



# **PULSAR Financial Reporting Community of Practice (FINCOP)**

**Vienna, 21-22 November 2019**

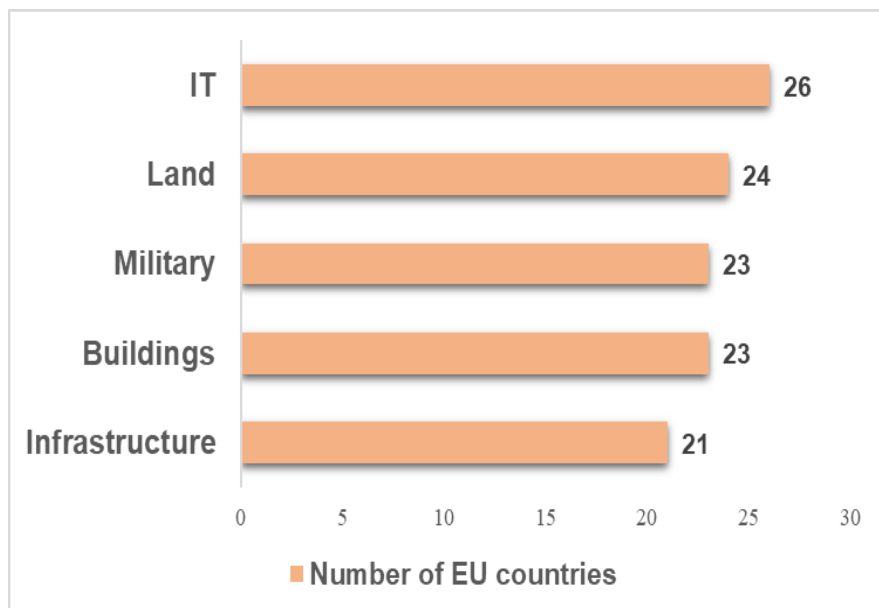
## **Accounting for fixed assets – key issues addressed in EPSAS**

**Lívia Shinn Straková - EPSAS Team, European Commission - EUROSTAT**

# Preparatory work for future EPSAS standard setting: Accounting for fixed assets

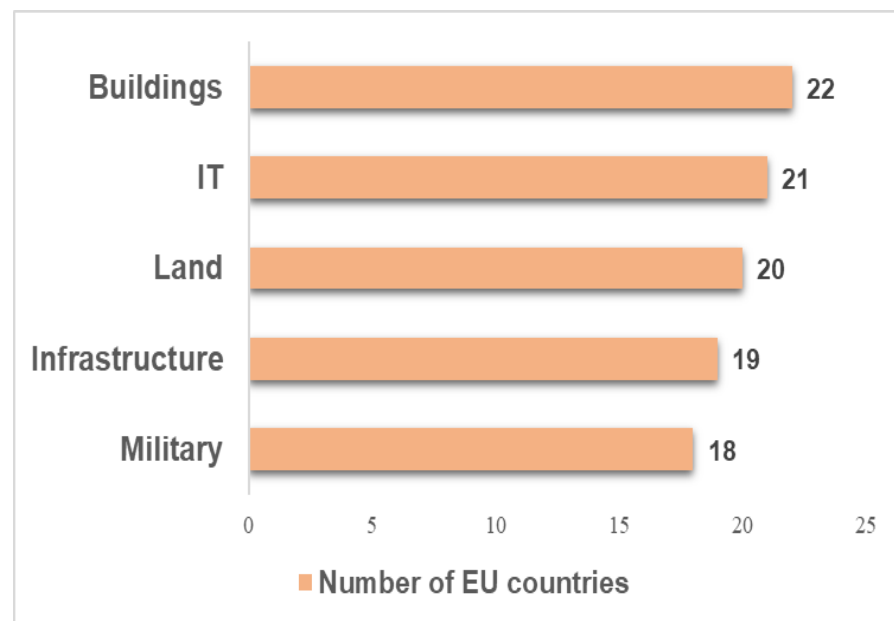
1. PwC Study 2014
2. EPSAS First Time Implementation guidance
3. EPSAS Issue Papers on:
  - Infrastructure assets
  - Military assets
  - Heritage assets
4. EPSAS – current developments

## Number of governments maintaining a physical inventory of fixed assets



Source: PwC analyses of IPSAS standards and their application in the EU Member States (2014)

## Number of governments recognising fixed assets in the statement of financial position



# EPSAS First Time Implementation guidance

The FTI guidance is focused on supporting the production of general purpose financial statements of public sector entities, moving towards accrual basis of accounting, and in particular the first accrual-based Opening Balance Sheet (OBS).

