



**INTERNATIONAL FEDERATION  
OF ACCOUNTANTS**

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**Agenda Item**  
**4**

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**DATE:** May 28, 2008  
**MEMO TO:** Members of the IPSASB  
**FROM:** Stephenie Fox  
**SUBJECT:** IFRS Convergence Workplan

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**OBJECTIVE OF THIS SESSION**

To report on various aspects of the IFRS convergence workplan and to agree proposals for certain items as outlined in materials.

This agenda item includes a variety of items that arose from the discussions in March 2008 and were identified for follow up for Staff.

**AGENDA MATERIAL:**

**Papers**

- 4.1-4.1A IFRICS
- 4.2-4.2A IASB tracking
- 4.3 Revised Workplan
- 4.4 Running list of potential projects

## **INTERPRETATIONS**

### **OBJECTIVE OF THIS SESSION**

To **agree** the approach to developing Interpretations based on those of the International Financial Reporting Interpretations Committee (IFRIC).

### **AGENDA MATERIAL:**

#### **Papers**

4.1A Key Issues Paper

### **ACTION REQUIRED**

The IPSASB is asked to:

- **Review** the analysis the Key Issues Paper; and
- **Provide** staff with directions on the issues identified and on any other issues not addressed in the Key Issues Paper

### **BACKGROUND**

At the Toronto meeting in March 2008 the IPSASB decided to put on its active program a project to determine and implement an appropriate approach to Interpretations developed by the IFRIC. The Key Issues Paper at Agenda Item X.1 identifies and analyzes a number of issues on which Staff considers that directions are necessary in order for the project to be progressed. The Appendix to that Key Issues Paper identifies extant IFRIC Interpretations, including Interpretations issued by the IFRIC's predecessor, the Standards Interpretation Committee.

Staff are very grateful for the materials provided by Staff of the South African accounting Standards Board which were extremely helpful in the development of this agenda item.

## **Approach to Interpretations: Key Issues**

### **Introduction**

At the Toronto meeting in March 2008 the IPSASB decided to put on its active program a project to determine and implement an appropriate approach to Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) and ratified and issued by the International Accounting Standards Board (IASB). The absence of Interpretations drawn from those issued by the IASB is an omission in the IPSASB's current literature. The remainder of this agenda item highlights a number of Key Issues. Staff considers that discussion should focus on Key Issue 2: Overall Approach.

### **Key Issue 1: Scope**

The IFRIC was established in 2002 and replaced the Standards Interpretation Committee (SIC). Under the current Constitution of the International Accounting Standards Committee Foundation (IASCF) draft or final IFRIC Interpretations require not more than 4 dissenting IFRIC members. Final IFRIC Interpretations are further required to be approved by 9 members of the IASB. The current IASCF Constitution prescribes that there should be 14 members of IFRIC.

Just as the IASB, at its inception, adopted extant International Accounting Standards issued by the International Accounting Standards Committee, the IASB also adopted extant interpretations issued by the SIC, in accordance with a 2001 resolution. As at May 28<sup>th</sup> 2008, 11 of these SIC Interpretations were still in force. Staff is of the view that all these Interpretations should be within the scope of this project rather than just those Interpretations developed and issued by the IFRIC since its inception. Therefore, for the remainder of this Issues Paper the term IFRIC Interpretations includes both Interpretations developed by IFRIC and Interpretations developed by the SIC that are still in force.

The Staff assumption in drafting this Agenda Item is that the project is of "limited scope" in nature- that is it will deal only with IFRIC Interpretations, as defined above, and not extend to matters of broader interpretation of IPSASs not covered by IFRIC Interpretations.

### **Action Required**

Members are asked **to agree** the staff proposal that interpretations issued by the SIC that are still in force should be addressed by the Interpretations Project. In addition, agree that the project will not deal with matters of broader interpretation not covered by IFRIC Interpretations. The result of the Interpretations project will be the development of public sector Interpretations.

### **Key Issue 2: Overall Approach**

Currently the IASB issues Interpretations as separate documents. The IASB will, at times, incorporate the guidance in an Interpretation into an IAS/IFRS when the related IAS/IFRS is revised. For example, IFRS 3, "Business Combinations" replaced 3 SIC Interpretations when it was issued in 2004. However this practice is inconsistent: There

are Interpretations in place that predate existing standards, i.e., where the related IFRS was not updated to include the guidance in the Interpretation: SIC 32, “Intangible Assets-Web Site Costs” was not replaced by a revised IAS 38, “Intangible Assets.”

As part of its deliberations on this topic, the IPSASB needs to consider what approach it should undertake. Some feasible options include:

- Issuance of a compendium of Interpretations – in this option no changes to IPSASs would be made to incorporate guidance in Interpretations;
- Inclusion of Interpretations as Appendices to existing IPSASs with equal authority; and
- Incorporation of Interpretations within the IPSASs when a new or revised IPSAS is being developed if considered feasible. All other Interpretations would be issued as a compendium.

Staff is proposing at this time a mixed approach. On balance, Staff believes that most Interpretations should be issued separately as Interpretations rather than included as Appendices to existing IPSASs. Staff does not favour the Appendix approach since some Interpretations relate to more than one standard and this could become cumbersome to assess and confusing for users if Interpretations are included as Appendices in more than one IPSAS.

As far as incorporating into IPSASs Staff has some preference for the incorporation of Interpretations into IPSASs, but only for those IPSASs being newly developed or revised. Staff does not think that existing IPSASs should be reopened just to incorporate an Interpretation. For example, for Intangible Assets the IASB body of literature includes IAS 38, “Intangible Assets” and SIC 32, “Intangible Assets-Web Site Costs”. Staff is of the view that it is the full body that should be considered at project initiation and that it seems counter intuitive not to include the guidance in SIC 32 in a new IPSAS if, after “Rules of the Road” analysis it is deemed to apply. The alternative is to issue a public sector Interpretation based on SIC 32 at the same time as the ED for Intangible Assets based on IAS 38.

Staff accepts there may be times when it may not be feasible to incorporate an Interpretation within an IPSAS and therefore the IPSASB may need to develop a flexible approach that considers issues on an Interpretation by Interpretation basis.

#### **Action Required**

Members are asked to **agree** the staff proposal that Interpretations should be issued in compendium format as separate volume of the IPSASB Handbook. However, those Interpretations related to a new or revised IPSAS being developed should be considered for inclusion within the IPSAS if feasible.

#### **Key Issue 3: Applicability of extant IFRIC Interpretations to Current IPSASs**

Including the 11 SIC Interpretations noted above, at May 28<sup>th</sup> 2008 there are 24 IFRIC Interpretations in force. A further 4 draft Interpretations were exposed in July 2007 and January 2008, but were not in force at May 28<sup>th</sup>, 2008: IFRIC D21, “Real Estate Sales” and D22, “Hedges of a Net Investment in a Foreign Operation” are expected to be ratified

by the IASB in June 2008. Three of these Draft IFRIC Interpretations have potential implications for current IPSASs and the other has potential implications for the IPSASB's Financial Instruments project, which is now underway. It is proposed that these draft IFRICs are monitored as part of the IFRS tracking process and brought on-stream if and when approved by the IASB.

There are a number of points related to extant IFRICs in a public sector context. SIC 29, "Service Concession Arrangements: Disclosures," IFRIC 4, "Determining Whether an Arrangement Contains a Lease" and IFRIC 12, "Service Concession Arrangements" deal in whole or part with service concession arrangements. They have been considered in the IPSASB's service concessions arrangements project. One of the main reasons for initiating that project is that grantor accounting is outside the scope of IFRIC 12. It is therefore proposed that any further consideration of these Interpretations be part of the Service Concessions project in the subsequent work, rather than as part of this project.

Of the remaining 21 IFRIC Interpretations, 12 relate primarily to IFRSs for which an equivalent IPSAS is in force. This does not necessarily mean that they are applicable to the public sector. For example, IFRIC 6, "Liabilities arising from Participating in a Specific Market –Waste Electrical and Electronic Equipment" relates primarily to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" and IFRIC 13, "Customer Loyalty Programmes" relates primarily to IAS 18, "Revenue". There are IPSAS equivalents of both these IFRSs (IPSAS 19 and IPSAS 9 respectively), but it is doubtful whether IFRIC 6 and IFRIC 13 deal with activities, which will be relevant to many, if any, public sector entities that are not Government Business Enterprises (GBEs). Elsewhere SIC 7, "Introduction of the Euro" is relevant to IPSAS 4, "The Effects of Changes in Foreign Exchange Rates," but is of limited regional, rather than global, relevance. In the view of Staff, it would be most efficient to deal initially with IFRIC Interpretations that have highest relevance to the public sector. Therefore Staff proposes that the IPSASB prioritize the IFRICs and defer work on certain of these that have limited relevance to the public sector..

Appendix A lists the current extant IFRIC/SIC interpretations. In addition, it also identifies the IFRS to which the IFRICs and draft IFRICs primarily relate the other IFRSs and IFRICs referred to in those documents and the IPSASs to which they potentially relate. A full "Rules of the Road" analysis has not yet been carried out as the IPSASB requested that the project start with an analysis of the existing IFRICs and agreement on the proposed approach. Dependent upon decisions made by Members at this meeting, it is proposed that a "Rules of the Road" analysis be carried out on an Interpretation-by-Interpretation basis.

**Action Required**

Members are asked to **consider** the Staff analysis of the relevance of current IFRIC pronouncements and indicate areas where they disagree with this analysis.

**Key Issue 4: Should "Review and Adapt" Apply?**

Currently, implementation of the IFRS convergence component of the IPSASB's Strategy involves a "review and adapt" approach. Following the decision to include an

item on the work plan, IASB standards are evaluated for the existence of public sector issues and, where such issues exist, whether they are sufficiently significant to warrant initiation of a public sector specific project or can be dealt with by “public sectorizing” the IASB document.

The key issue is whether this should also be the approach for IFRICs. It should be noted that in developing the “Rules of the Road” the IPSASB decided that all IASB documents, including Interpretations, should be subject to the “Rules of the Road” analysis.

