

IPSASB

International Public
Sector Accounting
Standards Board®

IPSAS STANDARDS – WHY CONSOLIDATION MATTERS

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Consolidation – Control & Influence/Accountability

Influence	Meaning	Accounting
Control (IPSAS 35)	<ul style="list-style-type: none"> • Exposure, or has rights, to variable benefits; and • Ability to affect the nature or amount of those benefits 	Line by Line - Consolidation
Joint control (IPSAS 37)	Agreed sharing of control	Joint venture – equity method Joint operation – assets, liabilities, revenue, expenses
Significant influence (IPSAS 36)	Power to participate in the financial and operating policy decisions	Equity method
Lack of influence (IPSAS 41)	None of the above	Financial Instruments

Public Sector Consolidation is Difficult!



- Assessing control can be difficult in the public sector
- Need for detailed accounting data
- Can be aided by IT systems (including common chart of accounts with intercompany transactions and balances to be tracked)
- Need to align material accounting policies across controlled entities
- Requirement to align reporting timelines (or adjust for different closing dates)
- Need to apply judgement!!
- However, it is not impossible – many countries do it, and the benefits are substantial.

IPSAS Consolidation & Other Concepts

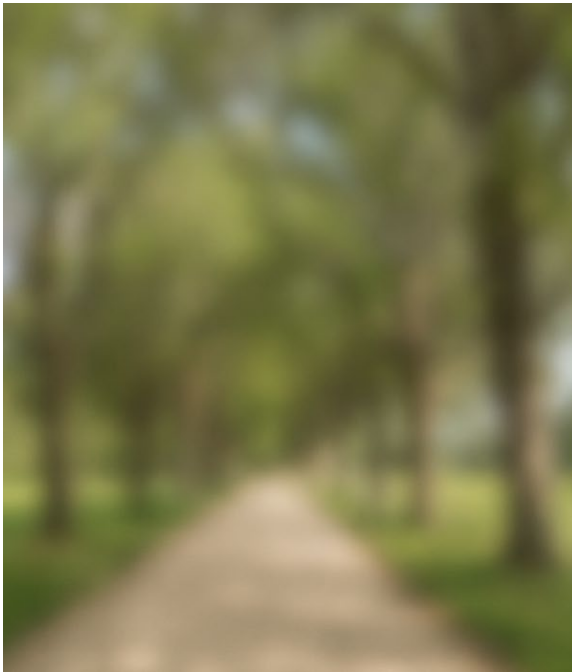
Concept	Meaning	Data Objective	Data Characteristic	General Usage
Aggregation	Sum of various data sources	Shows the various data sources in a summarized format	Data has no internal dependencies	Unrelated revenue, expenses, assets, and liabilities
Consolidation	Merging of various data sources and eliminating internal transactions	Shows the various data sources as a single entity	Data has internal dependencies	Related revenue, expenses, assets, and liabilities

International Accounting and Statistical Frameworks

Framework	Framework Objectives	Data Characteristic	Data Objective	Concept
IPSAS Accounting Standards	<ul style="list-style-type: none"> • Accountability • Decision-making 	Data has internal dependencies	Shows the various data sources as a single entity	Consolidation
IFRS Accounting Standards	<ul style="list-style-type: none"> • Prospects for future net cash inflows • Stewardship of resources 			
Government Finance Statistics Manual 2014	<ul style="list-style-type: none"> • Fiscal analysis 			
System of National Accounts, 2025	<ul style="list-style-type: none"> • Economic analysis • Decision-taking • Policymaking 			

Conclusion

- Consolidation provides a **comprehensive picture** of the financial position and performance of the entire public sector as a **single economic entity**



Unconsolidated



Consolidated



Unconsolidated

Consolidated

