



**INTERNATIONAL FEDERATION  
OF ACCOUNTANTS**

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**Agenda Item**  
**4**

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**DATE:**            October 14, 2008  
**MEMO TO:**      Members of the IPSASB  
**FROM:**           Stephenie Fox  
**SUBJECT:**      Rules of the Road/IASB Tracking/Workplan

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**OBJECTIVE OF THIS SESSION:**

To discuss proposed amendments to the Guidelines for Modifying IASB Documents (Rules of the Road), to receive an update on IASB projects and to review a revised IPSASB workplan.

**BACKGROUND**

When the IPSASB last discussed the “Rules of the Road” in November 2007 it was agreed that once amendments from the November 2007 meeting were made, a final draft would be posted to the intranet and the staff would commence using this document. The IPSASB agreed to discuss the Rules of the Road in October 2008, including considering whether the document should be posted on the website as a public document.

In addition to feedback from members and TA’s, the document was provided to the IASB and various other interested parties for their feedback. Finally, staff have been accumulating their experiences in applying the document in order to provide feedback at this meeting as to any amendments that may be needed at this stage.

The following agenda papers have been prepared related to this item:

- 4.1      Analysis of issues for Rules of the Road raised by respondents
- 4.2      Full text of responses
- 4.3      Revised Rules of the Road document - markup
- 4.4      Revised workplan

In addition to the rules of the road, the IPSASB will receive an update on various IASB projects as well as a revised workplan to reflect most recent information and plans.

**ACTION REQUESTED**

Approve revised Guidelines for Modifying IASB Documents and agree on whether they should be posted on the internet for public information.

## **ANALYSIS OF ISSUES FOR RULES OF THE ROAD**

### **Overview/Background**

When the IPSASB last discussed the “Rules of the Road” in November 2007 it was agreed that once amendments from the November 2007 meeting were made, a final draft would be posted to the intranet and the staff would commence using this document. The IPSASB agreed to discuss the Rules of the Road in October 2008, including considering whether the document should be posted on the website as a public document.

Members agreed to review the post November 2007 document and provide comments to staff that would be accumulated to be reviewed at the October 2008 meeting. In addition, the document was provided to the IASB and to other selected individuals for their comments and feedback.

Finally, staff have been accumulating their experiences in applying the document in order to provide feedback at this meeting as to any amendments that may be needed at this stage.

Staff have used the Rules of the Road on the following IASB convergence projects:

- MD&A (Narrative Reporting)
- Financial Instruments
- Intangible Assets
- Entity Combinations
- Agriculture

The IPSASB had a preliminary discussion in June 2008 as to their views on how the rules of the road are being applied in practice. Overall there was a general comfort with their application and members agreed that the process is worthwhile and should continue. Some concerns were expressed about redundancies in the agenda papers and analysis and it was agreed that staff would continue to work on making papers crisper and more succinct.

At this meeting the objectives are as follows:

- **Review** comments received on the December 2007 draft of the Rules of the Road and agree any changes required as a result of issues raised;
- **Approve** a revised version of the Guidelines for Modifying IASB Documents (Rules of the Road) ; and
- **Consider** and **decide** whether the final revised version should be posted publicly on the internet.

### **Analysis of Comments**

Agenda paper 4.2 provides all comments received on the rules of the road document. In total there were seven respondents – 5 IPSASB members, 1 staff member and a former IPSAS Chair provided feedback. A number of issues were raised which staff has analyzed.

### **Issue 1 – Rules versus Guidelines**

Three respondents (002, 003, 007) provided some comment about the use of the terms “rules” versus “guidelines”. One respondent (002) thought that the IPSASB expressed a preference for guidelines over rules and suggested that all rules based language be removed. Another respondent (003) did not express a preference for one term over the other but thought the use should be consistent. The last respondent (007) is a former Chair who provided a markup version where he substituted “guidelines” for “rules” in many places.