Paragraphs 9-15 of IPSAS 3 provide IPSASB’s current hierarchy. Paragraphs 12-15 of IPSAS 3 deal with the approach to developing and applying an accounting policy where there is no specific IPSAS. In making the judgment needed to develop and apply such accounting policies, paragraph 15 of IPSAS 3 allows management to consider “the most recent *pronouncements* (Staff emphasis) of other standard setting bodies and accepted public or private sector practices, to the extent that they do not conflict with the requirements and guidance in IPSASs dealing with similar and related issues, and the definition and, recognition and measurement criteria for assets, liabilities, revenue and expenses described in other IPSASs.” Interpretations issued by the IFRIC or the former SIC are given as examples of such *pronouncements*. So, as it stands, the IPSASB hierarchy infers that Interpretations issued by the IASB would be considered.

Therefore, an alternative approach to “review and adapt” is to add a further requirement to either the section of IPSAS 3 highlighted above or through a formal policy statement that, in interpreting IPSASs, entities may consider the Interpretations considered by the IFRIC. In order to assist users the IPSASB might provide a list of IFRIC Interpretations that preparers might wish to consider, together with an indication of the IPSAS to which they primarily relate. Arguably this would be more efficient in terms of both agenda time and staff time and so would be less resource intensive.

Staff does not favour such an approach as it would not evaluate public sector issues and may lead to inappropriate interpretations of IPSASs where there are departures from equivalent IFRSs. However, at a time when the IPSASB has a very full work program a less resource intensive approach has some attraction an alternative to implementation of a “review and adapt” approach involving a full “rules of the road” analysis for each IFRIC Interpretation which primarily relates to an existing IPSAS.

If the IPSASB endorses a “review and adapt” approach to the Interpretations, there would still need to be some discussion as to the best way to achieve this for Interpretations as highlighted in Key Issue 2. For example, for Interpretations related to a new or revised IFRS-converged IPSAS, it would be preferable to conduct the “Rules of the Road” analysis at the same time or as close as possible to the time of the analysis for the related IFRS/IAS. Then, based on the IPSASB’s decision regarding how best to address such Interpretations, the Interpretation would either be incorporated into the IPSAS or issued simultaneously as a separate Interpretation.

However, whether an Interpretation is being reviewed for the purpose of inclusion in a new or revised IPSAS or whether it is being reviewed on its own, Staff is proposing that

the “review and adapt” approach would be applied and therefore that a full “Rules of the Road” analysis would be undertaken for Interpretations.

**Action Required**

Members are asked to **agree** the staff proposal that Interpretations developed and issued by the IPSASB should reflect the “review and adapt” approach and that individual Interpretations should be subject to a full rules of the road analysis either as they are developed as public sector interpretations or for inclusion in a new or revised IPSAS being developed.

**Key Issue 5: Due Process and Authority**

If the IPSASB is to adopt a full “review and adapt” approach for IFRIC Interpretations the Staff view is that such Interpretations should be subject to the same due process and have the same authority as Standards. Currently Exposure Drafts and Standards require an affirmative vote of two-thirds of the voting rights in the Board. The Staff view is that the same approval requirements should apply to Interpretations.

The current requirement in the “Preface to International Public Sector Accounting Standards” is for Exposure Drafts normally to be exposed for a period of at least 4 months. Whilst there might be a rationale for a slightly reduced consultation period, particularly for draft Interpretations where there are no public sector specific issues, many interpretations do deal with complex issues. In the view of Staff, this complexity, and acknowledgement of the interests of non-native English speakers, is sufficient justification for retention of the minimum 4 month exposure period.

Currently, paragraph 28 of IPSAS 1, “Presentation of Financial Statements” states that “An entity whose financial statements comply with International Public Sector Accounting Standards shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with International Public Sector Accounting Standards unless they comply with all the requirements of International Public Sector Accounting Standards.” Staff considers that, if a decision is taken to develop a set of Interpretations based on those developed by the IFRIC, IPSAS 1 needs to be amended to require that an assertion of compliance with IPSASs also includes compliance with Interpretations issued by the IPSASB. This might be done by defining the term “International Public Sector Accounting Standards” in IPSAS 1 to include International Public Sector Accounting Standards and Interpretations. Currently IPSAS 1 does not define the term “International Public Sector Accounting Standards” in the way that IAS 1, “Presentation of Financial Statements” defines the term “International Financial Reporting Standards.”

Currently paragraph 24 of IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors” requires an entity changing an accounting policy on initial application of an IPSAS to apply the change retrospectively, unless there is a specific transitional provision to the contrary. While retrospective application involves higher compliance costs for preparers Staff think that the same approach should be adopted for Interpretations. This would be in line with the IASB approach to IFRIC Interpretations.

Therefore IPSAS 3 should be amended to require retrospective application of IFRIC Interpretations unless there is a transitional provision to the contrary.

**Action Required**

Assuming the ‘review and adapt’ approach is adopted as above, Members are asked to **confirm** that:

- Interpretations should have the same authority as Standards;
- Draft Interpretations should be subject to an exposure period of at least 4 months; and
- IPSAS 1 should be amended to state that the term “International Public Accounting Standards” includes Interpretations issued by the IPSASB; and
- Interpretations will be applied retrospectively in accordance with IPSAS 3 unless there is a contrary transitional provision.

**Key Issue 6: Dealing with Interpretations that have Reference to a Number of IFRSs**

A number of IFRIC Interpretations contain references to a number of IFRSs. For example, IFRIC 5, “Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds” refers to 6 IFRS and a SIC Interpretation as follows:

- IAS 8, “Accounting Policies, Changes in Accounting Estimate and Errors”;
- IAS 27, “Consolidated and Separate Financial Statements”;
- IAS 28, “Investments in Associates”;
- IAS 31, “Interests in Joint Ventures”;
- IAS 37, “Provisions, Contingent Liabilities and Contingent Assets”;
- IAS 39, “Financial Instruments: Recognition and Measurement”;
- SIC 12, “Consolidation-Special Purpose Entities”

Currently IPSASB has equivalents of IAS 8, IAS 27, IAS 28, IAS 31 and IAS 37, but has not issued an IPSAS based on IAS 39 and has obviously not considered SIC 12. An approach needs to be agreed for dealing with references to IFRSs where either the IPSASB has not developed an equivalent IPSAS or where the requirement in the IFRS has not been reflected in the equivalent IPSAS, for example, where a public sector specific reason has warranted a departure. The current approach in IPSASs is to refer to the “relevant international or national accounting Standard dealing with (particular topic)”. Staff proposes that the same approach is taken in developing Interpretations.

It is proposed that where requirements in an IFRS have been changed to which an IFRIC applies this issue is dealt with in the “Rules of the Road’ analysis on a case-by-case basis.

It is also proposed that same approach to drafting the Basis for Conclusion should be applied as for other convergence projects i.e., the Basis for Conclusions should contain the rationale for departures from IFRS but not replicate the Basis for Conclusions in the IFRIC Interpretation.

**Action Required**

Members are asked to **agree** the approach proposed by Staff for dealing with references to IFRSs where either the IPSASB has not developed an equivalent IPSAS or where the requirement in the IFRS has not been reflected in the equivalent IPSAS.

**Key Issue 7: IFRIC Interpretations Relevant to Current Projects**

2 current IFRIC Interpretations deal with one or more of the suite of IASB Standards dealing with financial instruments: IAS 32, IFRS 7 and IAS 39 as follows:

- IFRIC 2, “Members’ Shares in Co-operative Entities and Similar Instruments”;  
and
- IFRIC 9, “Reassessment of Embedded Derivatives”

As noted in Key Issue 2 above, the IPSASB needs to address the issue of Interpretations that relate to current projects to develop new or revised IPSASs. Staff are proposing that when an IFRS convergence project is initiated, any related Interpretations should be considered to assess whether it is feasible to incorporate the guidance within the new IPSAS. The alternate approach would be to issue the Interpretations separately but simultaneously. The goal is to ensure that the full body of existing IASB accounting literature related to a subject matter be addressed at the same time.

There is a strong case for developing Interpretations based on these IFRIC Interpretations in conjunction with the IPSAS equivalents of IAS 32, IFRS 7 and IAS 39 and exposing them for comment as the same time as the EDs of these equivalents. At this point Staff has not considered these IFRICS explicitly due to time constraints. However, given the volume of material related to Financial Instruments it may be more feasible and time effective to issue the Interpretations separately in this case, notwithstanding this is different from the approach being advocated for Intangible Assets. Staff is not yet asking the IPSASB to decide on the approach in this particular case but highlighting that some flexibility in approach may be warranted.

**Action Required**

Members are asked to **agree** the approach proposed by Staff that Interpretations relating to IAS 32, IAS 39 and IFRS 7 should be developed in harmony with the IPSAS Equivalents and either incorporated within the related Exposure Drafts or exposed for comment at the same time .