## ➤ Recognition

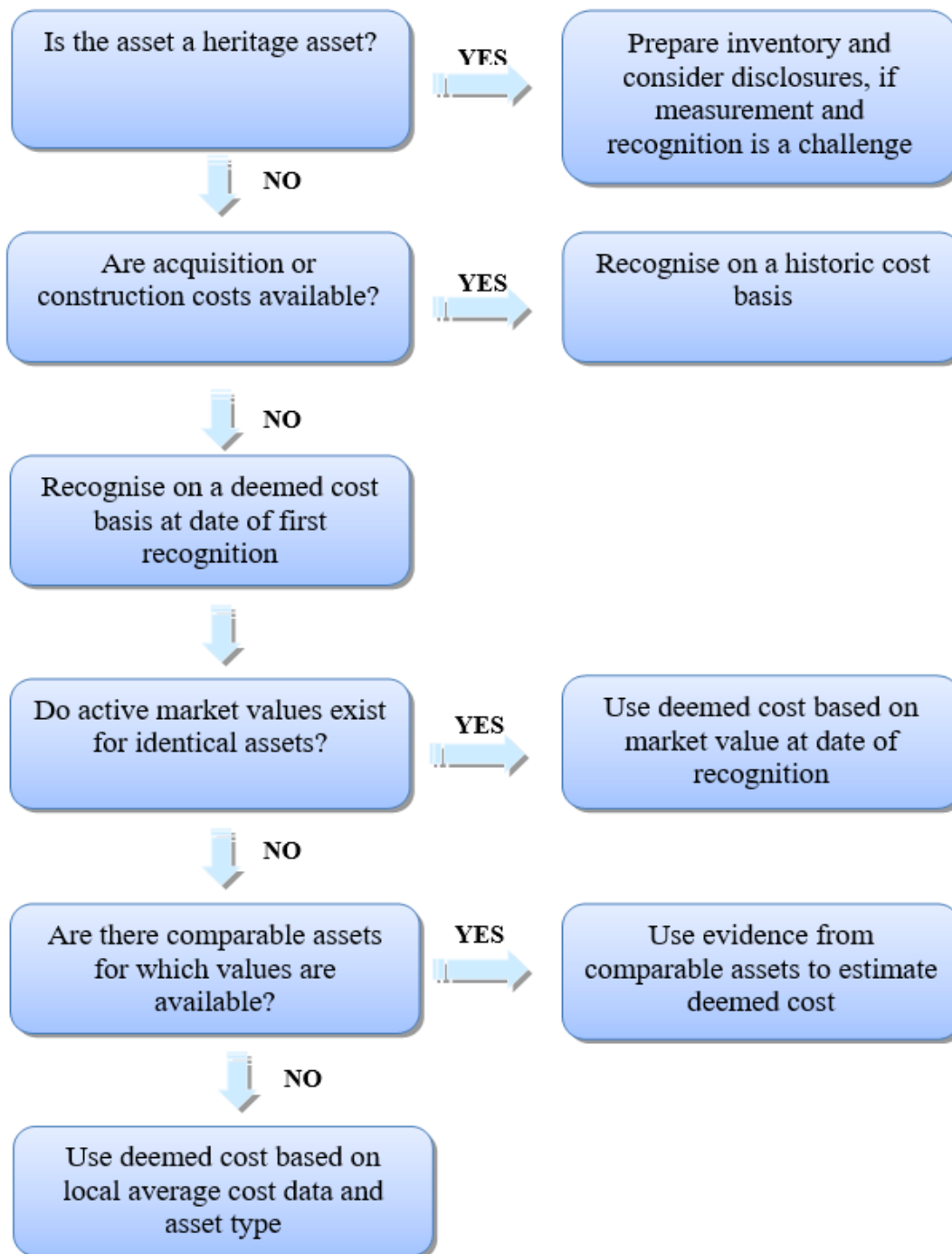
Statement of financial position (balance sheet)