#### ***Analysis***

Staff has considered these comments and reviewed the minutes from the Beijing meeting as well as notes. While there was some concern expressed in Beijing about the language of “rules”, this was not an overriding concern in the minutes and overall the changes made to the document post-Beijing did not elicit a lot of response.

Staff notes that the intention of these guidelines for modifying IASB documents is to provide a structured process for staff to follow in assessing materials produced by the IASB in order determine whether convergence is appropriate. To this end, staff had used the rules terminology quite purposely to reflect the process that staff should be required to adhere to. In short, staff sees these as the rules they need to follow in order to be able to provide the IPSASB with the guidelines it needs to make decisions. It is acknowledged that in reviewing the analysis that staff prepares on individual topics the IPSASB will apply a level of judgment in making decisions. There is leeway within the current document to allow the IPSASB to exercise this judgment.

Staff has reviewed the proposed suggestions of respondents and does not think that the word “rules” should always be replaced by “guidelines” since staff expect to apply a rigorous process that will allow the IPSASB to use its judgment.

Staff is proposing that in certain areas the language could be modified to some extent to be neither rules nor guidelines focused but rather more neutrally focused. However, overall staff prefers to keep the focus on “rules” in order to ensure that the process for analysis is maintained. Once the analysis is completed by staff it is expected that the IPSASB will use this as a guideline for making decisions on convergence of the standards.

<p><b><i>Staff Recommendation:</i></b> Make some modifications to text but keep focus on “rules” in many areas.</p>
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### **Issue #2 Comments on Step 1**

A number of respondents raised comments on various aspects of step #1. Step 1 is the assessment of whether there are public sector issues that warrant departure.

#### ***a) Accountability***

One respondent (007) expressed concern about having a separate question or rule about accountability after the question about objectives. The respondent thought it dangerous to emphasize accountability other than through the objectives in the framework.

*Analysis*

Staff agrees with the respondent that reviewing the question of whether the objectives of public sector reporting are met should encompass the notion of accountability, since this is a key tenet of the objectives of public sector reporting both in the existing IPSAS Handbook and in the consultation paper on the Conceptual Framework.

Staff had noted this issue also in undertaking the analyses on various topics since applying these two rules as currently stated had created some redundancies in the analyses. Because the accountability question is already wrapped into the objectives question it is inevitable that the response to the two questions will be similar.

**Staff Recommendation:** Remove the second rule of step #1

*b) Cost/Benefit*

Two respondents (006, 007) provided some feedback on the 4<sup>th</sup> rule regarding whether the cost of applying the IFRSs exceeds the benefit. One respondent thought the wording should be amended to incorporate the notion of undue cost or effort rather than the notion of cost/benefit. The other respondent suggested the addition of words to emphasize the public sector context of this test.

*Analysis*

Staff has considered these comments and has not added in the words “in a public sector context” since the rules of the road are applied only in the public sector. Staff thinks that these words are redundant and self-evident.

Staff has added in the notion of undue cost or effort being considered. However, staff notes that this analysis is likely also to be assessed by the IPSASB as part of the due process when reviewing and/or approving a standard.

**Staff recommendation:** Incorporate notion of undue cost or effort.

*c) GBEs*

Two respondents (006, 007) questioned the consolidation of GBEs as an example of a possible factor that might be considered. One disagreed outright while the other expressed confusion about the point

*Analysis*

On reflection staff questions whether this is a factor that should be considered at this step. While there are currently some discussion points around GBEs (see agenda paper 12) the goal of this step is to assess public sector issues to determine if they warrant a departure from IFRSs. Staff does not think that the existence of GBEs would be a factor that would change the decision here. GBEs currently are directed to follow IFRSs. The staff view is that any issues with GBEs would be handled separately through that potential project but that the consolidation of GBEs in whole of government is not a factor in assessing whether there are public sector issues that warrant a departure.

