment (including disclosures) of adjusting and non-adjusting events occurring after the reporting date 2. IPSAS 14.14 – IPSAS regulations regarding recognition of the dividend liability are not applicable to Polish PFSE as they formally cannot pay out dividends (legal forms that Polish PFSE operate in do not envisage distributions in form of dividends) 3. IPSAS 14.18 – unless provisions concerning liquidation of the entity specify otherwise an entity subject additionally to RMF prepares its financial statements on a going concern basis even if those responsible for the preparation of an entity's financial statements or the governing body determine after the reporting date either (a) that there is an intention to liquidate the entity or to cease operating,

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
there is an intention to liquidate the entity or to cease operating, or (b) that there is no realistic alternative but to do so 3. IPSAS 14.26 – an entity discloses the date the financial statements were authorized for issue and who gave that authorization 4. IPSAS 14.28 (entities subject only to AA) – when an entity receives information after the reporting date, but before the financial statements are authorized for issue, about conditions that existed at the reporting date, it should update disclosures that relate to these conditions in the light of the new information 5. IPSAS 14.30 (entities subject only to AA) – an entity is required to disclose information about significant events that took place after the balance sheet date and which are not accounted for in the financial statements (however unlike IPSAS 14, AA does not specify that the following information for each material category of non-adjusting event after the reporting date should be disclosed: (a) the nature of the event; and (b) an estimate of its financial effect, or a statement that such an estimate cannot be made)	or (b) that there is no realistic alternative but to do so 4. IPSAS 14.26 – there is no requirement to disclose the fact that another body has the power to amend the financial statements after their issuance 5. IPSAS 14.28 – in case that an entity subject additionally to RMF receives information after the reporting date, but before the financial statements are authorized for issue, about conditions that existed at the reporting date, it is not required to update disclosures that relate to these conditions in the light of the new information 6. IPSAS 14.30 – an entity subject additionally to RMF is not required to disclose any information about non-adjusting events after the reporting date
IPSAS 15 – Financial Instruments: Disclosure and Presentation	
IPSAS 15 has been withdrawn. See IPSAS 28-30.	
IPSAS 16 – Investment Property	
1. IPSAS 16.20 – investment property is recognized as an asset when, and only when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and the cost or fair value of the investment property can be measured reliably	1. IPSAS 16.8 – there are no regulations regarding conditions that must be met to classify a property interest held by a lessee under an operating lease as an investment property 2. IPSAS 16.62 – there are no regulations for the case when an entity first acquires an investment property or when an

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
2. IPSAS 16.26 – initially investment property is measured at its cost (including transaction costs) 3. IPSAS 16.27 – an investment property acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition (deemed cost) 4. IPSAS 16.39 and 16.43 – after initial recognition, an entity is required to choose as its accounting policy for measurement after recognition either the fair value model or cost model 5. IPSAS 16.42 – if an entity chooses the fair value model after initial recognition, it is obliged to measure all of its investment property at fair value 6. IPSAS 16.44 – a gain or loss that arises from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises 7. IPSAS 16.47 – the fair value of investment property reflects the market conditions at the reporting date 8. IPSAS 16.65 – after initial recognition, an entity that chooses the cost model measures all of its investment property at cost less any accumulated depreciation and any accumulated impairment loss 9. IPSAS 16.77 – investment property is derecognized when investment property is disposed or permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal 10. IPSAS 16.80 – gains or losses arising from the retirement or disposal of investment property are determined as the difference between	existing property first becomes investment property after a change in use, and there is clear evidence that the fair value of the investment property is not reliably determinable on a continuing basis) 3. IPSAS 16.64 – there is no requirement to continue to measure the property at fair value (provided that this model was initially chosen) until disposal even if comparable market transactions become less frequent or market prices become less readily available 4. IPSAS 16.66 and IPSAS 16.71-72 and IPSAS 16.74 – there are no regulations regarding transfers to or from investment property 5. IPSAS 16.76 – there is no requirement to recognize in surplus or deficit any difference between the fair value of the property at the date when an entity completes the construction or development of a self-constructed investment property that will be carried at fair value, and its previous carrying amount 6. IPSAS 16.86-87 and IPSAS 16.90 – except for the disclosure of the measurement model chosen by the entity subject only to AA (i.e. cost model or fair value model) there are no other disclosure requirements regarding investment properties

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
the net disposal proceeds and the carrying amount of the asset, and are recognized in surplus or deficit in the period of the retirement or disposal	
IPSAS 17 – Property, Plant and Equipment	
1. IPSAS 17.14 – the cost of an item of property, plant and equipment is recognized as an asset if, and only if: it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and the cost or fair value of the item can be measured reliably 2. IPSAS 17.23 – day-to-day servicing of an asset is excluded from recognition in the balance sheet and is recognized in the surplus or deficit as incurred 3. IPSAS 17.26 (entities subject only to AA) – on initial recognition an item of property, plant and equipment is measured at its cost 4. IPSAS 17.27 (entities subject only to AA) – the cost of an asset acquired through a non-exchange transaction is determined at its fair value as at the date of acquisition 5. IPSAS 17.42 – after initial recognition, cost model is applied to all property, plant and equipment 6. IPSAS 17.43 – the cost model requires that after recognition as an asset, an item of property, plant and equipment is carried at its cost, less any accumulated depreciation and any accumulated impairment losses 7. IPSAS 17.64 and 17.66 – generally the depreciable amount of an asset is allocated on a systematic basis over its useful life and the	1. IPSAS 17.26 – on initial recognition, entities subject additionally to RMF measure an item of property, plant and equipment at its cost unless they decide to follow simplifications allowed by RMF 2. IPSAS 17.27 – entities subject additionally to RMF determine the cost of an asset acquired through a non-exchange transaction at its fair value as at the date of acquisition unless for property, plant and equipment owned by the Treasury of State or territorial local government units and received free of charge they determine the cost at value specified in the decision of the relevant body 3. IPSAS 17.42 and IPSAS 17.44-56 – after initial recognition, it is not possible to use revaluation model so those provisions are not applicable (however some form of valuation update is possible but only if other provisions allow to do it) 4. IPSAS 17.43 – establishments abroad are specifically exempt from depreciation 5. IPSAS 17.59 – it is not allowed that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
depreciation charge for each period is recognized in surplus or deficit, unless it is included in the carrying amount of another asset 8. IPSAS 17.67 – the residual value and the useful life of an asset is reviewed periodically and, if expectations differ from previous estimates, the change is accounted for as a change in an accounting estimate 9. IPSAS 17.82 – the carrying amount of an item of property, plant and equipment is derecognized: on disposal or when no future economic benefits or service potential is expected from its use or disposal 10. IPSAS 17.83 and 17.86 – the gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognized; such a gain or loss is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item 11. IPSAS 17.88 (entities subject only to AA) – it is required to disclose: a. the measurement bases used for determining the gross carrying amount; b. the depreciation methods used; c. the useful lives or the depreciation rates used; d. the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and e. a reconciliation of the carrying amount at the beginning and end of the period showing separately reasons for changes 12. IPSAS 17.89 (entities subject only to AA) – it is required to disclose:	separately (component approach) 6. IPSAS 17.64 and 17.66 – entities that are additionally subject to RMF are allowed to go for simplifications and use rates that no necessarily reflect useful lives of the depreciated assets, moreover establishments abroad are exempt from depreciation of property, plant and equipment 7. IPSAS 17.76 and 17.77 – there are no explicit regulations on the depreciation methods to be applied or its regular review and subsequent change 8. IPSAS 17.88-89 – entities subject additionally to RMF are not required to disclose any specific information on property plant and equipment except for the total amount of impairment allowance at the reporting date 9. IPSAS 17.92 – there are no disclosure requirements regarding revalued assets as revaluation model is not allowed under Polish PS GAAP (so requirements of IPSAS 17.92 are not applicable)

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
a. the existence and amounts of restrictions on title, and property, plant, and equipment pledged as securities for liabilities; b. the amount of expenditures recognized in the carrying amount of an item of property, plant, and equipment in the course of its construction; c. the amount of contractual commitments for the acquisition of property, plant, and equipment; and d. if it is not disclosed separately on the face of the statement of financial performance, the amount of compensation from third parties for items of property, plant, and equipment that were impaired, lost or given up that is included in surplus or deficit	
IPSAS 18 – Segment Reporting	
	Polish PS GAAP does not require to disclose information on segments in the financial statements. To comply with the main requirements of IPSAS 18, Polish PS GAAP would need to incorporate the following: 1. require an entity to identify its separate segments and present information about those segments (IPSAS 18.12) 2. define a segment as a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of (a) evaluating the entity's past performance in achieving its objectives, and (b) making decisions about the future allocation of resources (IPSAS 18.9) 3. require service segments to report to the governing body