**IPSASB  
Convergence programme  
IFRIC/SIC Convergence as at May 2008**

**Appendix A**

	<b>Title</b>	<b>Date issued</b>	<b>Relates to IFRS/Also references</b>	<b>Primary applicability to existing IPSAS (if any)</b>	<b>Relates primarily to IPSAS under development</b>	<b>Notes</b>
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	May 2004	<u>IAS 37/ IAS 16</u> IAS1, IAS 8, IAS 23, IAS 36	√ IPSAS 19, “Provisions, Contingent Liabilities and Contingent Assets”/ IPSAS 16, “Property, Plant & Equipment”	X	
IFRIC 2	Members’ Shares in Co-operative Entities and Similar Instruments	November 2004	<u>IAS 32/IAS 39</u>	X	√ Financial Instruments EDs	
IFRIC 4	Determining Whether an Arrangement Contains a Lease	December 2004	<u>IAS 17/IAS 8</u> , IAS 16, IAS 38, IFRIC 12	√ IPSAS 13, “Leases”	X	Staff proposal to deal with as part of further phase of service concessions project
IFRIC 5	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	December 2004	<u>IAS 37/IAS 8</u> , IAS 27, IAS 28. IAS 31, IAS 39, SIC 12	√IPSAS 19 “Provisions, Contingent Liabilities and Contingent Assets	X	

	<b>Title</b>	<b>Date issued</b>	<b>Relates to IFRS/Also references</b>	<b>Primary applicability to existing IPSAS (if any)</b>	<b>Relates primarily to IPSAS under development</b>	<b>Notes</b>
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	September 2005	<u>IAS 37/IAS 8</u>	√IPSAS 19“Provisions, Contingent Liabilities and Contingent Assets”	X	May not be applicable as public sector entities highly unlikely to be active in the manufacture or sale of historical household equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	November 2007	<u>IAS 29/IAS 12</u>	√IPSAS 10, “Financial Reporting in Hyperinflationary Economies”	√Financial Instruments ED	Part of IFRIC 7 deals with treatment of deferred tax items. This section may not be relevant to public sector entities: Consider under Rules of the Road analysis
IFRIC 8	Scope of IFRS 2, “Share-Based Payment”	January 2006	<u>IFRS 2/IAS 8</u>	X	X	No IPSASB equivalent of IFRS 2 and no intention to develop such an equivalent.
IFRIC 9	Reassessment of Embedded Derivatives	March 2006	<u>IAS 39/IFRS 1, IFRS 3</u>	X	√Financial Instruments ED	
IFRIC 10	Interim Financial Reporting and Impairment	July 2006	<u>IAS 34, IAS 36./IAS 39</u>	X	X	No IPSASB equivalent of IAS 34 and no intention to develop such an equivalent.
IFRIC 11	IFRS 2 Group and Treasury Share Transactions	November 2006	<u>IFRS 2, IAS 8, IAS 32</u>	X	X	No IPSASB equivalent of IFRS 2 and no current intention to develop such an equivalent.

	<b>Title</b>	<b>Date issued</b>	<b>Relates to IFRS/Also references</b>	<b>Primary applicability to existing IPSAS (if any)</b>	<b>Relates primarily to IPSAS under development</b>	<b>Notes</b>
IFRIC 12	Service Concession Arrangements	November 2006	<u>IAS 18, IAS 38, IAS 39</u> /IFRS 1, IFRS 7, IAS 8, IAS 11, IAS 16, IAS 17, IAS 20, IAS 23, IAS 32, IAS 36, IAS 37, IFRIC 4, SIC 29	See Note	See Note	Considered in Service Concessions project.
IFRIC 13	Customer Loyalty Programmes	June 2007	<u>IAS 18</u> /IAS 8, IAS 37	√IPSAS 9, “Revenue from Exchange Transactions”	X	Does obliquely relate to IPSAS 9, although unlikely to be an issue for public sector entities that are not GBEs.
IFRIC 14	IAS 19 -The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	July 2007	<u>IAS 19</u> /IAS1, IAS 8, IAS 37	√IPSAS 25, “Employee Benefits”	X	Decided not to incorporate within IPSAS 25 due to “due process” issues.
SIC 7	Introduction of the Euro	December 2003	IAS 21/IAS 1, IAS 8, IAS 10, IAS 21, IAS 27	√IPSAS 4, “the effect of Changes in Foreign Exchange Rates”	X	Only of European regional significance. Although euro was introduced before first IPSASs became effective SIC 7 continues to be relevant for countries joining Economic and Monetary Union.
SIC 10	Government Assistance – No Specific Relation to Operating Activities	July 1998	<u>IAS 20</u> , IAS 8	X	X	Deals narrowly with IAS 20 for which no direct IPSAS equivalent.

	<b>Title</b>	<b>Date issued</b>	<b>Relates to IFRS/Also references</b>	<b>Primary applicability to existing IPSAS (if any)</b>	<b>Relates primarily to IPSAS under development</b>	<b>Notes</b>
SIC 12	Consolidations – Special Purpose Entities	December 1998	<u>IAS 27</u> /IAS 8, IAS 19, IAS 32, IFRS 2	√IPSAS 6, “Consolidated and Separate Financial Interests”	X	Staff proposal to defer and deal with as part of service concessions project.
SIC 13	Jointly Controlled Entities – Non-monetary Contributions by Venturers	December 1998	<u>IAS 31</u> /IAS 8, IAS 16, IAS 18	√IPSAS 8, “Interests in Joint Ventures”	X	
SIC 15	Operating leases – Incentives	December 1998	IAS 17/IAS 1, IAS 8	√IPSAS 13, “Leases”	X	
SIC 21	Income taxes – Recovery of Revalued Non-depreciable Assets	July 2000	<u>IAS 12</u> , IAS 8, IAS 16, IAS 40	X	X	No IPSASB equivalent of IAS 12 and no intention to develop such an equivalent.
SIC 25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	July 2000	<u>IAS 12</u> , IAS 1, IAS 8	X	X	No IPSASB equivalent of IAS 12 and no intention to develop such an equivalent.
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	December 2006	<u>IAS 17</u> , IAS 8, IAS 11, IAS 18, IAS 37, IAS39, IFRS 4	√IPSAS 13, “Leases”	X	
SIC 29	Service Concession Arrangements: Disclosures	December 2001	<u>IAS 1</u> /IAS 16, IAS 17, IAS 37, IAS 38, IFRIC 12	See Note	X	Staff proposal to defer and deal with as part of service concessions project.
SIC 31	Revenue – Barter Transactions Involving Advertising Services	December 2001	<u>IAS 18</u> /IAS 8	√(?)IPSAS 9, “Revenue from Exchange Transactions”	X	Staff preliminary view that of limited applicability outside GBES.

	<b>Title</b>	<b>Date issued</b>	<b>Relates to IFRS/Also references</b>	<b>Primary applicability to existing IPSAS (if any)</b>	<b>Relates primarily to IPSAS under development</b>	<b>Notes</b>
SIC 32	Intangible Assets – Web Site Costs	March 2002	<u>IAS 38</u> , IAS 1, IAS 2, IAS 11, IAS 16, IAS17, IAS 36, IAS 38, IFRS 3	X	√ Intangible Assets	Develop and issue on same time scale as Intangible Assets ED.
IFRIC D21	Real Estate Sales	July 2007 (Comment period expired October 2007)	<u>IAS 18</u> , <u>IAS 11</u> /, IAS 8, IAS 37, IFRIC 13	√IPSAS 9, “Revenue from Exchange Transactions”/ IPSAS 11, “Construction Contracts”	X	Possible implications. Deal with as part of IFRS tracking.
IFRIC D22	Hedges of a Net Investment in a Foreign Operation	July 2007 (Comment period expired October 2007)	<u>IAS 39</u> , IAS 21, IAS 8	X	√ Financial Instruments Recognition & Measurement	Likely implications. Deal with as part of IFRS tracking.
IFRIC D23	Distributions of Non-cash Assets to Owners	January 2008	<u>IAS 1</u> , <u>IAS 37</u> , <u>IFRS 5</u> /Framework, IAS 10, IAS 27	√IPSAS1, “Presentation of Financial Statements”/ IPSAS 19, “Provisions, Contingent Liabilities and Contingent assets”	X	Possible implications. Deal with as part of IASB tracking,
IFRIC D24	Customer Contributions	January 2008	<u>IAS 16</u> , <u>IAS 18</u> /IAS 8, IAS 11, IAS 17, IFRIC 4, IFRIC 12	√IPSAS 17, “Property, Plant and Equipment” IPSAS 9, “Revenue from Exchange Transactions”	X	Possible implications. Deal with as part of IASB tracking.

## **IFRS CONVERGENCE**

### **OBJECTIVE OF THIS SESSION**

- To **identify** International Accounting Standards Board (IASB) projects which will be monitored in detail over the next 12 months and;
- To **identify** projects that already have or are likely to lead to new IFRSs or amendments to existing IFRSs for which there are IPSAS equivalents prior to December 31<sup>st</sup> 2009.

### **AGENDA MATERIAL**

#### **Papers**

4.2A Appendix A: Listing of current IASB projects (excluding the Conceptual Framework)

### **ACTION REQUIRED**

The IPSASB is asked to:

- **Review** the Staff analysis;
- **Agree** the changes already made to IFRS that may need to be reflected in IPSASs; and
- **Agree** the IASB projects which will be monitored in detail.

### **BACKGROUND**

At the Toronto meeting in March 2008 the IPSASB decided to adopt a more pro-active approach to the monitoring of IASB projects. The approach includes:

- Regular attendance at IASB meetings by IPSASB Members and Staff;
- A more pro-active approach to identifying changes in IASB projects under development with an impact on existing IPSASs and/or Exposure Drafts (EDs) under development;
- Responses to selected IASB due process documents; and
- Possible input to the development of selected IASB project teams.

Since the Toronto meeting, parts or all of the April and May IASB Meetings have been attended by Members and Staff (Mike Hathorn, Andreas Bergmann, Ian Carruthers and John Stanford). A further discussion is planned between an IPSASB Staff member and the IFRIC Director of Implementation Activities and other IASB Staff in late June 2008.

### **CURRENT IASB PROJECTS WITH POTENTIAL IMPACT ON IPSASs OR PROJECTS UNDER DEVELOPMENT**

Based on an analysis of the IASB Work Plan for December 2007, updated to reflect developments and changes to timescales since then reflected on the IASB Website, Staff has identified a number of projects with potential implications for IPSASB, i.e., where there is a current IPSAS equivalent of the IFRS which has recently been amended or is under review or there are developments that might have an impact on an IPSASB project

that has been initiated, such as the projects to develop IPSASs on financial instruments and intangible assets.

The IASB projects are discussed below. The Appendix provides further details including the IASB timescales, the IFRSs primarily affected by the project and the IPSAS equivalents that are likely to be affected by changes. The Appendix does not include the Conceptual Framework since the IPSASB is regularly updated on progress on the IASB conceptual framework as part of the IPSASB project. In addition, the Simpkins reports on the implications of developments in the IASB/FASB project for the public benefit sector are posted on the intranet.