**Staff Recommendation:** Remove consolidation of GBEs as an example of items that would be considered.

***d) Sovereign powers***

One respondent (002) suggested that the fact that a government has sovereign powers might be a factor that would be weighed in assessing whether a public sector difference is warranted.

***Analysis***

Staff note that this list of items is not intended to be all inclusive but rather a listing of items that might be considered in assessing public sector differences. Including something on this list does not mean it will be a factor. Likewise if this was not included on the list it may still be considered in the assessment.

The sovereign nature of many governments is a unique characteristic and therefore it is conceivable that it could lead to a public sector difference. Whether or not that results in a departure for accounting purposes would need to be assessed but staff think that including this as an item for consideration is acceptable given that it is a unique characteristic.

**Staff recommendation:** Add the existence of sovereign powers to the list of items that might be considered in step #1.

**Issue #3 Comments on Step #2**

Three respondents raised substantive comments on aspects of step #2.

***a) Reference to conceptual framework project (paragraph 4)***

Two respondents (001, 007) commented on the material in step 2 provided on the Conceptual Framework project. This was intended to be an example of when an assessment was made that a difference is so significant that a public sector specific project was initiated.

One respondent (001) was concerned that the reference might be perceived to pre-empt the outcome of the consultation paper on the Framework. The second respondent (007) suggested alternate wording that addressed a similar issue and highlighted that differences might be perceived not necessarily actual.

***Analysis***

On reflection staff does not think that this is a useful example to illustrate this point. Firstly, the Conceptual Framework project was initiated before these guidelines were developed. Including this as an example implies that the guidelines were applied to the IASB Framework project which is not the case. Staff also agrees that the rewording could be perceived to pre-empt the outcome of the Consultation Paper. Therefore staff is proposing that this paragraph be removed.

**Staff recommendation:** Remove CF project as an example.

***b) Guidance on significance (paragraph 1)***

One respondent (007) proposed deleting most of the first paragraph of guidance for step 2. The respondent did not provide a specific reason though the first sentence proposed for removal is repetitive of the guidance in the third paragraph.

***Analysis***

Staff have reviewed this guidance and, while are not bothered by it, agree that on review it is not particularly helpful. The respondent suggested the addition of wording regarding uniqueness to the public sector and staff sees this as appropriate. As noted, the guidance in paragraph 3 does address much of the thought in paragraph 1. On balance, staff agrees that removal of these 2 sentences is an improvement

***Staff recommendation:*** Remove last 2 sentences of paragraph 1

**Issue #4 Comments on Step 3**

Two respondents (002, 007) provided feedback on some aspects of step 3. One respondent (002) suggested adding a rule that amendments may be made to the scope of a standard to be consistent with an existing IPSAS. The other respondent (007) proposed deleting the sentence that noted that if a private sector example is deleted it is expected that a comparable public sector example would be added. The respondent did not think this would necessarily be the case

***Analysis***

Staff has reviewed the proposal to add a rule that explicitly states that the scope may be amended. Staff agrees that this type of modification would be allowed but is not persuaded that it needs to be explicitly stated. The first 2 rules should address and allow this modification. On one hand there is likely no problem with adding this explicitly and it may help in terms of clarification. There is likely little down side. On the other hand, in terms of brevity it may not be necessary and may be overstating things.

As far as the suggestion to delete the reference to adding comparable public sector examples, staff has a somewhat similar view to above. Staff does not think deleting this phrase is problematic because the rule opens with the notion of adding public sector examples. So in a way this is self-evident. The point of this rule is to ensure that the examples in the standard are relevant for the public sector.

On balance staff recommends adopting the respondents' suggestions in both cases.

***Staff recommendation:*** Add a rule regarding scope and delete last sentence of current rule vi

**Issue 5 Comments on the flowchart**

Three respondents (001,002,003) provided some feedback on the flowchart at the back of the document. One respondent (001) provided primarily editorial comments. Two respondents (002, 003) thought the feedback loop was incorrect and should be back to step 2 box. One respondent (003) expressed serious reservations about the usefulness of

the flowchart based on a number of concerns and comments that indicated he found the flowchart unclear.