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	and senior management, where a service segment refers to a distinguishable component of an entity that is engaged in providing related outputs or achieving particular operating objectives consistent with the overall mission of each entity (IPSAS 18.17a) 4. require geographical segments to report to the governing body and senior management, where a geographical segment is a distinguishable component of an entity that is engaged in providing outputs or achieving particular operating objectives within a particular geographical area (IPSAS 18.17b) 5. require segment revenue to be reported in the entity's statement of financial performance that is directly attributable to a segment, and the relevant portion of entity revenue that can be allocated on a reasonable basis to a segment, whether from budget appropriations or similar, grants, transfers, fines, fees, or sales to external customers or from transactions with other segments of the same entity (IPSAS 18.27) 6. require that segment revenue excludes interest or dividend revenue, including interest earned on advances or loans to other segments, unless the segment's operations are primarily of a financial nature (IPSAS 18.27) 7. require segment revenues to exclude gains on sales of investments or gains on extinguishment of debt, unless

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	the segment's operations are primarily of a financial nature (IPSAS 18.27) 8. require segment revenues to include an entity's share of net surplus (deficit) of associates, joint ventures, or other investments accounted for under the equity method, only if those items are included in consolidated or total entity revenue (IPSAS 27) 9. require segment revenues to include a joint venturer's share of the revenue of a jointly controlled entity that is accounted for by proportionate consolidation in accordance with the national accounting standard equivalent to ISPSAS 8 "Financial Reporting of Interests in Joint Ventures." (IPSAS 18.27) 10. require segment expense reported in the entity's statement of financial performance that is directly attributable to the segment, and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses relating to the provision of goods and services to external parties and expenses relating to transactions with other segments of the same entity (IPSAS 18.27) 11. require that segment expenses exclude interest, including interest incurred on advances or loans from other segments, unless the segment's operations are primarily of a financial nature (IPSAS 18.27) 12. require that segment expenses exclude losses on sales of

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	investments or losses on extinguishment of debt, unless the segment's operations are primarily of a financial nature (IPSAS 18.27) 13. require that segment expenses exclude an entity's share of net deficit or losses of associates, joint ventures, or other investments accounted for under the equity method (IPSAS 18.27) 14. require that segment expenses exclude income tax or income-tax equivalent expense that is recognized in accordance with accounting standards dealing with obligations to pay income tax or income tax equivalents (IPSAS 18.27) 15. require that segment expenses exclude general administrative expenses, head office expenses, and other expenses that arise at the entity level and relate to the entity as whole (IPSAS 18.27) 16. require that segment expense include a joint venturer's share of the expenses of a jointly controlled entity that is accounted for by proportionate consolidation in accordance with the national accounting standard equivalent to IPSAS 8 (IPSAS 18.27) 17. require that segment reporting show segment assets, being those operating assets that are employed by a segment in its operating activities, and that either are directly attributable to the segment or can be allocated to the

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	segment on a reasonable basis, and such segment assets not include income tax or income tax-equivalent assets that are recognized in accordance with accounting standards dealing with obligations to pay income tax or income tax equivalents, and such segment assets include investments accounted for under the equity method only if the net surplus (deficit) from such investments is included in segment revenue (IPSAS 18.27) 18. require that segment reporting show segment liabilities, being those operating liabilities that result from the operating activities of a segment, and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis, and such segment liabilities not include income tax or income tax equivalent liabilities that are recognized in accordance with accounting standards dealing with obligations to pay income tax or income tax equivalents, and such segment liabilities joint venturer's share of the liabilities of a jointly controlled entity that is accounted for by proportionate consolidation in accordance with the national accounting standard equivalent to IPSAS 8 (IPSAS 18.27) 19. require that segment information conform to the accounting policies adopted for preparing and presenting the financial statements of the consolidated group or entity (IPSAS 18.43)

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	20. require that assets that are jointly used by two or more segments, been allocated to segments if, and only if, their related revenues and expenses are also allocated to those segments (IPSAS 18.47) 21. require that if a segment is identified as a segment for the first time in the current period, its prior period segment data is presented for comparative purposes restated to reflect the newly reported segment as a separate segment, unless it is impracticable to do so (IPSAS 18.49) 22. require that an entity discloses segment revenue and segment expense for each segment (IPSAS 18.52) 23. require that segment revenue from budget appropriation or similar allocation, segment revenue from other external sources, and segment revenue from transactions with other segments is separately reported (IPSAS 18.52) 24. require that an entity discloses the total carrying amount of segment assets for each segment (IPSAS 18.53) 25. require that an entity discloses the total carrying amount of segment liabilities for each segment (IPSAS 18.54) 26. require that an entity discloses the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period for each segment (IPSAS 18.55) 27. require that an entity discloses for each segment the aggregate of the entity's shares of net surplus (deficit) of

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	associates, joint ventures, or other investments accounted for under the equity method, if substantially all of those associates are within that single segment, as well as the aggregate investments in those associates and joint ventures by segment (IPSAS 18.61 and 18.63) 28. require that an entity presents a reconciliation between the information disclosed for segments (revenue, expense, assets and liabilities) and the aggregated information in the consolidated or entity financial statements (IPSAS 18.64) 29. in measuring and reporting segment revenue from transactions with other segments, that inter-segment transfers are measured on the basis that they occur and that the basis of pricing inter-segment transfers and any changes therein are disclosed (IPSAS 18.67) 30. require that changes in accounting policies for segment reporting that have a material effect on segment information are disclosed, and that prior period segment information presented for comparative purposes is restated, unless it is impracticable to do so (IPSAS 18.68) 31. require that types of products and services are included in each reported service segment (IPSAS 18.73a) 32. require that the composition of each reported geographical segment is disclosed (IPSAS 18.73b) 33. require that if neither a service nor geographical basis of segmentation is adopted, that the nature of the segments

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	and activities encompassed by each segment is disclosed (IPSAS 18.73c)
IPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets	
1. IPSAS 19.22 – a provision is recognized when: a. an entity has a present obligation (legal or constructive) as a result of a past event; b. it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and c. a reliable estimate can be made of the amount of the obligation 2. IPSAS 19.23 – in cases where it is not clear whether there is a present obligation, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the reporting date 3. IPSAS 19.35 – a contingent liability is not recognized 4. IPSAS 19.44 – the amount recognized as a provision should be equal to the best estimate of the expenditure required to settle the present obligation at the reporting date 5. IPSAS 19.69 – provisions are reviewed at each reporting date and adjusted to reflect the current best estimate; when it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is reversed 6. IPSAS 19.71 – a provision is used only for expenditures for which the	1. IPSAS 19.39 and IPSAS 19.105 – there are no regulations or any other guidance on the accounting treatment of contingent assets, in particular it is not explicitly prohibited to recognize a contingent asset and there are no disclosure requirements 2. IPSAS 19.50 – there is no requirement either in AA or RMF to take into account the risks and uncertainties that inevitably surround many events and circumstances when estimating provisions, (however guidance compliant with IPSAS 19.50 is provided in KSR 6) 3. IPSAS 19.53 – there is no requirement either in AA or RMF to take into account the effect of the time value of money if material when measuring provisions, also there is no requirement to measure a provision at present value of the expenditures expected to be required to settle the obligation (however guidance compliant with IPSAS 19.53 is provided in KSR 6) 4. IPSAS 19.56 - there is no requirement either in AA or RMF to use a discount rate (or rates) equal to a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability, also an

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
provision was originally recognized 7. IPSAS 19.73 - an entity is prohibited from recognizing provisions for net deficits from future operating activities 8. IPSAS 19.97 – entities subject only to AA disclose the following: a. the carrying amount at the beginning and end of the period; b. additional provisions made in the period, including increases to existing provisions; c. amounts used (that is, incurred and charged against the provision) during the period; d. unused amounts reversed during the period; and e. the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate 9. IPSAS 19.100 –entities subject only to AA are required to disclose contingent liabilities (however there are no detailed requirements of what should be disclosed)	entity is not prohibited from using a discount rate(s) that reflect risks for which future cash flow estimates have been adjusted (however guidance compliant with IPSAS 19.56 is provided in KSR 6) 5. IPSAS 19.58 – there is no requirement either in AA or RMF that future events (where there is sufficient objective evidence that they will occur) that may affect the amount required to settle an obligation are reflected in the amount of a provision (however guidance compliant with IPSAS 19.58 is provided in KSR 6) 6. IPSAS 19.61 – it is not explicitly prohibited either in AA or RMF to take into account any gains from the expected disposal of assets when measuring a provision (however guidance compliant with IPSAS 19.61 is provided in KSR 6) 7. IPSAS 19.63 – there are no regulations either in AA or RMF regarding a situation when some or all of the expenditure required to settle a provision is expected to be reimbursed by another party (however guidance compliant with IPSAS 19.63 is provided in KSR 6) 8. IPSAS 19.76 – there are no specific regulations either in AA or RMF regarding recognition and measurement of provisions for onerous contracts (however guidance compliant with IPSAS 19.76 is provided in KSR 6) 9. IPSAS 19.83 – there are different recognition criteria for restructuring provisions, in particular there is no