- **Property, Plant and Equipment (PPE)**, in particular real estate and infrastructure assets
- **Heritage assets**
- **Military equipment**

# FTI - PPE

## ➤ Initial measurement

*Illustrative decision tree*



## 2016 – 2017

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- Small and less risky entities
- Options in IPSAS
- Taxes
- **Heritage**
- Employee benefits
- Social benefits
- **Infrastructure assets**
- Segment reporting
- **Military assets**
- Social contributions

## 2017 – 2018

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- Intangible assets
- Charts of Accounts
- Disclosures
- Provisions, contingent assets & liabilities, fin. guarantees
- Loans and borrowings
- Discount rates
- Grants and other transfers
- Notion of control
- Consolidation of FS
- Concession arrangements

# EPSAS Issues Papers - content

- Commissioned with a view to informing EPSAS work on issues that have been raised as particularly important by MSs' experts and EPSAS stakeholders
- The papers cover subjects such as:
  - the accounting treatment in IPSAS, IFRS, Commission's own accounting rules, selected Member States, ESA/GFS, NATO accounting framework (NAF)
  - problematic points/ issues with regards to definition, recognition, measurement and disclosure
  - advantages and disadvantages of the existing approaches
  - possible ways forward for EPSAS

# Issue Paper on INFRASTRUCTURE ASSETS

## *Why are infrastructure assets significant for public sector accounting?*

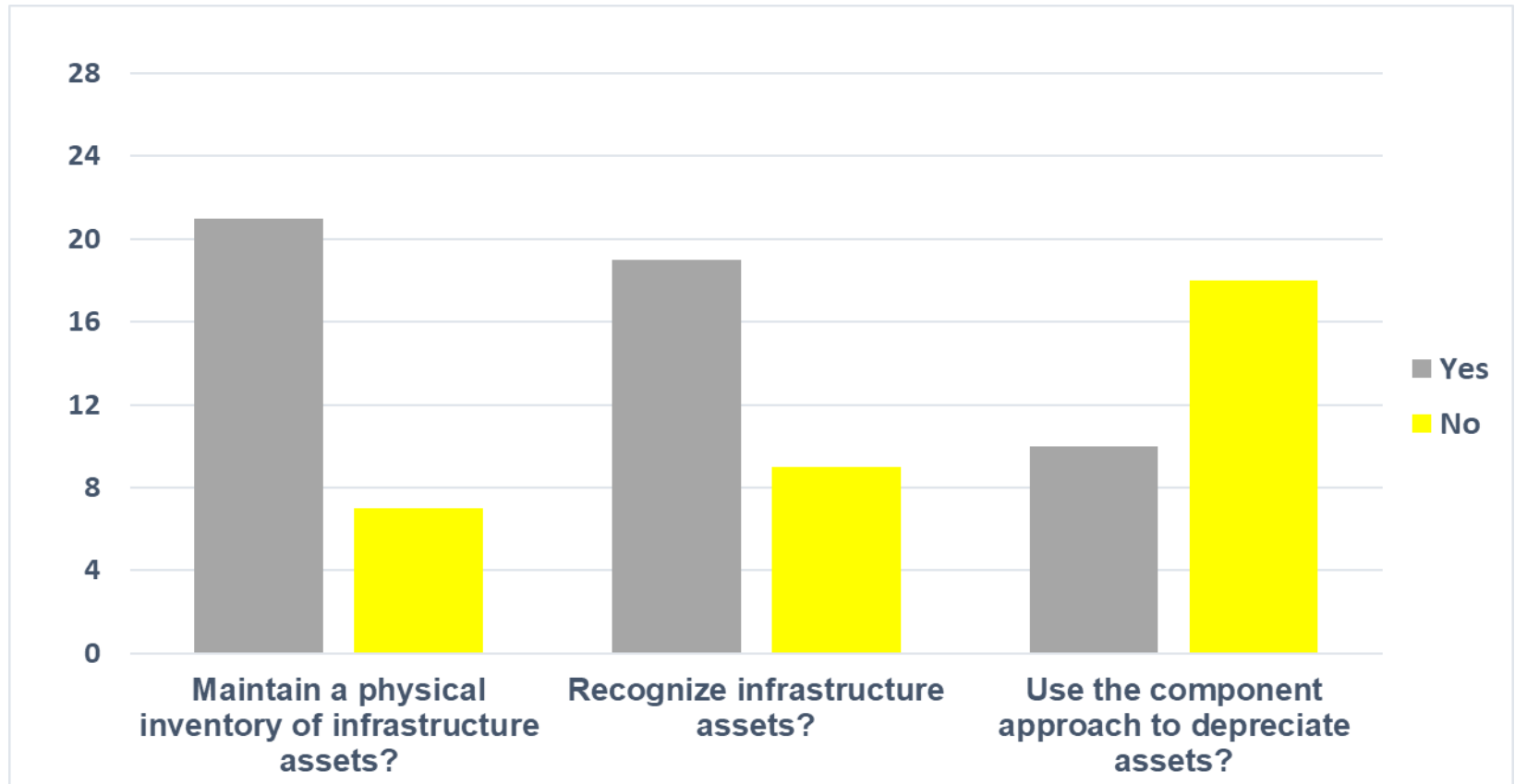
- Currently one of the most material items within PPEs
- Specialized immovable assets with significant service potential and/or economic benefits
- Supporting investment in these assets is one of the EC's top priorities

