Delivering a challenging Work Plan:
Strong progress during 2018

2 IPSAS approved
- Financial Instruments – IPSAS 41
- Social Benefits - IPSAS 42
- plus ‘Improvements to IPSAS’

3 Exposure Drafts
- Social Benefits (ED 63)
- Leases (ED 64)
- Collective & Individual Services & Emergency Relief (ED 67)
- plus ‘Improvements to IPSAS’ (EDs 65 & 66)

Consultation Paper
- 2019-23 Strategy and Work Plan

....and considerable work on:
- Revenue
- Grants and Transfers (Expense)
- Public Sector Measurement
IPSASB work programme:
December 2019 projected position

<table>
<thead>
<tr>
<th>Project</th>
<th>Public sector specific</th>
<th>IFRS alignment</th>
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</thead>
<tbody>
<tr>
<td>Non-Exchange Expenses</td>
<td>IPSAS ED</td>
<td>✓</td>
</tr>
<tr>
<td>- Collective and Individual Services (IPSAS 19 amends)</td>
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<tr>
<td>- Grants and transfers</td>
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<tr>
<td>Revenue</td>
<td>ED ED ??</td>
<td>✓</td>
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<tr>
<td>- IFRS 15 alignment (replacing IPSAS 9 &amp; 11)</td>
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<tr>
<td>- IPSAS 23 update</td>
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<tr>
<td>- Grants and transfers (guidance location TBD)</td>
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<td>Financial Instruments (Public Sector)</td>
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<td>Leases</td>
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<tr>
<td>Public Sector Measurement</td>
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<td>Heritage</td>
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<tr>
<td>Infrastructure Assets</td>
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* Including ‘Illustrative Exposure Draft’
Scope of IPSAS 42 and ED 67

Transfers and Grants
- Transfers within public sector
- Grants to other entities (e.g. research)

Emergency Relief
- Disaster relief; ongoing planning and preparation activities

Collective Services
- Defense; street lighting

Individual Services
- Universal education
- Universal healthcare

Social Benefits
- **CASH TRANSFERS**: State pensions; unemployment benefits; income support

Employee Benefits
- Employee pensions; employee healthcare; salaries

Contracts for Insurance
- Vehicle insurance; private medical insurance

Contracts for Goods and Services
- Purchase of goods; payment for services
Social Benefits: Finalizing IPSAS 42

- Recognition (and measurement implications)
  - General (formerly Obligating Event) approach – single recognition point
  - Insurance approach – remains optional

- Definitions
  - Clarified that social benefits limited to cash transfers
  - Impact on Non-Exchange Expenses

- Disclosures limited to current and prior year (no forward projections)

- Long-Term Financial Sustainability – important but no further work now

- Likely to be subject of first ever IPSASB Post-Implementation Review

- Comparison summary with Government Finance Statistics

- Approved December 2018 - Publication: January 2019
Measurement requirements in IPSAS should be amended to align better with the Conceptual Framework’s Measurement concepts.

- Provide more detailed guidance on the implementation of commonly used measurement bases, and the circumstances under which these measurement bases will be used.
- Address transaction costs and borrowing costs.
- Where necessary, issue amended IPSAS with revised requirements for measurement at initial recognition, subsequent measurement, and measurement-related disclosure.
Consultation Paper: Measurement

Project Background: Project Outputs

**How Do You Calculate the Measurement Bases (Consultation Phase)**

**IPSAS, Measurement**
- Objective and Scope
- Definitions
- Measurements Bases
  - Applications Guidance
    - Fair Value
    - Fulfillment Cost
    - Historical Cost
    - Replacement Cost
- Basis for Conclusions

- What is the measurement basis?
- How to calculate the measurement basis?
- Why apply the measurement bases?