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	requirement to have a detailed plan and to raise valid expectations in those affected by the restructuring 10. IPSAS 19.93 – there are no specific regulations either in AA or RMF regarding measurement of the restructuring provision, in particular it is not regulated that it should include only the direct expenditures arising from the restructuring (however guidance compliant with IPSAS 19.93 is provided in KSR 6) 11. IPSAS 19.97 – entities subject additionally to RMF are not required to make any specific disclosures on provisions 12. IPSAS 19.98 – the entities are not required to disclose the following for each class of provision a. a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential; b. an indication of the uncertainties about the amount or timing of those outflows; and c. the amount of any expected reimbursement, stating the amount of any asset that has been recognized for that expected reimbursement (however guidance compliant with IPSAS 19.98 is provided in KSR 6) 13. IPSAS 19.99 – there are no regulations or any other guidance regarding recognition, measurement or disclosure of provisions for social benefits for which an entity does not

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	receive consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of those benefits 14. IPSAS 19.100 –entities subject additionally to RMF are not required to disclose contingent liabilities
IPSAS 20 – Related Party Disclosures	
1. IPSAS 20.27 (entities subject only to AA) – in respect of transactions between related parties, other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances, there is a requirement to disclose: a. the nature of the related party relationships; b. the types of transactions that have occurred; and c. the elements of the transactions necessary to clarify the significance of these transactions to its operations and sufficient to enable the financial statements to provide relevant and reliable information for decision making and accountability purposes 2. IPSAS 20.32 (entities subject only to AA) – it is allowed to disclose the above items if of a similar nature in aggregate, except when separate disclosure is necessary to provide relevant and reliable information for decision-making and accountability purposes	1. important notice – under Polish PS GAAP the definition of related parties is applicable to PFSE only in terms of personal connections (so it does not include any entities like a parent, a subsidiary, a venturer, a jointly controlled entity, a significant investor, an associate) 2. IPSAS 20.25 – there is no requirement to disclose related party relationships where control exists irrespective of whether there have been transactions between the related parties 3. IPSAS 20.27 and IPSAS 20.32 – entities subject additionally to RMF are not required to provide any disclosures on related party transactions 4. IPSAS 20.34 – Polish PS GAAP does not require to disclose the following points: a. the aggregate remuneration of key management personnel and the number of individuals, determined on a full time equivalent basis, receiving remuneration within this category, showing separately major classes of key management personnel and including

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	a description of each class; b. the total amount of all other remuneration and compensation provided to key management personnel, and close members of the family of key management personnel, by the reporting entity during the reporting period; c. details of loans which are not widely available to persons who are not key management personnel and loans whose availability is not widely known by members of the public, for each individual member of key management personnel and each close member of the family of key management personnel
IPSAS 21 – Impairment of Non-Cash Generating Assets	
	Polish PS GAAP does not regulate the accounting treatment for non-cash generating assets (they are not even defined) so IPSAS 21 is not comparable to any provisions other than those compared with IPSAS 26. To comply with the main requirements of IPSAS 21, Polish PS GAAP would need to incorporate the following: 1. define cash generating assets as assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets. (IPSAS 21.14) 2. define an impairment as a loss in the future economic benefits or service potential of an asset, over and above the

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation? (IPSAS 21.14) 3. define the recoverable service amount as the higher of a non-cash generating asset's fair value less costs to sell and its value in use (IPSAS 21.14) 4. prescribe the following two step procedure for identifying impaired assets: In a first step the entity should assess at each reporting date whether there is any indication that an asset may be impaired and if any such indication exists, the entity should estimate the recoverable service amount of the asset. In a second step, irrespective of whether there is any indication of impairment, an entity shall also test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. (IPSAS 21.26 and 21.26A) 5. require when assessing whether there is any indication that an asset may be impaired, that an entity consider, as a minimum, the following: external sources of information (a) Cessation, or near cessation, of the demand or need for services provided by the asset; (b) Significant long-term changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, legal, or government policy

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	environment in which the entity operates;) and internal sources of information ((c) Evidence is available of physical damage of an asset; (d) Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date and reassessing the useful life of an asset as finite rather than indefinite; (e) A decision to halt the construction of the asset before it is complete or in a usable condition; and (f) Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected) (IPSAS 21.27) 6. stipulate that the best evidence of an asset's fair value less cost to sell is a price in a binding sale agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset (IPSAS 21.40) 7. allow only the following approaches for measurement of the value in use: depreciated replacement cost approach whereby the present value of the remaining service potential of an asset is determined as the depreciated

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	replacement cost of the asset; restoration cost approach whereby the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment; or service units approach whereby the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment to conform with the reduced number of service units expected from the asset in its impaired state (IPSAS 21.44-21.49) 8. require if, and only if, the recoverable service amount of an asset is less than its carrying amount, that the carrying amount of the asset shall be reduced to its recoverable service amount and that reduction is an impairment loss (IPSAS 21.52) 9. require that impairment losses are recognized immediately in net surplus or deficit (IPSAS 21.54) 10. require when the amount estimated for an impairment loss is greater than the carrying amount of the asset to which it relates, that a liability is recognised if, and only if, this is required by another national accounting standard (IPSAS 21.55) 11. require, after the recognition of an impairment loss, that the depreciation (amortization) charge for the asset shall be

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life (IPSAS 21.57) 12. require reversal of impairment losses recognized in previous periods for an asset if, and only if, there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognized. Require also that the carrying amount of the asset be increased to its recoverable service amount. (IPSAS 21.65) 13. require that the increased carrying amount of an asset attributable to a reversal of an impairment loss should not exceed the carrying amount that would have been determined (net of depreciation or amortization) if no impairment loss had been recognized for the asset in prior periods (IPSAS 21.68) 14. require that a reversal of an impairment loss for an asset shall be recognized immediately in surplus or deficit. (IPSAS 21.69) 15. require after a reversal of an impairment loss is recognized, that the depreciation (amortization) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. (IPSAS 21.70)

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	16. require the following disclosure requirements: i. the criteria developed by the entity to distinguish non-cash-generating assets from cash-generating assets. ii. the following for each class of assets: (a) the amount of impairment losses recognized in surplus or deficit during the period, and the line item(s) of the statement of financial performance in which those impairment losses are included; and (b) the amount of reversals of impairment losses recognized in surplus or deficit during the period, and the line item(s) of the statement of financial performance in which those impairment losses are reversed. iii. the following for each material impairment loss recognized or reversed during the period: (a) The events and circumstances that led to the recognition or reversal of the impairment loss; (b) The amount of the impairment loss recognized or reversed; (c) The nature of the asset; (d) The segment to which the asset belongs, if the entity reports segment information in accordance with IPSAS 18; (e) Whether the recoverable service amount of the asset is its fair value less costs to sell or its value in use; (f) If the recoverable service amount is fair value less costs to sell, the basis used to determine

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	fair value less costs to sell (such as whether fair value was determined by reference to an active market); and (g) If the recoverable service amount is value in use, the approach used to determine value in use. iv. the following information for the aggregate of impairment losses and aggregate reversals of impairment losses recognized during the period for which no information is disclosed in accordance with the previous disclosure requirement: (a) The main classes of assets affected by impairment losses (and the main classes of assets affected by reversals of impairment losses); and (b) The main events and circumstances that led to the recognition of these impairment losses and reversals of impairment losses.
IPSAS 22 – Disclosure of Information About the General Government Sector	
	Currently, Polish Government does not prepare consolidated financial statements so the requirements of IPSAS 22 are not applicable. If the jurisdiction elects not to present GFS information on the GGS within the financial statements, there is no requirement to apply IPSAS 22 and therefore the standard can be omitted in the national standards.
IPSAS 23 – Revenue from Non-Exchange Transactions (Taxes and Transfers)	
1. IPSAS 23.7 – Polish PS GAAP identifies transactions which are non-	1. IPSAS 23.42 – there is no requirement to initially measure

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
exchange transactions (transactions in which an entity receives a value without directly giving approximately the same value in exchange) 2. IPSAS 23.31 – an inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of as asset recognized as an asset when, and only when: (a) it is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and (b) the fair value of the asset can be measured reliably 3. IPSAS 23.59 – in respect of taxes an asset is recognized when the taxable event occurs and the asset recognition criteria are met (the taxable event is the event which was determined by the legislation to be subject to taxation)	an asset acquired through a non-exchange transaction at its fair value as at the date of acquisition 2. IPSAS 23.44 – there is no requirement to recognize as revenue an inflow of resources from a non-exchange transaction recognized as an asset, except to the extent that a liability is also recognized in respect of the same inflow 3. IPSAS 23.45 – there is no requirement that when the entity satisfies a present obligation recognized as a liability (in respect of an inflow of resources from a non-exchange transaction recognized as an asset), the carrying amount of this liability is reduced and recognized as an amount of revenue equal to that reduction 4. IPSAS 23.48 – there is no requirement that revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity 5. IPSAS 23.50 – there is no requirement that a present obligation arising from a non-exchange transaction that meets the definition of a liability is recognized as a liability when, and only when: (a) it is probable that an outflow of resources embodying future economic benefits or service potential will be required to settle the obligation; and (b) a reliable estimate can be made of the amount of the obligation 6. IPSAS 23.57 – a liability arising from non-exchange transaction is not measured as the best estimate of the