## *Challenges for the accounting of infrastructure assets:*

- On an international level no specific standard on the accounting of infrastructure assets exists
- IPSAS 17 is seen by some MS as problematic for the accounting and measurement of public infrastructure, e.g. component approach
- Accounting for infrastructure in accordance with IPSAS is seen as cumbersome (e.g. stocktaking, impairment)
- [link - EPSAS IP on Infrastructure assets](#)



# Infrastructure assets – central government level



Source: PwC analyses of IPSAS standards and their application in the EU Member States (2014)

# Issue Paper on MILITARY ASSETS

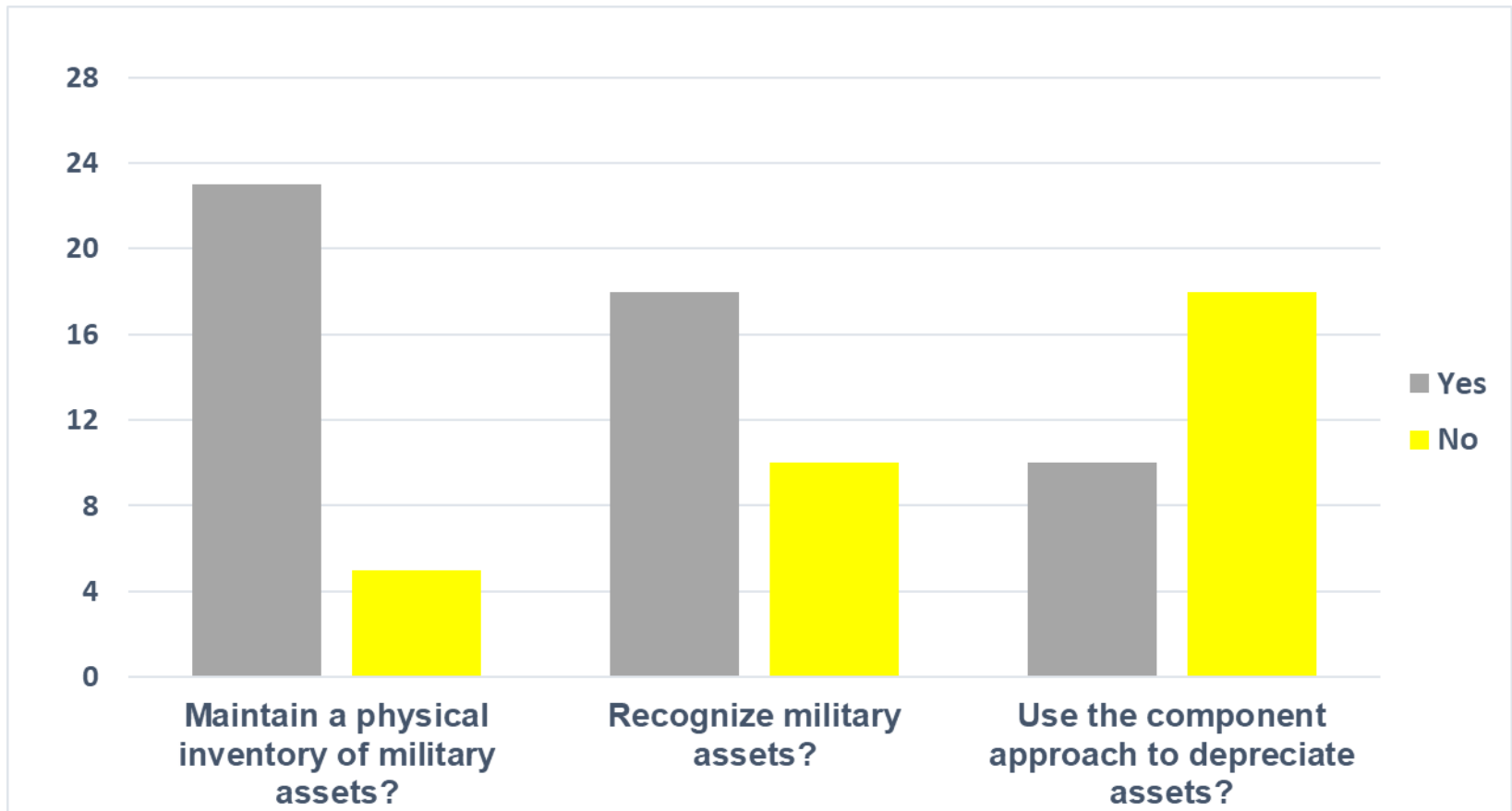
## *Why are military assets significant for public sector accounting?*

- Military assets can encompass a large variety of assets
- Civilian assets (e.g. office buildings) versus specific assets (e.g. nuclear weapons)
- Internationally no specific standard on the accounting treatment of military assets; IPSAS 17 also applies to military assets

## *Challenges for the accounting of military assets*

- Main practical difficulties and sensitivities that may arise with the recognition and measurement of military assets, and how they could be addressed
- Comprehensive stocktaking and recognition of military assets in the OBS is needed
- [link - EPSAS IP on Military assets](#)