The IASB projects are analyzed in the following categories (these categories are consistent with those in the IASB Work Plan, except that Annual Improvements is treated as a separate category in this analysis):

- Short-Term Convergence Projects
- Other Convergence Projects
- Other Major Projects
- Annual Improvements
- Other Amendments to Standards (apart from Annual Improvements)
- Research Agenda

### **Short-Term Convergence Projects**

#### *Introduction*

The projects in this category are intended to eliminate differences between IFRSs and US Generally Accepted Accounting Principles (GAAP). Such projects are limited to those that address differences outside the scope of a major project. In some cases they also address inconsistencies with the current IASB framework and seek to eliminate options in existing IFRS. Of the 7 short-term convergence projects, 4 deal with IFRSs for which there are IPSAS equivalents: Joint Ventures (IPSAS 8, “Interests in Joint Ventures”), Impairment (IPSASs 21, “Impairment of Cash-Generating Assets” and IPSAS 26, “Impairment of Non-Cash-Generating Assets”), Investment Properties (IPSAS 16, “Investment Properties”), and Subsequent Events (IPSAS 14, “Events After the Reporting Date”). Another project deals with research and development; the outcome of this may affect the Intangible Assets project, which is expected to be initiated at the Moscow meeting.

#### *Joint Ventures*

The project on joint ventures is the most advanced of those in this category. An ED was issued in September 2007 with a consultation period that expired in January 2008. Whilst noting that sections of the ED need to be improved, the IASB has reaffirmed the main principles in that ED. The project is therefore likely to result in the issue of a new IFRS in the 4<sup>th</sup> quarter of 2008 that will replace IAS 31, “Interests in Joint Ventures.” It will probably change the approach in IAS 31 by:

- Modifying accounting by shifting the focus to rights and obligations, regardless of the legal form of the arrangement, so as to provide a more realistic reflection of the joint arrangement in the financial reports of the parties involved; and
- Reducing the options currently available by requiring parties to recognize both the individual assets to which they have rights and the liabilities for which they are responsible, even if the joint arrangement operates in a separate legal entity. If the parties only have a right to a share of the outcome of the activities their net interest in the arrangement will be recognized using the equity method. Proportionate consolidation would no longer be permitted.

IPSAS 8 “Interests in Joint Ventures” is primarily drawn from IAS 31. Like the current IAS 31, IPSAS 8 defines proportionate consolidation and allows a venturer to use either proportionate consolidation or the equity method to recognize interests in a jointly controlled entity. Assuming that a new IFRS no longer permits use of proportionate consolidation the IPSASB will need to consider whether there are public sector reasons for retaining proportionate consolidation in IPSAS 8 and evaluate a revised definition of a joint venture. This project has been included on the IPSASB’s work plan under the Updating project.

#### *Other Short-Term Convergence Projects*

The other 3 short-term convergence projects with a potential impact on extant IPSASs are led by the Financial Accounting Standards Board (FASB). They appear less advanced and it seems unlikely that they will result in new or substantially revised IFRSs by the end of December 2009. Any changes to IAS 36, “Impairment of Assets”, particularly those related to fundamental notions such as “recoverability” are likely to have significant implications for IPSAS 21 and IPSAS 26. Similarly any limitation of the measurement options subsequent to recognition in IAS 40, “Investment Property” would have implications for IPSAS 16. Currently IPSAS 16 mirrors IAS 40 in providing an option of either the fair value model or the cost model for measurement subsequent to recognition. In the case of subsequent events the project is no longer on the FASB’s active agenda, although it remains in the IASB work plan.

#### **Staff Proposal**

Staff **proposes** that when the IFRS on Joint Ventures is issued it is subjected to a Rules of the Road analysis with a view to initiating a project to replace or amend IPSAS 8 as highlighted in the work plan.

Staff **proposes** that the short-term convergence projects on Impairment (IPSASs 21 and 26), Investment Properties (IPSAS 16), and Subsequent Events (IPSAS 14) are investigated and monitored in greater detail and progress reported to Members.

#### **Other Convergence Projects**

There are 6 projects in this category. All have a potential impact on the current suite of IPSASs:

- Consolidation
- Fair Value Measurement Guidance
- Revenue Recognition
- Post-Retirement Benefits

- Leases
- Financial Statement Presentation

*Consolidation*

The project on consolidation has been on the IASB's agenda since 2003. The goal of the project is to publish a single IFRS on consolidation to replace IAS 27, "Consolidated and Separate Financial Statements" and SIC-12, "Consolidation – Special Purpose Entities", so that the control criteria within a single IFRS will govern all entities. The project brief notes that there are some tensions between the control model that underpins IAS 27 and the risks and rewards approach that underpins SIC 12.

The project has the following governing principles:

- Consolidation should be driven by the principle of reporting a parent and its subsidiaries as if it were a single economic entity;
- Identifying whether an entity is a subsidiary should be based on the notion of control, i.e., an entity's control of another entity should be used as a proxy for identifying the assets controlled by the first entity. Thus the concept is linked to access to economic benefits, and associated exposure to risks;
- Only one entity can control another entity. In other words, control must be unilateral or non-shared;
- There should be no exemption from consolidation because a subsidiary's operations are dissimilar to that of its controller's or because an entity adopts measurement models different to those of the controller; and
- There should be consistent control criteria and a single comprehensive IFRS.

The Board has tentatively decided that a parent entity has a controlling interest in another entity when it has exclusive rights over that entity's assets and liabilities which give it access to the benefits of those assets and liabilities and the ability to increase, maintain or protect the amount of those benefits. Therefore, to control an entity the potential controller must satisfy three tests:

1. It must have the ability to direct the strategic financing and operating policies of the entity (the 'Power Criterion');
2. It must have the ability to access the benefits flowing from the entity (the 'Benefits Criterion'); and
3. It must be able to use its power so as to increase, maintain or protect the amount of those benefits.

Tentative decisions have also been made in a number of other areas including:

- Power with less than a majority of the voting rights
- Veto rights
- Temporary control
- Derecognition

IPSAS 6, "Consolidated and Separate Financial Statements" is primarily drawn from IAS 27. IPSASB Staff's very preliminary view is that the direction of this project does not suggest that there is likely to be a fundamental change to the principles governing IPSAS 6. However, publication of a new IFRS replacing IAS 27 and SIC 12 would need IPSAS 6 to be reevaluated with a view to amendment or replacement. A Discussion Paper is likely in the second half of 2008. Given that the timing of an ED subsequent to the Discussion Paper has yet to be determined it seems unlikely that a new IFRS will be issued within 3 years.

#### *Fair Value Measurement Guidance*

The IASB website notes that guidance on measuring fair value is dispersed across many IFRSs and that it is not always consistent. Furthermore, the current guidance is incomplete, in that it provides neither a clear measurement objective nor a robust measurement framework. The Board believes this adds unnecessary complexity to IFRSs and contributes to diversity in practice.

Through this project the IASB aims to replace the dispersed fair value measurement guidance in IFRSs with a single source of guidance that would apply whenever an IFRS requires or permits an asset, liability or equity instrument to be measured at fair value. The project aims only to develop a framework for measuring fair value, so will not of itself extend fair value requirements and measurements.

A standard-by standard review has been started by IASB staff to identify current fair value requirements in existing IFRSs. The IASB is planning Roundtables in late 2008 and an Exposure Draft is planned for the first half of 2009. The IASB is also establishing another working group, which will examine the problems of valuing securities in illiquid markets, and has sent out invitations to senior bankers and regulators.

IPSASs with fair value requirements and guidance include IPSAS 9, "Revenue from Exchange Transactions," IPSAS 11, "Construction Contracts," IPSAS 16, "Investment Property," IPSAS 17, "Property, Plant and Equipment" and IPSAS 23, "Revenue from Non-Exchange Transactions (Taxes and Transfers)." The nature of this IASB project means that it will have only an indirect effect on the current suite of IPSASs. There are specific issues related to the determination of fair value in the public sector often related to the specialized nature of assets and IPSASB has a project on fair value in the current work plan.

#### *Revenue Recognition*

This is a joint project between the IASB and the FASB to develop concepts for revenue recognition and a general standard based on those concepts. The general standard would replace the existing standards on revenue recognition IAS 18, "Revenue" and IAS 11, "Construction Contracts", both of which date from 1993 and are amongst the oldest extant IASB pronouncements.

The revenue recognition requirements in IAS 18, "Revenue" focus on the occurrence of critical events rather than changes in assets and liabilities. Some believe that this approach leads to debits and credits that do not meet the definition of assets and liabilities being recognized on the balance sheet. A further practical weakness of IAS 18 is that it gives insufficient guidance on contracts that provide more than one good or service to the

customer. It is unclear when contracts should be divided into components and how much revenue should be attributed to each component. This uncertainty has led to the IFRIC receiving frequent requests for guidance on the application of IAS 18.

In contrast, in the customer consideration approach, the contract rights are measured at the amount of consideration stated in the contract (customer consideration.) This customer consideration amount is then allocated to the individual performance obligations pro rata based on the separate selling prices of each underlying good or service. As a result, at contract inception, the total performance obligations are measured at an amount equal to the customer consideration so that neither a contract asset nor contract liability is recognized. Subsequently, the performance obligations are measured at the amount of the customer consideration allocated to them at contract inception. They are not remeasured, except when the contract is judged to be onerous.

This customer consideration model has been contrasted with the measurement model that is based on the current existence of contractual rights and obligations. This is the amount that the entity would expect to receive or pay to transfer its remaining contractual rights and obligations to a market participant. The measurement model therefore adopts a current exit price approach. Practically, the measurement model can lead to profit arising at contract inception, which is not possible under the customer consideration model. Currently the Board is leaning towards adoption of the customer consideration model and is also of the view that, in at least some cases, performance obligations would need to be remeasured other than when deemed onerous.