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	amount required to settle the present obligation at the reporting date 7. IPSAS 23.98 – there are no provisions requiring or recommending recognition of services in kind as revenue or making any disclosures of them 8. IPSAS 23.71 and 23.73 – there is no defined category of "expenses paid through the tax system" or "tax expenditures", there is no general principle that taxation revenue should be determined at a gross amount and shall not be reduced for expenses paid through the tax system and neither should it be grossed up for the amount of tax expenditure – the approach depends on a type of the transaction and the entity 9. IPSAS 23.106 and IPSAS 23.107 – following disclosures are not required: a. the amount of revenue from non-exchange transactions recognized during the period by major classes showing separately: (i) taxes, showing separately major classes of taxes; and (ii) transfers, showing separately major classes of transfer revenue. b. the amount of receivables recognized in respect of non-exchange revenue; c. the amount of liabilities recognized in respect of transferred assets subject to conditions; d. the amount of liabilities recognized in respect of

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	concessionary loans that are subject to conditions on transferred assets; e. the amount of assets recognized that are subject to restrictions and the nature of those restrictions; f. the existence and amounts of any advance receipts in respect of non-exchange transactions; g. the amount of any liabilities forgiven; h. the accounting policies adopted for the recognition of revenue from non-exchange transactions; i. for major classes of revenue from non-exchange transactions, the basis on which the fair value of inflowing resources was measured; j. for major classes of taxation revenue that the entity cannot measure reliably during the period in which the taxable event occurs, information about the nature of the tax; and k. the nature and type of major classes of bequests, gifts, and donations, showing separately major classes of goods in-kind received
IPSAS 24 – Presentation of Budget Information in Financial Statements	
	Polish PS GAAP does not require to disclose a comparison between the budget amounts and actual amounts, either as a separate additional financial statement or as additional budget columns in the financial statements of PFSE.
IPSAS 25 – Employee Benefits	

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1. IPSAS 25.13 (entities subject only to AA) – short term employee benefits (such as wages, salaries, social security contributions, paid annual leave, paid sick leave, profit-sharing and bonuses, medical care, housing, cars and free or subsidized goods or services) are recognized in the accounting period the employee has rendered the service 2. IPSAS 25.13 (entities subject only to AA) – the undiscounted amount of the short-term employee benefit is recognized as an expense and as a liability (accrued expense) after deducting any amount already paid 3. IPSAS 25.150 (entities subject only to AA) – there is a requirement to recognize liabilities resulting from other long-term employee benefits (such as long-term compensated absences, jubilee or other long-service benefits, long-term disability benefits, bonuses and profit-sharing payable after 12 months, deferred compensation payable after 12 months, and compensation payable until an individual enters new employment)	1. IPSAS 25.27-146 – there are no guidelines on accounting treatment (inc. disclosure requirements) of post-employment benefits – either defined benefit or defined contribution plan 2. IPSAS 25.13 and IPSAS 25.147-153 – entities subject additionally to RMF are exempt from recognizing employee benefits that at the reporting date would be presented as accruals or provisions 3. IPSAS 25.150 – there is no requirement to measure other long-term employee benefits as a net total of: (a) the present value of the defined benefit obligation; minus (b) the fair value of the plan assets (if any) 4. IPSAS 25.151 – there is no requirement to recognize the net total of the following amounts as expense or revenue: (a) current service cost, (b) interest cost, (c) the expected return on plan assets and on any reimbursement rights, (d) actuarial gains and losses, (e) past service cost, and (f) the effect of any curtailments or settlements
IPSAS 26 – Impairment of Cash-Generating Assets	
1. IPSAS 26.20 – an impairment is defined as a loss in the future economic benefit or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation 2. IPSAS 26.38 – the best evidence of fair value less costs to sell is the price in a binding sale agreement in an arm's length transaction,	1. IPSAS 26.14 – there are no definitions of cash-generating (as being assets held with the primary objective of generating a commercial return) and non-cash generating assets (all other assets) 2. IPSAS 26.13 – there is no definition of recoverable amount (as being the higher of an asset's or cash-generating unit's

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adjusted for incremental costs that would be directly attributable to the disposal of the asset 3. IPSAS 26.72 – if, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount (being net selling price) and an impairment loss is recognized immediately in the surplus or deficit (unless it relates to the revalued assets as then it is debited first to the revaluation reserve – up to its amount and only then the excess is debited to other operating costs) 4. IPSAS 21.103 – it is allowed to reverse impairment losses recognized in prior periods for an asset if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized	fair value less costs to sell and its value in use), there are also no definitions of fair value less cost to sell, value in use or cash generating unit (however notions such as recoverable amount, commercial value (which could be deemed equivalent of fair value less cost to sell) and value in use are defined by KSR 4) 3. IPSAS 26.22 – except for non-current investments there is no requirement to assess at each reporting date whether there is any indication that an asset may be impaired (however relevant guidance compliant with IPSAS 26.22 is provided in KSR 4) 4. IPSAS 26.23 – an entity is not required to test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount 5. IPSAS 26.25 – an entity is not required to consider both external and internal sources of information when doing assessment of whether there is an indication of impairment (however relevant guidance compliant with IPSAS 26.25 is provided in KSR 4) 6. IPSAS 26.43 – there is no guidance on how to calculate value in use, in particular there is no requirement that this calculation should reflect: (a) an estimate of the future cash flows the entity expects to derive from the asset; (b) expectations about possible variations in the amount or

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	timing of those future cash flows; (c) the time value of money, represented by the current market risk-free rate of interest; (d) the price for bearing the uncertainty inherent in the asset; and (e) other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset (however relevant guidance which is compliant with IPSAS 26.43) 7. IPSAS 26.46 – there is no guidance how to estimate future cash flows for the purpose of value in use calculation, in particular there is no requirement that they should be estimated for a maximum period of five years using the most recent financial budgets/forecasts approved by management and based on management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset with greater weight given to external evidence (however relevant guidance which compliant with IPSAS 26.46) 8. IPSAS 26.68 – there is no guidance how to determine the discount rate flows for the purpose of value in use calculation, in particular there is no requirement that discount rates are pre-tax rates that reflect current market assessments of: (a) the time value of the money, represented by the current risk-free rate of interest; and (b) the risks specifics to the asset for which the future cash flow estimates have not been adjusted (however relevant

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	guidance which compliant with IPSAS 26.68 is provided in KSR 4) 9. IPSAS 26.77 – if the recoverable amount cannot be estimated for an individual asset, the recoverable amount is not determined based on the cash-generating unit to which the asset belongs as there is no definition of cash-generating unit nor any guidance on it (however relevant guidance which is compliant with IPSAS 26.77 is provided in KSR 4) 10. IPSAS 26.106 – there is no requirement that reversals of impairment losses are limited to the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior periods (however relevant guidance which is compliant with IPSAS 26.106) 11. IPSAS 26.114 to 26.124 – except for total amount of impairment loss for particular type of assets no other disclosures are required (however relevant guidance is provided in KSR 4)
IPSAS 27 – Agriculture	
	Polish PS GAAP does not contain detailed guidelines in scope of agriculture, and in particular valuation of biological assets and agricultural products. The only regulation related to this matter is the indication that livestock is classified as property, plant and equipment. To comply with the main requirements of IPSAS 27,

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	Polish PS GAAP would need to incorporate the following: 1. define agricultural activity as the management by an entity of the biological transformation and harvest of biological assets for: Sale; Distribution at no charge or for a nominal charge; or Conversion into agricultural produce or into additional biological assets for sale or for distribution at no charge or for a nominal charge (IPSAS 27.10) 2. require the recognition of a biological assets or agricultural produce when and only when: the entity controls the asset as a result of past events; it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and the fair value or cost of the asset can be measured reliably (IPSAS 27.13) 3. require biological assets to be measured on initial recognition and at each reporting date at its fair value less costs to sell (Except for the case described in IPSAS 27.34 where the fair value cannot be measured reliably. (IPSAS 27.16) 4. require, if a biological asset is acquired through a non-exchange transaction, that it is measured on initial recognition and at each reporting date in accordance with IPSAS 27.16 (IPSAS 27.17) 5. require, if a gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset,