**Which Measurement Basis Do You Use (Exposure Draft Phase)**

**Other IPSAS**
- IPSAS 12, Inventories
- IPSAS 16, Investment Property
- IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets
- IPSAS 41, Financial Instruments

- Which measurement bases should be applied in measuring the economic resource?
### Revenue projects context: Categorization of transactions

#### Current classification

<table>
<thead>
<tr>
<th></th>
<th>Non-Exchange</th>
<th>Exchange</th>
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<tbody>
<tr>
<td>CP Revenue</td>
<td>Category A</td>
<td>Category B*</td>
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</table>

#### Characteristics

- **Non-Exchange**
  - No performance obligations or stipulations
  - Taxes, transfers

- **Exchange**
  - Enforceable agreements, with performance obligations or stipulations to use or consume resources in a particular way; and/or other agreements requiring resources to be used over a specified period of time
  - Funding to deliver a specified number of vaccinations to the public

- **Category C**
  - Enforceable agreements, with performance obligations to transfer goods or services to customers on commercial terms
  - Sale of goods or services on commercial terms

* Whether Category B transactions are considered to be exchange or non-exchange can differ depending on how the characteristics of the transaction are interpreted.*
Revenue projects: Way forward

• Board decisions:
  – Replace IPSASs 9 & 11 with IFRS 15-based standard
  – Retain IPSAS 23 – update to address specific application issues
  – Services in kind – maintain current approach
  – Develop Public Sector Performance Obligation Approach (PSPOA) for Category B
  – PSPOA guidance in IFRS 15-based standard

• PSPOA ‘filter mechanism’:
  – Step 1: Binding arrangement?
  – Step 2: Performance obligation? Sufficiently specific?
  – Enforceability key: Revenue of recipient when no enforcement mechanism

• Areas for further discussion:
  – Capital grants
  – ‘Transfers and Grants’ – guidance / examples location(s)
IFRS 15-based IPSAS: ‘Revenue With Performance Obligations’?

- IFRS 15-aligned core text
- Definitions ‘stretched’ for PSPOA, but clear link to IFRS 15 definitions
- PSPOA Application Guidance (mainly on Steps 1 and 2)
- IFRS 15 examples reviewed for public sector
- Additional PSPOA examples
Revenue – which standard to use?

‘Revenue With Performance Obligations’

Does the transaction arise from a contract or other binding arrangement?

- Yes
  - Does the transaction have sufficiently specific performance obligations as defined in [draft] IPSAS XX, Revenue With Performance Obligations
    - No
      - Use updated IPSAS 23
    - Yes
      - [draft] IPSAS XX, Revenue With Performance Obligations

- No
  - Use updated IPSAS 23
ED 64, *Leases:*
Overview of single ‘right of use’ proposals

**Accounting for the underlying asset**

- **Lessor** recognizes and measures according to the applicable IPSAS - different to IFRS 16

**Separate accounting for the lease (right-of-use)**

- **Lessee liability** – as per IFRS 16
- **Lessor receivable** – different to IFRS 16
- **Lessor liability (unearned revenue)** – different to IFRS 16
- At market terms – unless a concessionary lease
- At below market terms – concessionary leases
ED 64: Overview of responses

• Lessee accounting:
  - Strong support for ‘right of use’ approach

• Lessor accounting:
  - Majority support for IFRS 16 departure

  BUT:
  – Lack of clear support for ED 64 proposals
  – Alternative proposals
  – Opposing views on the same issues

• Concessionary leases:
  - Majority support for lessee proposals
  - Diverse views on lessor proposals
This Strategic Objective will be delivered through two main areas of activity both of which have a public interest focus:

**Delivering Global Standards:**
Developing and maintaining IPSAS and other high-quality financial reporting guidance for the public sector.

**Inspiring Implementation:**
Raising awareness of IPSAS and the benefits of their adoption.

Theme A: Setting standards on public sector specific issues
- Natural Resources
- Conceptual Framework – limited-scope review

Theme B: Maintaining IFRS alignment
- Annual improvements
- Limited scope projects

Theme C: Developing guidance to meet users’ broader financial reporting needs
- Actively monitor developments
- No specific projects currently

Mid-period review 2021
Questions, discussion & further information

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