The current intention is to issue a Discussion Paper later in 2008. There is no current indication of the likely timing of an ED and IFRS. The potential impact of this project is on IAS 9, "Revenue from Exchange Transactions," which is based on IAS 18 and contains few departures from IAS 18, and on IPSAS 11, "Construction Contracts", which is primarily drawn from IAS 2. IPSAS 11 includes non-commercial contracts within its scope, but otherwise has few departures from IAS 2.

#### *Post-Retirement Benefits*

In March 2008 the IASB published a Discussion Paper as the first step in the Board's project on the accounting for post-employment benefit promises. The Discussion Paper's scope is limited to the following issues:

- (a) The deferred recognition of some gains and losses arising from defined benefit plans;
- (b) Presentation of defined benefit liabilities;
- (c) Accounting for benefits that are based on contributions and a promised return; and
- (d) Accounting for benefit promises with a 'higher of' option.

The Discussion Paper also gave preliminary views. These included:

- Entities should recognize all changes in the value of plan assets and in the post-employment benefit obligation in the financial statements in the Period in which they occur;

- Entities should not divide the return on assets into an expected return and an actuarial gain or loss;
- The definitions of post-employment benefits and defined benefit plans should be revised and renamed “post-employment benefit plans” and “a defined benefit promise” and a new definition of “a defined contribution promise” should be introduced; and
- Entities should recognize unvested past service cost in the period of a plan amendment.

The proposals for new and revised definitions reflects the view that the current IAS 19 does not adequately deal with promises that are related to the accumulation of certain actual or notional contributions and linked to a return on an asset, group of assets or index for example, where an employer makes notional contributions at 5% of an individual’s annual salary and the benefit promise at retirement is a lump sum equal to the notional contributions plus interest compounded at the rate of each year’s return on a specified index.

Current IAS 19 also does not deal adequately with promises that have the characteristics of both defined benefit and defined contributions, so called hybrid plans; for example, where for the first 15 years of service, a lump sum accumulated based on contributions of 8 per cent of salary for each year of service, with a return on the contributions equal to the return on a specified equity index. and for the next 15 years of service, a lump sum equal to 3 per cent of final salary. The Discussion Paper also deals with certain benefit promises with “a higher of option”, for example, a promise that a lump sum is the higher of (a) actual contributions plus interest compounded at the rate of each year’s return on a specified equity index or (b) a lump sum benefit equal to 5 per cent of final salary for each year of service.

The main objective of the definition of contribution-based promises is to separate promises that depend on the return on assets or indices from promises that do not. Promises that entail salary risk for the employer are defined benefit promises. Although this distinction seems clear-cut IPSASB Staff review of some of the examples in the Discussion Paper suggests that identifying salary risk is not as straightforward as it might seem, for example, a promise for an employee to obtain a lump sum at retirement equal to 5 per cent of the career average of the employee’s salary for each year of service would be a defined contribution promise.

For measurement the Discussion Paper distinguishes three separate phases-an accumulation phase where an individual earns service related benefits, a deferment phase where an individual no longer earns service related benefits, but has not yet received benefits and a payment phase where an employer discharges the liability and the employee receives. The measurement attribute proposed for all 3 phases is called “fair value assuming the terms of the benefit do not change”. The Discussion Paper notes that accounting changes for plans currently classified as defined contribution plans will be insignificant if the employing entity pays contributions soon after the period to which they relate. If contributions are not paid for a material period there could be an impact as the Discussion Paper is proposing that the discount rate reflects the time value of money rather than the high quality corporate bond rate in IAS 19.

The Board hopes that a final standard will be issued at the end of the second quarter of 2011. If so the new standard would become effective from 1 January 2013. Achievement of this timescale is dependent upon the Board's deliberations and other factors.

IPSAS 25, "Employee Benefits" is primarily drawn from IAS 19, so changes to IAS 19 are likely to have a potential effect on the definitions in IPSAS 25, the measurement of obligations arising from defined benefit plans and defined contribution promises and the requirements in IPSAS 25 for dealing with actuarial gains and losses and past service costs. The conceptual weakness of the current approach in IAS 19 for dealing with actuarial gains and losses, in particular the "corridor", whereby actuarial gains and losses within pre-determined parameters can be deferred, has been acknowledged for some time. When IPSAS 25 was developed the IPSASB gave consideration to requiring the immediate recognition of actuarial gains and losses, but determined that there was no public sector reason for doing so. IPSAS 25 already requires a discount rate based on the time value of money.

There is a future prospect of a more fundamental revamping of IAS 19. The UK Accounting Standards Board has recently published a Discussion Paper that considers a wider range of issues, including whether the pension liability should reflect projected salary increases. However, it would appear that publication of an IASB Standard with more fundamentally revised requirements for post-employment obligations is at least 7-8 years remote.

#### *Leases*

The conceptual weaknesses in IAS 17, "Leases", in particular the bright line distinguishing operating and finance leasing and the different accounting requirements that ensue dependent upon how a particular arrangement is classified, have been acknowledged for a considerable time. The objective of the joint IASB-FASB accounting for leases project is to comprehensively reconsider the guidance in both IAS 17 and FASB Statement No. 13, "Accounting for Leases", along with subsequent amendments and interpretations, to ensure that financial statements provide useful, transparent, and complete information about leasing transactions to investors and other users of financial statements. The IASB and FASB pronouncements adopt a similar risks and rewards approach.

IPSAS 13, "Leases" is primarily drawn from IAS 17 and has very few departures from IAS 17. A new IFRS which fundamentally alters the requirements for leasing world likely make IPSAS 17 obsolete. However, the next milestone for the IASB-FASB project is a Discussion Paper in 2009, so issuance of a new IFRS is probably at least 3-4 years away.

#### *Financial Statement Presentation*

In April 2004 the IASB and FASB started a joint project on financial statement presentation that combined their projects on performance reporting. The objective of that project is to establish a common standard on how to present financial statements.

Phase A culminated in approval and publication of a revised version of IAS 1 "Presentation of Financial Statements" in September 2007. The most significant feature of

the revised IAS 1 is that entities are required to present a statement or statements of comprehensive income that include all non-owner changes in equity. Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

The second phase of that project addresses fundamental issues of presentation, including:

- Developing principles for aggregating and disaggregating information in each financial statement;
- Defining the totals and subtotals that entities should present in each financial statement (which might include categories such as business and financing);
- Deciding whether entities should recycle components of other comprehensive income/other recognized income and expense to profit or loss and, if so, the characteristics of the transactions and other events and circumstances whose amounts should be recycled, and when recycling should occur; and
- Reviewing the requirements for statements of cash flows, including whether to require the use of the direct or indirect method of computing cash flow from operations.

A Discussion Paper for that second phase is expected to be published later in 2008. IPSAS 1, “Financial Statement Presentation” is primarily drawn from the 2003 version of IAS 1. It therefore does not reflect the current IAS 1 requirement for a statement or statements of comprehensive income.

#### **Staff Proposal**

Staff **proposes** that the projects in this category are monitored and a decision made whether to respond to Discussion Papers and EDs on a case-by-case basis.

#### **Other Major Projects**

##### *Introduction*

Of the 6 active projects in this category the most significant from an IPSASB perspective is Liabilities, which primarily affects IAS 37, “Provisions, Contingent Liabilities and Contingent Assets” with consequential amendments to the sections of IAS 19, “Employee Benefits” dealing with termination benefits. The projects are:

- Liabilities
- Management Commentary
- Common Control Transactions
- Small and Medium-Sized Entities
- Insurance Contracts
- Emission Trading Schemes

*Liabilities*

The original aim of this project was to eliminate, as far as possible, the differences in the recognition of liabilities for restructuring costs under IFRSs and US GAAP. However the scope of the project has been broadened and includes a range of key issues, including the elimination of the term “contingent liability”, the replacement of the term “provision” by “non-financial liability”, the robustness of the probability recognition criterion and its relationship to measurement requirements, clarity in the measurement objective and the definition, and treatment, of stand-alone obligations. The issue of stand-alone obligations is relevant to the elements component of the second phase of the IPSASB’s conceptual framework project.

From an IPSASB perspective this project potentially has a major impact on IPSAS 19, “Provisions, Contingent Liabilities and Contingent Assets” which is drawn primarily from IAS 37 and also on the approach to the recognition and measurement of liabilities arising from governmental social policy obligations. Although the IPSASB has not issued proposed requirements on the recognition and measurement of social benefits its deliberations on this issue over the 2005-2008 period were based on a model derived from IPSAS 19.

The IASB issued an Exposure Draft in 2005, followed by Roundtables in 2006. The IASB is continuing to redeliberate issues raised by respondents, although there is no indication that there will be major departures from the principles in the ED. An IFRS is projected for the second half of 2009. The intention to remove the probability recognition criterion from the definition of a provision seems more or less settled. The revised version of IFRS 3, “Business Combinations,” which was issued in January 2008, misapplies IAS 37 in determining the recognition of a contingent liability by the acquirer in a business combination.

The potential changes to IAS 19, “Employee Benefits” relate to the definition of termination benefits, the distinction between termination benefits and post-employment benefits and the recognition of voluntary and involuntary benefits. The IASB has been redeliberating on a number of these issues and has made a number of tentative decisions related to the definition of a voluntary termination benefit and the crystallization of obligations and the recognition of liabilities. IPSAS 25, “Employee Benefits” is primarily drawn from IAS 19 and changes to the Termination Benefits section of IAS 19 would necessitate an evaluation of those changes with a view to amending IPSAS 25.

*Common Control Transactions*

The project on common control was only placed on the IASB’s active agenda late in 2007. The project will examine the definition of common control and the methods of accounting for business combinations under common control in the acquirer’s consolidated and separate financial statements. The project will also consider the accounting for demergers, such as the spin-off of a subsidiary or business. This project is relevant to the IPSASB’s project on entity combinations, although the IPSASB Staff tentative intention is to segregate the treatment of common control from the core consideration of the public sector applicability of IFRS 3, “Business Combinations”. There is an issue whether the IPSASB might consider requesting membership or observer status on a working group, should the IASB decided to establish one.