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	that the gain or loss is included in surplus or deficit for the period in which it arises (IPSAS 27.30) 6. require, if an entity cannot measure the fair value of a biological asset because market-determined prices or values are not available, and for which alternative estimates of fair value are determined to be clearly unreliable, that the biological asset to be measured at its cost less any accumulated depreciation and any accumulated impairment losses (IPSAS 27.34) 7. require an entity to measure a biological asset at its fair value less costs to sell once the fair value of such a biological asset becomes reliably measurable (IPSAS 27.34) 8. require an entity to disclose the aggregate gain or loss which arises during the current period on initial recognition of biological assets and agricultural produce and from the change in fair value less costs to sell of biological assets (IPSAS 27.38) 9. require an entity to provide a description of biological assets that distinguishes between consumable and bearer biological assets and between biological assets held for sale and those held for distribution at no charge or for a nominal charge (IPSAS 27.39) 10. require an entity to disclose the methods and significant assumptions applied in determining the fair value of each group of agricultural produce at the point of harvest and

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	each group of biological assets (IPSAS 27.45) 11. require an entity to disclose the following (IPSAS 27.46 to 27.48): i. the fair value less costs to sell of agricultural produce harvested during the period, determined at the point of harvest. ii. the following a. The existence and carrying amounts of biological assets whose title is restricted, and the carrying amounts of biological assets pledged as security for liabilities; b. The nature and extent of restrictions on the entity's use or capacity to sell biological assets; c. The amount of commitments for the development or acquisition of biological assets; and d. Financial risk management strategies related to agricultural activity. iii. a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. The reconciliation shall include: a. The gain or loss arising from changes in fair value less costs to sell, disclosed separately for bearer

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	biological assets and consumable biological assets; b. Increases due to purchases; c. (c) Increases due to assets acquired through a non-exchange transaction; d. Decreases attributable to sales and biological assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with the relevant international or national standard dealing with non-current assets held for sale and discontinued operations; e. Decreases due to distributions at no charge or for a nominal charge; f. Decreases due to harvest; g. Increases resulting from entity combinations; h. Net exchange differences arising on the translation of financial statements into a different presentation currency, and on the translation of a foreign operation into the presentation currency of the reporting entity; and i. Other changes. 12. require substantial disclosure requirements in respect of biological assets where fair value cannot be measured

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	reliably (IPSAS 27.52b)
IPSAS 28 – Financial Instruments: Presentation	
1. IPSAS 28.9 – basic definitions of financial instruments: a. a financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity b. an equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities c. a financial asset as any asset that is: (i) cash (ii) an equity instrument of another entity; (iii) a contractual right to receive or exchange cash or other financial asset or liability under potentially favourable conditions d. a financial liability is any liability that is a contractual liability to deliver or exchange cash or other financial asset or liability under potentially unfavourable conditions or a contract that will or may be settled in the entity's own equity instruments subject to certain conditions; however under Polish PS GAAP there is no definition of a puttable instrument (that IPSAS 28.9 defines as a financial instrument that gives the holder the right to put the instrument back to the issuer	1. IPSAS 28.47 – the issue of offsetting financial assets and liabilities is not regulated for TLGU and their associations, budget units and budget facilities

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
for cash or another financial asset or is automatically put back to the issuer on the occurrence of an uncertain future event or the death or retirement of the instrument holder) 2. IPSAS 28.13 – the issuer of a financial instrument classifies the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument 3. IPSAS 28.33 – for non-derivative financial instruments, the issuer is required to evaluate the terms of the financial instrument to determine whether it contains both a liability component and a net assets/equity component and thereafter classify such components separately as financial liabilities, financial assets, or equity instruments 4. IPSAS 28.38 – treasury shares are deducted from net assets/equity with no gain or loss being recognized in surplus or deficit on the purchase, sale, issue, or cancellation of an entity's own equity instruments 5. IPSAS 28.40 – interest, dividends, losses, and gains relating to a financial instrument or a component that is a financial liability are recognized as revenue or expense in surplus or deficit (only gains or losses related to revaluation of long-term financial assets are to be recognized in revaluation reserve, if the entity chooses the mark to market method in accordance with AA art. 28 par. 3 (accounting	

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
recognition of revaluation is regulated by art. 35 par.4) – but this approach is compliant with measurement method for financial instruments available for sale, regulated by IPSAS 29) 6. IPSAS 28.47 (entities subject only to AA) – financial assets and financial liabilities are offset and presented net in the statement of financial position when, and only when, an entity: a. currently has a legally enforceable right to set off the recognized amounts; and b. intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously	
IPSAS 29 – Financial Instruments: Recognition and Measurement	
1. IPSAS 29.16 – a financial asset or a financial liability is recognized in an entity's statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument 2. IPSAS 29.49 – after initial recognition, the entity measures all financial liabilities at amortized cost using the effective interest method (adjusted acquisition price method), except for: a. financial liabilities at fair value through surplus or deficit b. financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies c. financial guarantee contracts d. commitments to provide a loan at a below-market interest rate 3. IPSAS 29.64 – a gain or loss arising from a change in the fair value of	1. IPSAS 29.10 – except for amortized cost of a financial asset or financial liability (adjusted acquisition price) there are no definitions of: a. derivative b. financial instruments (four types) (i) financial asset or financial liability at fair value through surplus or deficit (ii) held-to-maturity investments (iii) loans and receivables (iv) available-for-sale financial assets c. financial guarantee contract d. definitions relating to recognition and measurement (i) effective interest method (ii) derecognition

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
a financial asset or financial liability that is not part of a hedging relationship is recognized in surplus or deficit in case of liabilities and either in surplus or deficit or in the net assets/equity depending on the measurement method of the underlying asset 4. IPSAS 29.67; 29.72; 29.75-76 – there is a requirement to assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired (however under Polish PS GAAP there is no separate guidance how to determine the impairment loss for financial assets measured at amortised cost, measured at cost and those classified as available for sale)	(iii) regular way purchase or sale (iv) transaction costs e. definitions relating to hedge accounting (i) firm commitment (ii) forecast transaction (iii) hedging instrument (iv) hedged item (v) hedge effectiveness 2. IPSAS 29.40 – there is no regulation pertaining to recognition or derecognition of financial assets at trade date or settlement date in case of a regular way purchase or sale of financial assets 3. IPSAS 29.41 - there is no regulation pertaining to derecognition of financial instruments, in particular there is no requirement to remove a financial liability (or part of a financial liability) from an entity's statement of financial position when, and only when, it is extinguished 4. IPSAS 29.45 – there are different measurement principles on initial recognition of financial assets and financial liabilities, another words there is no requirement that they are measured at fair value adequately plus or less, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	5. IPSAS 29.48 – there are different measurement principles for financial assets after their initial recognition, in particular following categories do not exist under Polish PS GAAP: a. a financial asset or financial liability at fair value through surplus or deficit, b. loans and receivables measured at amortised cost using effective cost method c. held-to-maturity investments measured at amortised cost effective cost method d. available for sale investments measured at fair value unless these are unquoted equity instruments whose fair value cannot be reliably measured (and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments) which are measured at cost 6. IPSAS 29.50; AG101-AG115 – the guidelines regarding fair value measurement under Polish PS GAAP are incomparably sparser than those provided in Annex A to IPSAS 29 7. IPSAS 29.53 – there are no regulations on reclassification of financial assets between 4 categories (FVTPL, L&R, HTM, AFS) as those categories do not exist under Polish PS GAAP 8. IPSAS 29.80-113 – the guidelines regarding hedging under Polish PS GAAP are incomparably sparser than those in IPSAS 29.80-113 and provided in Annex A to IPSAS 29, in

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	particular there are no regulations on the measurement of the hedging or hedged item and the recognition of any gain or loss resulting from that measurement
IPSAS 30 – Financial Instruments: Disclosure	
	1. IPSAS 30.10 – there is no requirement to disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance 2. IPSAS 30.38; disclosures required by para 40-49 – there is no requirement to disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period
IPSAS 31 – Intangible Assets	
1. IPSAS 31.17-31.25 – an intangible asset is defined in terms of: whether it is separately identifiable or arises from binding arrangements; control over the asset; and the future economic benefits or service potential 2. IPSAS 31.28 – an intangible assets is recognized if, and only if: a. it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and b. the cost or fair value of the asset can be measured reliably 3. IPSAS 31.31 – an intangible asset is initially measured at cost 4. IPSAS 31.31 - an intangible asset acquired through a non-exchange	1. IPSAS 31.71 – an entity cannot choose either the cost model or the revaluation model as the revaluation model is not envisaged by Polish PS GAAP 2. IPSAS 31.88 – there are following exceptions which may result in amortization not necessarily based on the asset's useful life: a. for intangible assets with a low initial unit value, amortization charges may be defined in a simplified manner, by recognizing collective charges for groups of assets similar in type and purpose or by a single amortization charge