### *Analysis*

The feedback loop on the flowchart was purposely placed after step 2 to indicate this is an iterative process and that there is a continuous analysis of the public sector issues in step 2 to evaluate whether the public sector issues are significant. In order to assess whether a change should be made, it is important first to understand what the difference between the current feedback loop and the proposed loop is. The intent of placing the arrow after step 2 was to indicate that the public sector issues identified and assessed to be insignificant would be analyzed continuously and that, as a result of analysis undertaken, decisions about the significance of certain issues might change. If an issue previously identified as insignificant is reassessed and determined to be significant then the decision could be taken that a public sector specific project will be initiated instead.

Staff has left the loop unchanged at this point but would like members to consider the proposal to change the feedback loop. On consideration staff is not completely clear as to the distinction.

As far as the comments regarding the usefulness of the flowchart, staff is of the view that there is value in the flowchart though clearly it should not be used in isolation. Staff has proposed a number of modifications to address some of the concerns raised but overall continues to believe that the flowchart can be a helpful tool.

<b>Staff recommendation:</b> Consider feedback loop and determine if change required.
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### **Overall Conclusion**

As a result of comments received and the analysis above staff has reviewed the guidelines for modifying IASB documents and is proposing certain editorial changes along with a few substantive changes as highlighted above. Agenda paper 4.3 is a markup of the revised proposed guidelines reflecting these changes. Where changes are more than editorial in nature, staff has cross referenced these to individual responses.

The IPSASB is asked to consider the responses received and the proposals by staff for amendments. Once any changes are agreed, the question of whether the guidelines should be posted on the internet should be considered.

Because Board agenda materials are public the Rules of the Road are already, in effect, a public document. Staff is therefore of the view that posting these for information purposes on the IPSASB website is a good idea and would demonstrate strong commitment to IFRS convergence and to a process that provides discipline to staff and the IPSASB.

<b>Staff Recommendation:</b> Post final agreed version on the internet.
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## **Response List**

- 001 Sutcliffe
- 002 Schollum
- 003 Van schaik
- 004 Neville
- 005 Batten
- 006 Swart
- 007 Mackintosh

Hi Stephenie had a very quick look at this. Seems to be nearly there - bet you will be glad to get this locked in.

A couple of points/refinements you may wish to consider:

1. first page second dot point - is “comprehensively” the right word given IASB will not deal with public sector? Maybe “appropriately” or just “not dealt with in an equivalent or related IFRS or for which...”

2. Step 1 - I wondered whether the phrase “the following rules would be observed:” gave you the right lead in? Do you need something like “the following would be considered:” or “the following would indicate that a departure is justified:”

3. Step 2. I wonder whether the reference to the conceptual framework pre-empts the outcome of the consultative paper - my reading of the IPSASB is that they are not yet ready to give a preliminary view on the users and objectives, rather want to get input. In this context the reference to “fact that the objectives and users... are fundamentally different” seems a bit strong/early. Do you need the last para “For example,...”?

4. Mainly in step 4 (but maybe also check in other steps) - The overall guidance is for modifying IASB documents (eg more than IFRSs) - it seemed to me that in some of these points the focus implies that the convergence is clearly with IFRSs but in some cases it seems to be broader and I am not sure it is always clear - for example:

4.i) refers to an IFRS - it is then clear that this point deals with only IFRSs (was that the intention?)

4.ii) does not refer to an IFRS so may be broader but I think it is intended to apply only to IFRSs? It does raise the issue of whether this is still necessary - are there any IFRSs which still use shall

4.iii) and vii) - are these a IFRS convergence matter or more generally just a style issue for IPSASs whether converging with IFRS or dealing with public sector issues

I wonder whether you need an additional item in 4 to reflect that in some cases initial adoption and transitional provisions may differ to reflect public sector circumstances (and fact that IPSAS does not have the equivalent of an IFRS 1)?