*Management Commentary*

The project on Management Commentary was also added to the IASB's active agenda in late 2007 and a project manager appointed to lead the day-to-day aspects. The aim of the project is to develop non-mandatory guidance. The Discussion Paper developed by a number of national standard-setters and issued by the IASB in 2005 is a firm starting point for the development of such guidance. This paper was considered in the project brief that the IPSASB approved in March 2008 when IPSDASB decided to activate its own project early in 2009.

*Other Projects*

3 of the projects in this category currently have no direct relevance to the current suite of IPSASs or to projects in the current 2008-2010 Work Plan (Small and Medium Sized Entities (SMEs), Insurance Contracts and Emission Trading Schemes). However, the possibility of developing an IPSAS for public sector SMEs has been discussed and additionally, in some areas, it has been suggested that requirements in the current IFRS for SMEs should be evaluated when developing current projects. An IFRS for SMEs is due in the fourth quarter of 2008. It has also been suggested that emission trading is a subject of increasing topicality that the IPSASB might address at a future point. However, for the present Staff suggest that only a distant watching brief is taken to these projects

**Staff Proposals**

Staff **proposes** that the Liabilities project is monitored with a view to carrying out a Rules of the Road analysis for a project to replace IPSAS 19 with a new IPSAS based on the IFRS projected to be issued in the second half of 2009.

Staff **proposes** that the Liabilities project is monitored with a view to carrying out a Rules of the Road analysis for a project to amend the Termination Benefit sections of IPSAS 25 based on the IFRS projected to be issued in the second half of 2009.

Staff **proposes** that in the event of the IASB deciding to establish a working group on common control consideration is given to nominating an IPSASB member.

Staff **proposes** that the IASB's Management Commentary is closely monitored, so that changes in approach from the 2005 Discussion Paper are identified and evaluated from a public sector perspective.

**Annual Improvements**

The IASB adopted a new and streamlined approach for dealing with annual improvements in 2007. Currently, the IASB website informally defines annual improvements as non-urgent, but necessary, minor amendments to IFRSs.

The first omnibus ED was issued in October 2007. Improvements were proposed to 25 IFRSs. Some of these proposed improvements were not progressed following comments from respondents and Board deliberations. The Board concluded its deliberations at its May meeting and a near final draft of changes was made available in late May to IFRS electronic subscribers. The changes are listed in two categories: Part I amendments are those that result in accounting changes for presentation, recognition or measurement. Part

II amendments relate to terminology and editorial changes with minimal impact on accounting. A list of IPSASs and other projects potentially affected is shown at Appendix A with an indication of which Part they fall into.

The IASB has also reconsidered the approach to the improvements process as a result of comments made by respondents. These included views that the process is too complex with too much detail in one ED, and that some of the proposed amendments dealt with complex issues that introduce new requirements and were inappropriate for the ED. Conversely, some respondents considered that some changes really involved minor editorials, which did not really need to be exposed.

While acknowledging the validity of some of these points the IASB has substantially endorsed the existing process, in particular the issuance of an omnibus publication of proposed amendments. The IASB has also pointed out that future improvements EDs are unlikely to include the same number of proposed amendments, which should make the process more straightforward for constituents. The next omnibus ED is projected to be issued in August 2008.

The IASB has also agreed that as soon as the final text of an individual proposed amendment is available it will be posted on the public website, including any dissenting views. This would potentially enable the IPSASB to consider the impact of specific improvements as soon as they are issued on the IFAC website rather than awaiting the issuance of the IASB ED and deliberation of responses to that ED by the IASB. However, such an approach would require the Improvements to be a standing item on the agenda. It also runs the risk that the IPSASB will expose proposed amendments that are subsequently deleted or amended by the IASB. However, it would undoubtedly lead to IPSASs being “up-to-date” with IFRS at an earlier point. On balance Staff thinks that Improvements are best handled on an annual retrospective basis.

#### **Staff Proposal**

Staff **proposes** that the Annual Improvements adopted by the IASB and with a potential impact on current IPSASs should be subjected to a Rules of the Road analysis in October 2008 together with any other relevant improvements that are publicly available at the end of July 2008. After that an annual basis should be adopted in which improvements issued over the preceding 12 months will be dealt with.

#### **Other Amendments to Standards (apart from Annual Improvements)**

2 of the 7 projects in this category affect existing IPSASs, while a further 2 affect the Financial Instruments project. The remaining 3 projects deal with issues related to earnings per share and share-based payments and are not relevant to current IPSASs or projects in development of planned. The 4 relevant projects are:

- Cost of an Investment (Amendments to IFRS 1, “First-time Adoption of International Financial Reporting Standards and IAS 27, “Consolidated and Separate Financial Statements”)
- Financial Instruments: Portions
- Financial Instruments : Puttable Instruments
- Related Party Disclosures

*Cost of an Investment (Amendments to IFRS 1 and IAS 27)*

In May 2008 the IASB issued Amendments to IFRS 1, “First-time Adoption of International Financial Reporting Standards” and IAS 27, “Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.” The new requirements will apply for annual periods beginning on 1 January 2009, with earlier application permitted.

The amendments to IFRS 1 allow first-time adopters, in their separate financial statements, to use a deemed cost option for determining the cost (in accordance with paragraph 38(a) of IAS 27) of an investment in a subsidiary, jointly controlled entity or associate. The deemed cost of such an investment shall be its:

- Fair value (determined in accordance with IAS 39 Financial Instruments: Recognition and Measurement) at the entity’s date of transition to IFRSs; or
- The previous GAAP carrying amount at that date.

A first-time adopter may choose either deemed cost option to measure its investment in each subsidiary, jointly controlled entity or associate that it elects to measure using a deemed cost.

The amendments to IAS 27 remove the definition of the ‘cost method’ from paragraph 4 of that standard. Additionally, when an entity reorganizes the structure of its group by establishing a new entity as its parent (subject to specific criteria), the amendments require the new parent to measure cost (for the purpose of paragraph 38(a) of IAS 27) as the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the reorganization.

IPSASB does not have an equivalent of IFRS 1. IPSAS 6, “Consolidated and Separate Financial Statements” is drawn primarily from IAS 27. Paragraph 58 of IPSAS 6 parallels paragraph 38 of IAS 27, but departs from IAS 27 principally by permitting the use of the equity method to account for controlled entities in the separate financial statements of controlling entities. However, paragraph 58 (b) does permit investments in, controlled entities, jointly controlled entities and associates to be accounted for at cost. Staff therefore proposes that a change to IPSAS 6 is evaluated to reflect the change to IFRS 1, allowing an entity to use deemed cost as part of the Updating component of IFRS convergence

Paragraph 7 of IPSAS 6 includes a definition of the cost method, which in substance reflects that in IAS 27. In order to converge with the amended IAS 27 it will be necessary to evaluate whether the definition of the cost method and references to that method should be deleted from IPSAS 6.

*Related Party Disclosures*

The project on related parties primarily deals with disclosures for state controlled entities and the definition of related parties. An ED was issued in February 2007. The ED proposed that state-controlled entities should be exempt from the disclosure in IAS 24 on the nature of the related party relationship and information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements. The reasons for this proposal were the

difficulties facing certain state controlled entities in identifying other state controlled entities or entities significantly influence by the state. Cost-benefit reasons have also been cited for this proposal.

The ED also proposed amending and restructuring the definition of a related party and amending the definition of a related party transactions. The revisions to the definition of a related party are for a variety of relationships including those involving associates of the investor, an associate and subsidiary of an investor, the investees of key management personnel and the reporting entity.

The Board noted that the current definition of a related party transaction can be interpreted as requiring an entity to disclose transactions between two of its related parties. Such an interpretation was not the Board's intended meaning – the definition was intended to include only those transactions between the reporting entity and its related parties. Therefore, the Board has proposed amending the wording to “between a reporting entity and a related party.”

The Board expects to complete its discussion of comments on the ED in June 2008, and to issue a final Standard around the end of the third quarter of 2008. At its November 2007 meeting, the Board tentatively decided that the Standard will be effective for periods beginning on or after July 1 2009.

IPSAS 20, “Related Party Disclosures” is primarily drawn from IAS 24, although it departs from IAS 24 in a number of areas. The changes to IAS 24 are unlikely to be fundamental. However, Staff is of the view that the proposals in the ED, if and when adopted in a revised IFRS, would necessitate evaluation of whether changes to the definitions of a related party and a related party transaction and the likely exemption for state controlled entities should be reflected in IPSAS 20. Staff therefore proposes that this IASB project is closely monitored with a view to inserting a limited scope project in the Updating component of the Work Plan.

#### *Financial Instruments*

In February 2008 the IASB issued amendments to improve the accounting for particular types of financial instruments that have characteristics similar to ordinary shares but are at present classified as financial liabilities. Under the limited scope amendments, puttable financial instruments meeting certain conditions and instruments that impose on the entity an obligation to deliver a pro rata share of the net assets of the entity only on liquidation are to be classified as equity.

As public sector entities are unlikely to have their own equity instruments and are rarely, if ever, subject to the risk of liquidation it seems unlikely that these amendments have much public sector resonance. However, the amendments to IAS 32 revise the wording of the definition of a financial asset will therefore have an impact on the project to develop an IPSAS based on IAS 32,”Financial Instruments: Presentation.”

The IASB published for public comment an ED of proposed amendments to IAS 39 *Financial Instruments: Recognition and Measurement* in September 2007. The amendments are intended to clarify what can be designated as a hedged item in a hedge

accounting relationship. The IASB will shortly commence its redeliberations based on the comments received to the ED.

### **Staff Proposal**

Staff **proposes** that:

- The amended IAS 27 is evaluated to determine whether the definition of the cost method and references to that method should be deleted from IPSAS 6.
- The proposed changes to key definitions in IAS 24 and the requirements for state controlled entities are monitored.
- The amendments to IAS 32 on puttable financial instruments are reflected in the project to develop an IPSAS on the presentation of financial instruments primarily drawn from IAS 32.
- The proposed amendments to IAS 39 on hedge accounting are monitored and reflected in the project to develop an IPSAS on the recognition and measurement of financial instruments primarily drawn from IAS 39.