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
transaction is its initially measured at its fair value (as its deemed cost) 5. IPSAS 31.46 – the recognition of internally generated goodwill is prohibited 6. IPSAS 31.52 – the recognition of intangible assets arising from research is prohibited and expenditure on research should be recognized as an expense when it incurred 7. IPSAS 31.55 – intangible assets arising from development are recognized if, and only if, it can demonstrate all of the following: a. the technical feasibility of completing the intangible asset so that it will be available for use or sale; b. its intention to complete the intangible asset and use or sell it; c. its ability to use or sell the intangible asset; d. how the intangible asset will generate probable future economic benefits or service potential e. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and f. its ability to measure reliably the expenditure attributable to the intangible asset during its development 8. IPSAS 31.66 – expenditure on an intangible item is expensed when it is incurred unless it forms part of the cost of an intangible asset 9. IPSAS 31.71 – after initial recognition, an intangible asset shall be carried at its cost less any accumulated amortization and any accumulated impairment losses (cost model)	b. entities subject to RMF (other than budget units located abroad) may amortise its intangibles using rates that not necessarily reflect their useful life (as they may use tax rates or rates determined by the holder of the budget part, or management of a territorial local government unit) c. budget units located abroad (foreign establishments) do not amortise intangibles at all d. in case of capitalized completed development works, the amortization period cannot exceed 5 years e. amortization charges on goodwill can be made over a period not exceeding 5 years and in justified cases, the manager of the entity may extend that period to 20 years 3. IPSAS 31.88 and IPSAS 31.106-109 – an intangible asset with an indefinite useful life should be amortized anyway 4. IPSAS 31.117 – except for the total amount of the impairment allowance at the end of the period entities subject additionally to RMF are not required to disclose any additional information on intangibles in the notes to the financial statements 5. IPSAS 31.121 – there is no requirement to disclose: a. for an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
10. IPSAS 31.88 – generally an intangible asset is amortised based on its useful life 11. IPSAS 31.88 and IPSAS 31.96-105 – an intangible asset with a finite useful life is to be amortized 12. IPSAS 31.111 – an intangible asset is derecognized either on disposal or when no future economic benefits or service potential are expected from its use or disposal 13. IPSAS 31.112 – the gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and such gain or loss is included in surplus or deficit when the asset is derecognized 14. IPSAS 31.117 (entities subject only to AA) – there is a requirement to disclose: a. whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortization rates used; b. the amortization methods used for intangible assets with finite useful lives; c. the gross carrying amount and any accumulated amortization (aggregated with accumulated impairment losses) at the beginning and end of the period; d. the line item(s) of the statement of financial performance in which any amortization of intangible assets is included; e. a reconciliation of the carrying amount at the beginning and end of the period	useful life. In giving these reasons, the entity shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life. b. a description, the carrying amount, and remaining amortization period of any individual intangible asset that is material to the entity's financial statements. c. detailed information for intangible assets acquired through a non-exchange transaction and initially recognized at fair value d. the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities. e. the amount of contractual commitments for the acquisition of intangible assets 6. IPSAS 31.123 – there is no requirement to disclose any information on revalued assets as revaluation model is not envisaged by Polish PS GAAP

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
IPSAS 32 – Service Concession Arrangements: Grantor	
	Polish GAAP does not include specific regulations pertaining to accounting treatment of service concession agreements, from either the grantor or the operator side. To comply with the main requirements of IPSAS 32, Polish PS GAAP would need to incorporate the following: 1. require a grantor to recognize an asset provided by the operator and an upgrade to an existing asset of the grantor as a service concession asset if: (a) The grantor controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and (b) The grantor controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the asset at the end of the term of the arrangement. (IPSAS 32.09) 2. require a service concession asset to be accounted for in accordance with national accounting standards equivalent to IPSAS 17 (Property, Plant, and Equipment) or IPSAS 31 (Intangible Assets) as appropriate (IPSAS 32.12) 3. require a service concession asset to be measured initially at its fair value (IPSAS 32.11) 4. if a grantor recognizes a service concession asset, require the grantor also to recognize a liability and for that liability to be initially measured at the same amount as the service

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	concession asset (IPSAS 32.14 and 32.15) 5. where the grantor does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, require the grantor to recognize revenue and reduce the liability already recognized (as the unearned portion of the revenue arising from the exchange of assets between the grantor and the operator), according to the economic substance of the service concession arrangement (IPSAS 32.24 and 32.25) 6. require the finance charge and charges for services provided by the operator in a service concession arrangement (having allocated the payments to the operator and accounting for them according to their substance as a reduction in the liability, a finance charge, and charges for services provided by the operator), to be accounted for as expenses (IPSAS 32.22) 7. require the grantor to disclose the following information in respect of service concession arrangements in each reporting period (IPSAS 32.32): a. A description of the arrangement; b. Significant terms of the arrangement that may affect the amount, timing, and certainty of future cash flows

Areas of Polish PS GAAP that are consistent with IPSAS	Areas of Polish PS GAAP that are not consistent with IPSAS
	(e.g., the period of the concession, re-pricing dates, and the basis upon which re-pricing or re-negotiation is determined); c. The nature and extent (e.g., quantity, time period, or amount, as appropriate) of: i. Rights to use specified assets; ii. Rights to expect the operator to provide specified services in relation to the service concession arrangement; iii. Service concession assets recognized as assets during the reporting period, including existing assets of the grantor reclassified as service concession assets; iv. Rights to receive specified assets at the end of the service concession arrangement; v. Renewal and termination options; vi. Other rights and obligations (e.g., major overhaul of service concession assets); and vii. Obligations to provide the operator with access to service concession assets or other revenue-generating assets; and d. Changes in the arrangement occurring during the reporting period.

ANNEX 3: COMPARISON OF POLISH NATIONAL ACCOUNTING STANDARDS WITH RELEVANT IPSAS

1. This section provides a summary comparison of those six Polish National Accounting Standards (KSRs) for which there is a relevant IPSAS. For the sake of this report it focuses only on core accounting principles and does not investigate other explanatory guidance that exists in those standards and often represents a different level of detail. Generally, KSRs are applicable to all types of entities, both from private and public sector, and there is no guidance related to specific issues of public sector while IPSASs apply only to public sector entities (other than Government Business Enterprises) and often provide guidance from public sector perspective. Terminology used in KSRs is in line with the AA and represents style aimed more for profit-oriented entities whereas terminology used by IPSASs reflects the specifics of the public sector.

2. KSR 1 “Statement of cash flows” (developed from IAS 7 “Cash flow statements” as was IPSAS 2 “Cash flow statements”). KSR 1 is highly compliant with IPSAS 2 except for the following major differences:

    a. Presentation – IPSAS 2.44 requires that cash flows arising from taxes on net surplus are separately disclosed and classified as cash flows from operating activities, unless they can be specifically identified with financing and investing activities. There is no such requirement under KSR 1 which only recommends to disclose them in the notes to the financial statements (KSR 1.1.4c and KSR 1.7.11).

    b. Presentation – IPSAS 2.49 requires that the aggregate cash flows arising from acquisitions and from disposals of controlled entities or other operating units are presented separately and classified as investing activities. There is no such requirement under KSR 1. According to KSR 1, and following the mandatory format of a cash flow statement in the Annex no.1 to the AA, such cash flows are part of a more aggregated category – cash inflows/outflows from financial asset.

    c. Presentation – According to IPSAS 2.10 bank overdrafts that are repayable on demand and as such form an integral part of an entity’s cash management are included as a component of cash and cash equivalents. According to KSR 1 cash inflows and outflows resulting from overdraft should be presented net in the financing activities (KSR 1.1.4e, KSR 1.3.10c and KSR 1.6.2).

    d. Disclosures – unlike in the IPSAS 2.59, there is no requirement in the KSR 1 to disclose a management commentary in the notes to the financial statements on the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the economic entity.

3. KSR 3 “Unfinished construction services” (developed from IAS 11 “Construction contracts” as was IPSAS 11 “Construction contracts”). KSR 3 is generally compliant with IPSAS 11 except for following major differences:

   a. Scope – contrary to IPSAS 11, KSR 3 is limited exclusively to contracts for construction services understood as “*services consisting of building, rebuilding, improvement (retrofitting, expansion, reconstruction, modernization), demolition or renovation of structures permanently attached to the ground, made of construction materials and elements resulting from construction works. In particular, those services (works) include:*

      (i) preparing the construction site,

      (ii) construction of complete buildings and constructions, or parts thereof,

      (iii) land and water engineering works,

      (iv) implementation of construction installations,

      (v) execution of finishing construction works,

      (vi) land reclamation after demolition of buildings or other structures.”