Flow Chart - heading is modifying IASB Documents, but flow chart starts by referring to Project. Flow Chart also includes at step 3 modify IFRIC - two observations 1. Should it be modify “documents” 2. Does this imply that IPSASB may issue IFRIC equivalents? Fine if yes,

but if IPSASB is not yet there I wondered whether the current response to public sector concern about an IFRIC is a separate project rather than modify the IFRIC?

A couple of minor edits - I wasn't sure whether it was intended that roman numerals be

adopted for identifying the rules in some steps (3 and 4) but not others (1) - maybe they have different authority? In some cases there is a reference to IAS/IFRS or IASB standard, but mainly to IFRS - I think you could probably use "IFRS" to cover all?

Hope this is helpful - regards Paul

(Can't avoid External Assistance any longer)

20 December 2007

Memo to: Stephenie Fox (IPSASB Technical Director)  
From: Greg Schollum (IPSASB Member)  
Subject: **GUIDELINES FOR MODIFYING IASB DOCUMENTS**

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Hi Stephenie

I have reviewed the updated version of the 'Rules of the Road' (entitled "Guidelines for modifying IASB documents") and I thought it might be useful if I provided you with my comments now so that you could consider whether or not it may be sensible to further develop the guidelines before the next IPSASB meeting in Toronto.

I offer the following comments for your consideration:

1. Overall, I believe the Guidelines are a significant improvement on the version we discussed on the first day of the IPSASB meeting in Beijing.
2. The flavour is still a bit mixed between 'Guidelines', which I believe the majority of the Board wants to see, and 'Rules', which were the basis of the first version that we considered in Beijing. If the document is entitled "Guidelines for modifying IASB Documents", I think it is important that the flavour of the document supports that title. I would, therefore, suggest that 'rules' based language is removed (e.g. associated with each of the steps "Step #1 Rules" should be just "Step #1").

As we discussed in Beijing, the Board will need to use the Guidelines to exercise judgement in terms of the changes it makes to IASB documents.

3. There is some of the language from earlier versions which needs to be tidied up, in my view, so that the document is internally consistent (e.g. removal of the word "significant" in the first bullet point on page 1).

I attach a marked-up version of the guidelines which include all my suggested changes. As it was a PDF document, I had to handmark changes and then scan the document. (I will separately post you a physical copy).

4. There are other issues which I have flagged in the tracked changes version which I believe warrant further consideration, either prior to or at the next IPSASB meeting, before the Board could feel comfortable that the Guidelines provide a coherent framework.

I think there are sufficient issues identified above to warrant consideration by the Board before the next meeting in Toronto. My preference would be that you (in conjunction with Mike) consider these suggestions and update the Guidelines as you see fit for distribution to the Board for comment before the next meeting. That way we should avoid consuming Board time further developing the Guidelines, and focus on trying to field test them.

I would be happy to elaborate further if that would be helpful. I'm away from my office from 24 December 2007 to 14 January 2008.

Best wishes for the festive season.



Greg Schollum  
IFAC IPSASB Member (New Zealand)

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## Guidelines for Modifying IASB Documents

December 2007



**International Federation  
of Accountants**

December 2007

## GUIDELINES FOR MODIFYING IASB DOCUMENTS

### Introduction

The IPSASB's mission is:

*"To serve the public interest by developing high-quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements."*

This will enhance the quality and transparency of public sector financial reporting by providing better information for public sector financial management and decision making. In pursuit of this objective, the IPSASB supports the convergence of international and national public sector accounting standards and the convergence of accounting and statistical bases of financial reporting where appropriate.