### **Research Agenda**

By definition any impact of the projects in this category will be much longer term than those in the other categories and there is no certainty that projects on the research agenda will actually be placed on the active agenda. Projects currently on the research agenda are:

- Derecognition
- Financial Instruments (replacement of existing standards)
- Intangible Assets
- Liabilities and Equity
- Extractive Activities

#### *Financial Instruments/Liabilities and Equity/Derecognition*

3 of the 5 projects on the current research agenda cover financial instruments. Discussion Papers have recently been issued for the projects on Replacing Existing Standards on Financial Instruments (“Reducing Complexity in Reporting Financial Instruments” and Liabilities (“Financial Instruments with Characteristics of Equity”). A staff Research Report on “Derecognizing Financial Instruments” is also due in 2008. It is understood that the focus will be on financial assets and that the aim will be to improve IAS 39 and the FASB equivalent FAS, SFAS 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities”, as well as to eliminate differences between the two sets of Standards. There is a possibility that the scope of this project might be extended beyond financial instruments at a later date-if so it would potentially have a more pervasive long-term impact on the IPSASB suite of Standards.

#### *Intangible Assets*

The project on intangible assets is being led by staff of the Australian Accounting Standards Board (AASB). The primary focus is whether a broader range of internally-generated intangible items might be recognized. This project might have a longer-term impact on the IPSASB project on intangible assets. A paper on this project was presented

to the March meeting of the National Standard-Setters. This paper is available from IPSASB staff on request, subject to the agreement of AASB staff.

**Staff Proposal**

Staff **proposes** that the items on the IASB's research agenda are monitored with a view to identifying issues that will have an impact on the current suite of IPSASs and projects under development.

Appendix A

Convergence programme  
IASB Active projects excluding conceptual framework: June 2008

Project Title	Relates to IFRS	Timescale in development	Primary applicability to existing IPSAS (if any) or Standard in Development	Notes
<i>Short-term convergence</i>				
Government grants	IAS 23, "Government Grants"	Pending work on liabilities	X	IPSASB has made a decision not to develop a Standard based on IAS 20. IPSAS 23, "Revenue from Non-Exchange Transactions" deals with a number of areas within scope of IAS 20.
Joint Ventures	IAS 31, "Interests in Joint Ventures"	IFRS projected in Q4: 2008	√ IPSAS 8, "Interests in Joint Ventures"	
Impairment	IAS 36, "Impairment"	Project led by Financial Accounting Standards Board. Not as yet clear when ED will be published.	√IPSAS 21, "Impairment of Non-Cash-Generating Assets", IPSAS 26, "Impairment of Cash-Generating Assets", ED, "Intangible Assets"	Any changes, particularly those related to fundamental notions such as "recoverability" are likely to have significant implications for IPSAS 21 and IPSAS 26.
Income Tax	IAS 12, "Income Taxes"	ED Q2 or Q3:2008 IFRS: 2009	X	No IPSASB equivalent of IAS 12 and no intention to develop such an equivalent.
Investment properties	IAS 40, "Investment Properties"	Project led by Financial Accounting Standards Board	√IPSAS 17, "Investment Properties"	Linked to FASB Fair Value Option project.

<b>Project Title</b>	<b>Relates to IFRS</b>	<b>Timescale in development</b>	<b>Primary applicability to existing IPSAS (if any) or Standard in Development</b>	<b>Notes</b>
Research and Development	IAS 38, “Intangible Assets”	Project led by Financial Accounting Standards Board. Not as yet clear when ED will be published.	√ ED, “Intangible Assets”	Purpose of project is to inventorize and examine feasibility of elimination of differences on research and development between IAS 38 and US GAAP.
Subsequent Events	IAS 10, “Events After the Balance Sheet Date”	Project led by Financial Accounting Standards Board. Not as yet clear when ED will be published	√ IPSAS 14, “Events After the Reporting Date”	
<b><i>Other Convergence</i></b>				
Consolidation	IAS 27, “Consolidated and Separate Financial Statements”	Discussion Paper due in Q3: 2008	√ IPSAS 6, “Consolidated and Separate Financial Statements”	.
Fair Value Measurement Guidance	Numerous	Round Table in Q4: 2008	√ Numerous including: IPSAS 17, “Property, Plant & Equipment”, IPSAS 16, “Investment Property”	Aim is to identify requirements for fair value measurement in IFRSs, establish a single source of guidance, enhance clarity and improve disclosures. Of itself this project will not extend fair value requirements.
Financial Statement presentation	IAS 1, “Presentation of Financial Statements”	Discussion Paper: Q3: 2008	√ IPSAS 1, “Presentation of Financial Statements	Fits phase of this projected culminated in publication of a revised IAS 1 in September 2007. IPSASB has not yet considered this revised IAS 1.

<b>Project Title</b>	<b>Relates to IFRS</b>	<b>Timescale in development</b>	<b>Primary applicability to existing IPSAS (if any) or Standard in Development</b>	<b>Notes</b>
Revenue Recognition	IAS 18, "Revenue" & IAS 11, "Construction Contracts"	Discussion Paper Q2: 2008	√ IPSAS 9, "Revenue for Exchange Transactions" & IPSAS 11, "Construction Contracts"	
Post-employment benefits (including pensions)	IAS 19, "Employee Benefits"	IFRS Q4:2008	√IPSAS 25, "Employee Benefits"	Discussion Paper issued in February 2008
Leases	IAS 17, "Leases"	Discussion Paper: 2009 including views of both IASB and FASB	√IPSAS 13, "Leases"	
<b><i>Other projects</i></b>				
Small and medium sized entities	IFRS on Small and Medium Sized Entities	IFRS Q4:2008	X	Development of an IPSAS for Small and Medium Sized Public Sector Entities is not currently in Strategic and Operational Plan, although interest expressed. Interest also expressed on certain treatments in SME.
Insurance contracts	IFRS 4, "Insurance Contracts"	ED: 2009	X	No project on Insurance Contracts in Strategic and Operational Plan.
Liabilities	IAS 37, "Provisions, Contingent Liabilities and Contingent Assets (with consequentials to IAS 19, "Employee Benefits")	IFRS: 2009	√IPSAS 19, "Provisions, Contingent Liabilities and Contingent Assets" (with consequentials to IPSAS 25, "Employee Benefits" & Social Benefits project)	Considerable potential implications for a number of IPSASB Standards and projects.

<b>Project Title</b>	<b>Relates to IFRS</b>	<b>Timescale in development</b>	<b>Primary applicability to existing IPSAS (if any) or Standard in Development</b>	<b>Notes</b>
Emission trading schemes	IAS 38,"Intangible Assets", IAS 39,"Financial Instruments: Recognition & Measurement", IAS 37<"Provisions, Contingent Liabilities, Might culminate in Issuance of new IFRS	To be determined (TBD)	X	No project on Emission Trading Schemes currently in Strategic and Operational Plan.
Common control transactions	Due process document in Q2: 2009	IFRS 3,"Business Combinations" (currently transactions for entities under common control are scoped out of IFRS 3	√Entity Combinations	
Management Commentary	Deliberations to commence in Q2: 2008 Focus likely to be on the development of non-mandatory guidance. Decision to be made on whether an Exposure Draft is necessary	TBD	√Project on Management Commentary	IPSASB approved a project brief on Management Commentary at its March 2008 meeting, but currently does not intend to activate the project until February.

Project Title	Relates to IFRS	Timescale in development	Primary applicability to existing IPSAS (if any) or Standard in Development	Notes
<i>Amendments to standards</i>				
Annual Improvements	IFRS 5, “ Non-current Assets Held for Sale and Discontinued Operations (I) IFRS 7, “ Financial Instruments: Disclosures” (II) IAS 1, “ Presentation of Financial Statements”(II) IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors” (II) IAS 10, “Events after the Reporting Period”(II) IAS 16, “Property, Plant and Equipment” (I) IAS 18, “ Revenue (II) IAS 19, “ Employee Benefits” (I) IAS 20 ,“Accounting for Government Grants and Disclosure of Government Assistance”(I) IAS 23, “Borrowing Costs” (I) IAS 27, “ Consolidated and Separate Financial Statements”(I) IAS 28, “ Investments in Associates”(I) IAS 29, “Financial Reporting in Hyperinflationary Economies”(II) IAS 31, “ Interests in Joint Ventures”(I) IAS 34, “ Interim Financial Reporting”(II) IAS 36, “ Impairment of Assets”(I) IAS 38, “ Intangible Assets” IAS 39, “Financial Instruments: Recognition and Measurement”(I) IAS 40, “Investment Property”(I/II) IAS 41, “Agriculture”(I/II)	IFRS issued in Q2: 2008	√IPSAS 1, “Presentation of Financial Statements ” IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors”, IPSAS 14, “Events After the Reporting Date”, IPSAS 17, “Property, Plant and Equipment”, IPSAS 9, “Revenue from Exchange Transactions”, IPSAS 25, “Employee Benefits”, IPSAS 6, Consolidated and Separate Financial Statements” IPSAS 7, “Investments in Associates” IPSAS 4, “Financial Reporting in Hyperinflationary Economies” IPSAS 8, “Interests in Joint Ventures” IPSAS 21, “Impairment of Cash-Generating Assets” and IPSAS 26, “Impairment of Non-Cash-Generating Assets”  EDs on “Borrowing Costs”, Financial Instruments “Presentation”, “Disclosure” and “Recognition and Measurement”, “Intangible Assets”	Omnibus ED issued in October 2007. Draft of final adopted changes issued on May 22.