      Thus, IPSAS 11 can be applied to the construction services of any asset, while KSR 3 focuses only on buildings. However, KSR 3 (II.2) suggests that it can be also used as a reference for other type of services which are similar in nature to construction services.

   b. Scope – according to IPSAS 11.4, the definition of the construction contract comprises also binding arrangements that do not take the form of a legal contract. KSR 3 does not regulate such arrangements.

   c. Scope – the scope of IPSAS 11 includes also non-commercial contracts (IPSAS 11.9). KSR 3 does not contain any specific regulations for this type of contracts.

   d. Accounting for expected deficits on non-commercial contracts – IPSAS 11.46 makes it clear that the requirement to recognize an expected deficit on a contract immediately it becomes probable that contract costs will exceed total contract revenues applies only to contracts in which it is intended at inception of the contract that that contract costs are to be fully recovered from the parties to that contract. KSR 3 does not regulate the accounting for non-commercial contracts.

   e. Disclosures – KSR 3 disclosure requirements slightly differ from IPSAS 11.51 in a way the information about revenue, costs and recognized profits (surpluses) or losses (deficits) is presented. Moreover, contrary to IPSAS 11, KSR 3 does not require to disclose for contracts in progress the amount of advances received but unlike IPSAS 11 it does require to disclose separately the amount of costs that probably will not be covered by the customer.

4. KSR 4 “Impairment of assets” (developed from IAS 36 “Impairment of assets” as was IPSAS 26 “Impairment of cash-generating assets”). KSR 4 is generally compliant with IPSAS 26 except for following major differences:

   a. Scope – KSR 4 covers all type of assets including operational like inventory, trade receivables and investments like PPE, intangibles and non-current financial assets. IPSAS 26 is limited only to specific non-current and non-financial assets like PPE, intangibles measured using cost model and which are held with the primary objective of generating a commercial return. So KSR 4 also covers impairment issues which are regulated by other IPSAS – for example IPASAS 12 on inventory or IPSAS 29 on financial assets.

   b. Definitions – there is a difference in the definition of the recoverable amount. According to IPSAS 26.13 recoverable amount is the higher of an asset’s or a cash-generating unit’s fair value less costs to sell and its value in use. According to KSR 4.2.12 the recoverable amount is the higher of commercial value or value in use of the item subject to an impairment review. Commercial value is then defined in KSR 4.2.10 as net selling price and if not possible to determine then fair value less costs to sell.

   c. Mandatory impairment tests – unlike IPSAS 26.23, KSR 4 does not require to test annually an intangible asset with an indefinite useful life as under Polish GAAP intangibles cannot have indefinite useful life.

   d. Goodwill – unlike IPSAS 26, KSR 4 covers also the topic of goodwill impairment.

   e. Recognition of impairment losses and their reversal – IPSAS 26.72 and IPSAS 26.108 require that an impairment loss or its subsequent reversal are recognized immediately in surplus or deficit. According to KSR 4.8.3.7, the recognition of the loss depends whether the impaired asset or group of assets is related with negative goodwill or revaluation reserve in equity or deferred income and whether it is used for operations or is treated as an investment. In case of the reversal, KSR 4.9.11-12 requires its recognition in the other operating income or finance income unless the asset is measured using the revaluation model as then a reversal of an impairment loss on a revalued asset increases the revaluation surplus for that asset. However, to the extent that an impairment loss on the same revalued asset was previously recognized in profit or loss, a reversal of that impairment loss is also recognized in profit or loss.

   f. Disclosures – there are fewer disclosure requirements in the KSR 4 than required by IPSAS 26.114-124. It pertains mainly to disclosure of estimates used to measure recoverable amounts and segments to which impairment assets belong.

5. Generally, KSR 4 is also compliant with IPSAS 12 with regard to write-downs on inventory except for the fact that the reversal of the previous write-down is presented as other operating income (KSR 4.9.11) while IPSAS 12.44 requires it to be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs. KSR 4 also covers impairment of financial assets which is regulated by IPSAS 29.

However due to different categorization of assets the provisions of both standards are difficult to compare and such an exercise goes beyond of this brief comparison.

6. KSR 5 "Leasing, najem and dzierżawa" (developed from IAS 17 "Leases" as was IPSAS 13 "Leases"). KSR 5 is generally compliant with IPSAS 13 except for following major differences:

   a. Scope – KSR 5 deals with specific leasing agreements called "najem" and "dzierżawa" which are defined and regulated in the Polish Civil Code separately from the lease agreement. A key difference between a lease agreement in the understanding of the KSR 5 and "najem" or "dzierżawa" agreements is the fact that "najem" and "dzierżawa" are for indefinite period of time. IPSAS 13 does not regulate agreements which are signed for unspecified period of time.

   b. Scope – IPSAS 13.2 excludes from its scope: (a) lease agreements to explore for or use natural resources such as oil, gas, timber, metals, and other mineral rights, and (b) licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents, and copyrights. Additionally, IPSAS 13 does not apply to biological assets held by lessees under finance leases or provided by lessors under operating leases. There are no such exclusions under KSR 5 which applies to leases of all assets that are property, plant and equipment (fixed assets) or intangible assets except for agreements which result from provisions on commercialization and privatisation.

   c. Definition of the finance lease – KSR 5 includes a rules-based checklist approach to the definition of a finance lease. According to IPSAS 13.8 a finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset; title may or may not eventually be transferred. According to KSR 5 II.6 a lease agreement is the one that meets one of the conditions defined in art. 3 par. 4 of the AA. However the conditions listed in the AA are generally highly compliant with the examples of situations and other indicators that under IPSAS 13 individually or in combination would normally lead to a lease being classified as a finance lease (IPSAS 13.15-16).

   d. Classification of the lease – according to IPSAS 13.13, a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Whereas classification of lease by KSR 5 (III.2) represents a checklist approach, namely, a lease is classified as a finance lease if at least one of the below-listed seven conditions is met (these are conditions listed in the AA art. 3 par.4). A lease agreement that does not meet any of these seven conditions should be classified as an operating lease.

      (i) ownership of the assets is transferred to the user at the end of the term for which it was concluded;

(ii) it confers the right for the user to acquire the assets following the expiry of the term for which it was concluded at a price lower than the market price prevailing at the acquisition date;

(iii) the term for which it was concluded corresponds, to a major extent, to the expected useful economic life of the fixed asset or property right, save that it may not be shorter than 3/4 of that period. The ownership title to the assets being the subject matter of the contract may be transferred to the user following the expiry of the term for which the contract was concluded;

(iv) the total charges, less the discount, determined at the date of the contract's conclusion and payable during the term of the contract, exceed 90 per cent of the market value of the assets at that date. The total charges include the terminal value of the assets that the user undertakes to pay for the transfer of the ownership title. The total charges do not include the payments to the financing party for additional services, taxes or insurance premiums relating to the asset if the user covers these in addition to the charges for use;

(v) contains a pledge by the financing party to conclude another contract with the user to give the same asset for use against remuneration or extend the existing contract on more advantageous terms and conditions than those stipulated in the existing contract;

(vi) provides for the possibility of terminating it, subject that any resulting costs and losses incurred by the financing party will be borne by the user;

(vii) the asset has been adapted to the user's individual needs. Without material changes being introduced to it, it may be used exclusively by the user.

e. Simplified accounting for a finance lease – in KSR 5 (section XII) simplified accounting is allowed for finance leases provided that leasing activity is not a principal activity of the user or financing party and it will not distort the true and fair view of the financial position and financial result; the simplifications relate to: (1) the method based on which minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability and (2) accounting for changes in the amount of the minimum lease payments due to fluctuations of the exchange rate. There are no such simplifications under IPSAS 13.

f. Property interest held by a lessee under an operating lease as an investment property – unlike KSR 5, IPSAS 13.24 provides additional guidelines on property interest held by a lessee under an operating lease as an investment property. In accordance with IPSAS 16, it is possible for a lessee to classify a property interest held under an operating lease as an investment property. If it does, the property interest is accounted for as if it were a finance lease and, in addition, the fair value model is used for the asset recognized.

g. Disclosures – KSR 5 section XI envisages significantly fewer disclosures than IPSAS 13.40, 13.44, 13.60, 13.69.

h. Operating leaseback transactions – according to KSR 5 (VIII.3) if the loss on sale is compensated by future lease payments at below market price, it shall be deferred and amortized in proportion to the lease payments over the lease term. If the sale price is above fair value, the excess over fair value shall be deferred and amortized over the lease term. According to IPSAS 13 if the loss is compensated by future lease payments at below market price, it shall be deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortized over the period for which the asset is expected to be used.