In pursuing its mission the IPSASB develops accrual IPSASs that:

- are converged with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) by adapting them to a public sector context when appropriate. In undertaking that process, the IPSASB ~~attempts~~, wherever possible, ~~to maintain~~<sup>5</sup> the accounting treatment and original text of the IFRSs unless there is a ~~significant~~ public sector issue which warrants a departure; and
- deal with public sector financial reporting issues that are either not comprehensively ~~or appropriately~~ dealt with in existing IFRSs or for which IFRSs have not been developed by the IASB. (IPSAS Handbook, Preface, paragraph 18)

These Guidelines have been developed to assist the IPSASB, <sup>between IFRSs and IPSASs</sup> in identifying public sector <sup>to determine</sup> issues when considering IASB documents for convergence, ~~and assessing whether such public sector~~ issues warrant differences, ~~in accounting treatment~~. To that end the following pages set out the process which will be followed by staff and the <sup>rules</sup> that they will apply within the process. <sub>guidelines</sub>

It is important to note that in applying these Guidelines, professional judgment will be required by the IPSASB in each case. It will be necessary at times to interpret the Guidelines in order to make a decision. In all cases, the reasons for IPSASB decisions will be documented in the related Basis for Conclusions. In addition, an ongoing assessment of the relationship with other IPSASB standards, particularly internal consistency between standards, will be part of the process. Finally, as the IPSASB's conceptual framework develops, all proposed amendments will be considered in the context of the conceptual framework.

The process of assessing IASB documents is continuous and evolutionary. In applying these Guidelines, new information may become available or ongoing analysis may demonstrate that the initial assessment that a project would be addressed as an IFRS convergence project is no longer valid and that a separate public sector project should be initiated.

December 2007

## Step 1: Are there public sector issues that warrant departure?

### Step #1 ~~Rules~~

guidelines

The goal of applying these ~~rules~~ is to assess public sector issues to determine if they warrant a departure in recognition or measurement or in presentation or disclosure.

In determining whether there is a public sector issue that warrants a departure from an IASB document, the following ~~rules would be observed:~~  
will be considered

1. Where applying the international accounting standards/interpretations would mean the objectives of public sector financial reporting would not be met.
2. Where applying the international accounting standards/interpretations would affect the ~~result in a loss of~~ accountability to stakeholders.
3. Where applying the international accounting standards/interpretations would mean the qualitative characteristics of public sector financial reporting would not be met.
4. Where the cost of applying the international accounting standards/interpretations exceeds the benefit.

Items that might be considered include:

affect the above consideration include

- the existence of sovereign powers
- the existence of contributed/donated assets or non-exchange activities;
- the existence of non cash generating activities or assets;
- the existence of social benefits;
- accountability/stewardship differences;
- governance or management structural differences;
- sustainability issues;
- differences related to the structure or control of assets; and
- consolidation of GBEs in whole of government financial statements.

All decisions should be made in the context of considering:

- Consistency with the IPSASB conceptual framework as it develops;
- Internal consistency with existing IPSASs; and
- ~~In~~ consistency with the statistical basis.

If the ~~answer in step 1 as a result of applying the rules is that the~~ <sup>consideration of</sup> public sector issues that warrant a departure, then proceed to step 2. and step 3. <sup>results in</sup>

If the ~~answer is that the~~ public sector issues do not warrant departure then proceed directly to an IPSASB equivalent document where changes are made only to "public sectorize" the language and terminology (see step 4 guidelines).

December 2007

<sup>public sector issues</sup>  
**Step 2: Are the ~~departures~~ so significant that a public sector specific project should be initiated?**

**Step #2 Rules**

<sup>guidelines</sup>  
*The goal of applying these ~~rules~~ is to determine if the public sector issues that warrant a departure from the related IASB document are so significant that a public sector specific project should be initiated.*

<sup>issue</sup>  
In assessing whether a public sector specific project should be initiated, the nature of the public sector issue identified and its significance in the public sector would be considered. If the ~~transaction~~ is of greater materiality or significance than in the private sector, this might lead to the conclusion that a separate public sector project should be undertaken. This would normally be the case if, for example, when assessing the standard as a whole such a determination is made rather than on a requirement by requirement basis within the standard.