<b>Project Title</b>	<b>Relates to IFRS</b>	<b>Timescale in development</b>	<b>Primary applicability to existing IPSAS (if any) or Standard in Development</b>	<b>Notes</b>
Cost of an investment: Amendments to IFRS 1	IFRS 1, "First Time Adoption of IFRSs", IAS 27, "Consolidated and Separate Financial Statements"	IFRS issued in Q2:2008	√IAS6, "Consolidated and Separate Financial Statements"	
Earnings per share: Treasury Stock Method	IAS 33, "Earnings per Share"	ED Q2: 2008	X	No current intention to develop an IPSAS based on IAS 33.
Financial Instruments; portions	IAS 39, "Financial Instruments: Recognition & Measurement"	ED issued in September 2007. IASB are currently redeliberating issues	√EDs on Financial Instruments	
Financial Instruments: puttable instruments	IAS 32, "Financial Instruments: Presentation"	IFRS issued in February 2008	√EDs on Financial Instruments	Reflect change to definition of financial liability in EDs on Financial Instruments.
Related party disclosures	IAS 24, "Related Party Disclosures"	IFRS Q3: 2008	√IPSAS 20, "Related Party disclosures"	Current projection is to activate this IPSASB project in February 2009. The current IPSAS 20 differs significantly from IAS 24.
Share-based payment: group cash settled share-based payment transactions	IFRS 2, "Share-Based Transaction"	IFRS: Date not yet determined	X	No intention to develop an IPSAS based on IFRS 2.
Share-based payment: vesting conditions and cancellations	IFRS 2, "Share-Based Transaction"	Amendments to IFRS 2 issued in January 2008.	X	No intention to develop an IPSAS based on IFRS 2.

<b>Project Title</b>	<b>Relates to IFRS</b>	<b>Timescale in development</b>	<b>Primary applicability to existing IPSAS (if any) or Standard in Development</b>	<b>Notes</b>
<b><i>Research Agenda</i></b>				
Small and Medium-Sized Entities (SMEs)	IFRS SMEs	IFRS Q4: 2008	X	No current intention to develop IPSAS for public sector SMEs, although there has been discussion.
Derecognition	IAS 39, “Financial Instruments: Recognition & Measurement”	Staff report Q2: 2008	√ Project on developing IPSAS equivalents of IAS 32, IFRS 7 and IAS 39	
Financial Instruments: replacement of existing standards	IAS 32, “Presentation of Financial Instruments”, IFRS 7, “Financial Instruments: Disclosure” and IAS 39, “Financial Instruments: Recognition and Measurement”	Discussion Paper on reducing Complexity was issued in Q1: 2008 with a consultation expiry date of September 2008	√ Project on developing IPSAS equivalents of IAS 32, IFRS 7 and IAS 39	Informal Staff soundings suggest that fundamental changes to IAS 32, IFRS 7 and IAS 39 are highly unlikely before 2011 and improbable before 2013.
Liabilities and equity	IAS 32, “Presentation of Financial Instruments”,	Discussion Paper drafted by FASB issued by IASB	√ Project on developing IPSAS equivalents of IAS 32, IFRS 7 and IAS 39	
Extractive activities	IFRS 6, “ Exploration for and Evaluation of Mineral Resources”	Discussion Paper: Q4: 2008	X	No current intention to address extractive industries in Strategic and Operational Plan

**Proposed IPSASB Agenda Schedule 2008-2010**

	<b>Staff</b>	<b>Mar 08</b>	<b>June 08</b>	<b>Oct 08</b>	<b>Feb 09</b>	<b>May 09</b>	<b>Oct 09</b>	<b>Feb 10</b>	<b>May 10</b>	<b>Oct 10</b>
Conceptual Framework Group 1	PS/SF	DI	CP	DI		RR	DI			ED
Conceptual Framework Group 2	SF	DI	DI	DI	DI	CP		RR		ED
Conceptual Framework Group 3	PS/SF			DI	DI	DI	CP		RR	ED
Conceptual Framework Group 4	PS/SF							DI	CP	
Social Benefits- pres & disc	JS			RR	IPSAS					
Social Benefits- rec & meas	JS			RR	Analysis					
Service Concessions/PPPs	BN			RR	ED			RR	IPSAS	
Heritage Assets					Analysis					
Review Cash Basis IPSAS			DI		ED		IPSAS			
Long-term Fiscal Sustainability	JS			DI	CP				ED	
Performance Reporting				PB			DI		CP	
Narrative Reporting	DG	PB			DI	CP		RR	ED	
Financial Instruments – IAS 32/39/IFRS7	MB-A		RofR/DI	ED		RR	IPSAS			
Financial Instruments public sector	MB-A		DI	CP		RR	ED		RR	IPSAS
Rules of the Road	SF			DI			DI			DI
Annual Improvements – October 2007				ED		RR	IPSAS			
Annual Improvements – October 2008							ED		RR	IPSAS
Updating IPSASs- Foreign Exchange	MB-A	IPSAS								
Updating IPSASs-Borrowing Costs	MB-A		ED		RR	IPSAS				
Updating IPSASs - Other	QC			ED		RR	IPSAS			
Entity Combinations	BN		RofR/DI		CP/ED		RR	ED/IPSAS		
Intangible Assets			RofR/PB/ DI	ED		RR	IPSAS			
Agriculture				RofR/PB	ED		RR	IPSAS		
Fair Value				DI			CP/ED		RR	
IFRICs	JS		DI	ED		RR		IPSAS		
IASB Tracking (Parallel Run)	SF/JS		DI	DI	DI	DI	DI	DI	DI	DI
Communications	All	X	X	X	X	X	X	X	X	X
Annual project plan	SF	X			X			X		
Strategic plan	SF	X				X	X			

Key: IPSAS Final Standard, ED Exposure Draft, PB Project Brief, DI Discussion of Issues. RR Review of Responses, CP Consultation Paper ; RofR Rules of the Road

## Running List of Potential Projects

As part of the discussions relating to workplan and IFRS convergence at the March meeting, Staff were asked to develop a “laundry list” of potential projects that would be constantly monitored to determine whether they should be initiated or not. These projects could be IFRS convergence projects or public sector specific projects.

The list below was provided in Toronto and has been updated to reflect the current status of the particular project. Some projects have been added to the workplan for 2008-2010 and where this is the case this has been noted. On a go forward basis those items that are added to the workplan as a result of IPSASB discussions and decisions would be removed from this list since it is intended to track future potential projects. Therefore, those items in the list below that are now on the workplan (see item 4.3) will be removed in the future version of this list.

The list may be populated from a variety of sources including among others constituents informing us of concerns with an existing standard, projects of national standard setters, IASB projects and public sector specific projects.

Project Title	Existing IPSAS	Comments
<b>IASB Workplan</b>		
Government grants	No	Not applicable
Joint ventures	IPSAS 8	Updating project; <i>on workplan</i>
Impairment	IPSASs 21 and 26	recently issued; IASB work in process – no indication to be complete by December 31, 2008
Income tax	No	Low relevance to public sector
Consolidation	IPSAS 6	DP Q3 2008; incomplete at stable platform date; <i>timing post 2009</i>
Fair value	No	ED 2009; but consider opportunity to participate early in process; <i>on workplan 2009</i>
Financial statement presentation	IPSAS 1	DP Q2 2008; incomplete at stable platform date; <i>timing post 2009</i>
Revenue recognition	IPSAS 9	DP Q2 2008; incomplete at stable platform date; <i>timing post 2009</i>
Post-retirement benefits	IPSAS 25	ED planned 2009; new pension accounting standards 2011; IPSAS 25 recently issued; monitor project for future amendments post implementation date; <i>timing post 2009</i>
Leases	IPSAS 13	DP 2009; incomplete at stable platform date; consider relationship to SCAs project; <i>timing post 2009</i>
SME	No	IFRS planned Q4 2008; public sector issues would need significant consideration; Some pressures to address; an issue with respect to public accountable criterion to distinguish these entities and differentiated reporting requirements. <i>IASB tracking.</i>
Insurance contracts	No	ED 2009; incomplete at stable platform date; <i>timing post 2009</i>
Liabilities (IAS 37)	IPSAS 19	IFRS 2009; incomplete at stable platform date; <i>IASB tracking</i>
Emission trading schemes	No	Timing TBD; incomplete at stable platform date; consider tracking/monitoring for early involvement ; <i>timing post 2009</i>

Common control transactions	No	Related to Business Combinations (IFRS 3); no related IPSAS; to be considered in project on Entity Combinations; <i>on workplan(Entity Combinations)</i>
Management commentary	No	On workplan 2009 post CF
Annual improvements	No	IPSASB tracked first Annual Improvements project 2006; <i>on workplan</i>
Cost of an investment (IFRS 1 & IAS 27)	IPSASs 6 & 7	Updating project; <i>on workplan</i>
EPS	No	low relevance to public sector
FI: portions IAS 39	No	FI recognition and measurement to be deferred until 2009 or later; <i>timing post 2009</i>
<b>IASB Project</b>	<b>Existing IPSAS</b>	<b>Comments</b>
FI puttable instruments IAS 32	No	FI recognition and measurement to be deferred until 2009 or later; <i>timing post 2009</i>
Related party disclosures	IPSAS 20	Updating project; <i>on workplan</i>
Share based payments	No	low relevance to public sector
<b>Other IAS/IFRS</b>		
Accounting and reporting by retirement benefit plans	No	Little interest currently demonstrated;
Agriculture	No	<i>On workplan</i>
Entity combinations		large gap in the body of IPSASs; <i>on workplan</i>
Exploration for and evaluation of mineral resources	No	Some call for work; less important relative to other projects; <i>IASB tracking</i>
Financial instruments – R&M	No	<i>On workplan</i>
Intangible assets	No	High applicability to public sector; nature of assets may be unique; IASB has made decision not to revise IAS 38; large gap in body of IPSASs; <i>on workplan</i>
Interim financial reporting	No	Little demonstrated call for work;
Non-current assets held for sale and discontinued operations	No	Little call;
<b>Public sector specific</b>		
Heritage assets	No	On workplan for analysis
Performance reporting	No	On workplan; resources being provided by GASB/CICA
GBEs	No	Raised in the context of conceptual framework; To be considered in October 2008