# Military assets – central government level



Source: PwC analyses of IPSAS standards and their application in the EU Member States (2014)

# Issue Paper on HERITAGE ASSETS

## *Why are heritage assets significant for public sector accounting?*

- Cultural value
- Often high volumes and significance
- Preservation for future generations

## *Challenges for the accounting of heritage assets*

- Prohibitions/restrictions on disposal
- Valuation of heritage assets:
- Value may increase over time even if physical deterioration
- Determining the cost of heritage preservation and accounting for related obligations
- [link - EPSAS IP on Heritage assets](#)

# EPSAS – current developments

## *Screening of IPSAS standards against EPSAS CF*

- Check consistency of individual IPSAS standards with the draft EPSAS Conceptual Framework, with a view to informing future EPSAS standard setting
- A pilot is run covering three IPSAS standards with different complexity: IPSAS 2, IPSAS 17 and IPSAS 41

## *EPSAS work on measurement*

- **Conceptual:** How the different measurement bases for assets and liabilities serve objectives, in particular accountability and decision-making, of financial reporting under EPSAS?
- **Practical:** Develop analysis relating measurement bases

# Thank you !

**European Commission – Eurostat – EPSAS:**

<https://ec.europa.eu/eurostat/web/epsas/>

**CIRCABC depository:**

<https://circabc.europa.eu/w/browse/18db61bc-6649-44b3-af14-17fcd1c1216c>