7. KSR 6 “Provisions, accruals, contingent liabilities” (developed from IAS 37 “Provisions, contingent liabilities and contingent assets” as was IPSAS 19 “Provisions, contingent liabilities and contingent assets”). KSR 6 is generally compliant with IPSAS 19 except for following major differences:

a. Scope – unlike IPSAS 19, KSR 6 covers also how provisions and accruals are recorded in the accounting ledgers and provides a detailed guidance on how they are presented in the balance sheet and profit and loss statement. Moreover according to KSR 6 the criterion for classifying an obligation as an accrual or a provision is not the level of its probability (like it is in the IPSAS 19) but type of activity the obligation is related to.

b. Scope – unlike in the IPSAS 19, in the KSR 6 there is neither a definition nor a guidance on the accounting treatment of contingent assets.

c. Scope – unlike IPSAS 19, KSR 6 excludes from its scope liabilities which result from unbilled supplies or services provided (KSR 6.1.3e). KSR 6.2.3 indicates that such liabilities should be presented as trade payables in the balance sheet.

d. Scope – unlike IPSAS 19, KSR 6 excludes from its scope provisions for dismantling and removing the asset and restoring the site on which it was located (KSR 6.1.3h).

e. Scope – IPSAS 19.1g excludes from its scope provisions, contingent liabilities, and contingent assets arising from employee benefits except for provisions, contingent liabilities, and contingent assets arising from termination benefits that result from a restructuring dealt with in IPSAS 19. KSR 6 is to be applied to all provisions related to employee benefits (including those resulting from restructuring). IPSAS 19 does not apply to provisions arising from employee benefits as guidance on accounting for employee benefits is found in IPSAS 25 “Employee Benefits”.

f. Scope – both KSR 6 and IPSAS 19 exclude from their scope executory contracts unless they are onerous, however IPSAS 19.1a specifically mentions also contracts to provide social benefits entered into with the expectation that the entity will not receive

consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of those benefits.

g. Social benefits – IPSAS 19.19 requires that where an entity elects to recognize in its financial statements provisions for social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of those benefits, is should disclose information on them in a way similar to other provisions. There are no such provisions under KSR 6.

h. Definition of accruals – unlike IPSAS 19, KSR 6 contains a definition of accruals (Polish name is: bierne rozliczenia międzyokresowe kosztów) which is repeated after AA art. 39 par. 2 pt 2 and par. 2a.

i. Definition of contingent liabilities – KSR 6 defines a contingent liability in the same way as AA does, namely as an obligation to make payments that may become due depending on the occurrence of certain events. This definition is only partially compliant with IPSAS 19.18 which classifies as a contingent liability also provisions that do not meet following recognition criteria: it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or the amount of the obligation can be measured with sufficient reliability.

j. Employee benefits provisions – unlike IPSAS 19, KSR 6 provides limited guidance on what kind of employee benefits justify creating a provision for them (unused holiday, retirement benefits, jubilee awards). However it indicates that in case of pension benefits and similar the entity should follow IAS 19 “Employee benefits” with this difference that any actuarial gains and losses should be recognized in profit or loss.

k. Restructuring provisions – the criteria for the recognition of the restructuring provisions differ between those required by IPSAS 19 and KSR 6. According to KSR 6.3.13 provisions for future obligations related to restructuring are created if the entity is obligated to restructure because there is a legal or contractual obligation to do it (this is compliant with the AA 35d par.1 pt 2) and the general criteria for the recognition of the provision are met. According to IPSAS 19.82 a provision for restructuring costs is recognized only when the general recognition criteria for provisions are met which is the same approach as under KSR 6. However, provisions under IPSAS 19 may result from legal and constructive obligations and notion of a constructive obligation is broader than a contractual obligation mentioned by KSR 6. What is more, IPSAS 19.83 explains in detail that a constructive obligation to restructure arises only when an entity: (a) has a detailed formal plan for the restructuring (identifying key aspects of it) and (b) has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Although KSR 6 indicates that when recognizing a restructuring provision one should take into account any evidence confirming that there is a plan which is either implemented or announced in

a way that will bind the entity's management to implement it but it is supplementary guidance only and not part of recognition criteria like under IPSAS 19.

l. Restructuring provisions – KSR 6.3.13 indicates that restructuring provisions recognized due to legal obligations should increase extraordinary losses and provisions recognized due to contractual obligations should increase other operating expenses. There are no such regulations under IPSAS 19.

8. KSR 7 "Changes in accounting principles (policy), estimates, correction of errors, events occurring after balance sheet date – recognition and presentation" (developed from IAS 8 "Accounting policies, changes in accounting estimates and errors" and IAS 10 "Events after the reporting date" as were IPSAS 3 "Accounting policies, changes in accounting estimates and errors" and IPSAS 14 "Events after the reporting date"). KSR 7 is highly compliant with IPSAS 3 except for the following major differences:

    a. Accounting policies – as IPSAS are not implemented in Poland, for obvious reasons the guidance on development of accounting policies in KSR 7 differs from IPSAS 3. Namely, in case of issues not regulated by the provisions of AA, when adopting the accounting principles (policy) the entities may apply KSR standards or opinions issued by the Accounting Standards Committee and if there are none applicable – then IAS (KSR 7 III.3.2). KSR 7 provides also guidance on simplifications that can be adopted by the entity when developing its accounting policy (KSR 7 III.3.5). According to KSR 7 the accounting policy should also cover the technical and organizational aspects of bookkeeping (KSR 7 III.3.1).

    b. Changes in accounting policy – according to KSR 7.3.7 the change in the accounting policy may result from a change in the provisions of AA, losing or gaining the right to use simplifications and from a voluntary decision of the entity's management which will result in more fair presentation. IPSAS 3.17 allows for a change if there is such a requirement in IPSAS or it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events, and conditions on the entity's financial position, financial performance, or cash flows. So, the key difference is about simplifications.

    c. Disclosures on changes in the accounting policies – the requirements of IPSAS 3 on disclosures are more detailed than those under KSR 7.3.15. Generally, both standards require to disclose nature and reasons of the change as well as the amounts of adjustments on the net result (surplus or deficit) and net assets/equity. Additionally IPSAS 3 expands and differentiates its disclosure requirements depending if the change was mandatory (IPSAS 3.33) or voluntary (IPSAS 3.34).

    d. Disclosures on impending changes in the accounting policies – IPSAS 3.35 requires that when an entity has not applied a new IPSAS that has been issued but is not yet effective, the entity shall disclose: (a) this fact; and (b) known or reasonably estimable information relevant to assessing the possible impact that application of the new

Standard will have on the entity's financial statements in the period of initial application. There are no similar requirements under KSR 7.

e. Accounting for errors – KSR 7 provides guidance on the accounting treatment of errors made both in the current and prior periods. These guidelines cover also the aspect of making adjustments in the accounting ledgers and differ depending on the materiality of the error (KSR 7.5.3-7). IPSAS 3 does not deal with immaterial errors and does not regulate what should be the records in the accounting ledgers.

f. Retrospective approach and comparability of data – in case a retrospective approach must be applied IPSAS 3 requires that the comparative amounts disclosed for each prior period presented are adequately adjusted. Whereas KSR 7.7.6-7 indicates that in order to ensure comparability an additional column in the balance sheet should be added, and if practicable also profit and loss statement and a cash flow statement, which will present restated amounts next to a column with comparatives as reported in previous financial statements.

9. KSR 7 section VI is also highly compliant with IPSAS 14 but only within the area of post-balance sheet events. KSR 7 does not cover other topics which are regulated by IPSAS 14 (these are: authorizing the financial statements for issue, dividends declared after the reporting date, going concern).

ANNEX 4: LIST OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

This report's comparison of Polish public sector GAAP with International Public Sector Accounting Standards (IPSAS) was with those IPSAS as at June 2014 per the 2014 Edition of the *Handbook of International Public Sector Accounting Pronouncements* as issued by the International Public Sector Accounting Standards Board. Those extant IPSAS comprise:

IPSAS 1	Presentation of Financial Statements
IPSAS 2	Cash Flow Statements
IPSAS 3	Accounting Policies, Changes in Accounting Estimates and Errors
IPSAS 4	The Effects of Changes in Foreign Exchange Rates
IPSAS 5	Borrowing Costs
IPSAS 6	Consolidated and Separate Financial Statements
IPSAS 7	Investments in Associates
IPSAS 8	Interests in Joint Ventures
IPSAS 9	Revenue from Exchange Transactions
IPSAS 10	Financial Reporting in Hyperinflationary Economies
IPSAS 11	Construction Contracts
IPSAS 12	Inventories
IPSAS 13	Leases
IPSAS 14	Events after the Reporting Date
IPSAS 15	Withdrawn (superseded by IPSAS 28, IPSAS 29 and IPSAS 30)
IPSAS 16	Investment Property
IPSAS 17	Property, Plant, and Equipment
IPSAS 18	Segment Reporting
IPSAS 19	Provisions, Contingent Liabilities and Contingent Assets
IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non-Cash-Generating Assets
IPSAS 22	Disclosure of Financial Information about the General Government Sector
IPSAS 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
IPSAS 24	Presentation of Budget Information in Financial Statements
IPSAS 25	Employee Benefits
IPSAS 26	Impairment of Cash-Generating Assets
IPSAS 27	Agriculture
IPSAS 28	Financial Instruments: Presentation
IPSAS 29	Financial Instruments: Recognition and Measurement
IPSAS 30	Financial Instruments: Disclosures
IPSAS 31	Intangible Assets
IPSAS 32	Service Concession Arrangements: Grantor