These considerations will arise, for example, when a public sector issue is not dealt with at all in an IASB document. In this case it is likely that a separate public sector project will be initiated. As an example, the IPSASB initiated its project on service concession arrangements because the IASB IFRIC dealt only with the operator side of these transactions. The public sector is often involved in such transactions as the grantor. The lack of guidance on such a fundamental issue drove the IPSASB to approve a new project on service concessions arrangements for the public sector.

<sup>adequacy with which it has been dealt with in IFRS</sup>  
In other situations the IASB document may deal with an issue but it may not respond to public sector circumstances. Or, how the issue is dealt with may not be adequate for the public sector. In such situations an assessment of the significance of the issue and the ~~cost/benefit~~ will be important in deciding whether to amend an IASB document or initiate a public sector project.

<sup>specific</sup>  
For example, the IPSASB initiated the conceptual framework project because the fact that the objectives and users of government financial reports are fundamentally different was assessed as significant due to its pervasive effect on the framework as a whole.

<sup>consideration of</sup> <sup>results in</sup>  
*If the ~~answer in~~ step 2 as a result of applying the rules is that the public sector differences are so significant that a public sector specific project should be initiated, a project brief would be prepared for the IPSASB's approval and the project would proceed along the standard setting due process.*

<sup>that</sup> <sup>significant</sup>  
*If the differences are such that they are not so ~~fundamental~~ as to require a separate project but can be addressed within a document converged with IASB, then proceed to step 3.*

December 2007

### Step 3: Modify IASB documents

#### Step #3 ~~Rules~~

guidelines

The goal of applying these ~~rules~~ is to set parameters on the modifications that would be made to an IASB document to address public sector differences.

When a decision has been made <sup>to address</sup> that public sector issues that warrant departure can be addressed within a converged IASB document with some modification, it is important to establish parameters for the extent of modification ~~allowed~~. Modifications should be made ~~only as they relate to~~ the specific public sector issue that provoked the amendment. The following ~~rules~~ <sup>guidelines</sup> apply in determining the modifications that would be made:

- i) Recognition and measurement requirements may be modified ~~only~~ if doing so will result in the objectives of public sector financial reporting being better met.
- ii) Where appropriate, deletions from, or other amendments to, an IASB standard will be replaced by an alternative that achieves the objective of ~~the deleted requirement~~ public sector financial reporting.
- iii) Amendments would occur to eliminate options in accounting treatments if one option is clearly inappropriate for the public sector. Likewise, options in accounting treatments may be added ~~but only~~ if doing so will result in the objectives of public sector financial reporting being better met.
- iv) Guidance may be added that provides public sector context. <sup>may be modified where</sup>
- v) ~~It is expected that IFRS disclosures would be minimum disclosures unless~~
  - a) they relate to recognition and measurement requirements that have been deleted in accordance with i) above or <sup>b)</sup> a cost/benefit analysis indicates that deleting some disclosures would be appropriate for the public sector. Disclosure requirements may be added in order to better meet the objectives of public sector reporting. <sup>or adding other disclosures</sup>
  - vi) Public sector examples may be added. Examples would be deleted if they are clearly inappropriate or inapplicable for the public sector. If examples are deleted it is expected that comparable public sector examples would be added.
  - vii) Amendments may be made to the scope of the standard to be consistent with existing IPSASs

Having amended the IFRS as necessary, proceed to Step 4.

December 2007

Make IPSAS style and terminology changes to

**Step 4: Issue IPSAS converged (to varying degrees) with IASB documents**

**Step #4 Rules**

guidelines

*The goal of applying these rules is to identify changes in style and terminology that are to be applied to all IPSASs.*

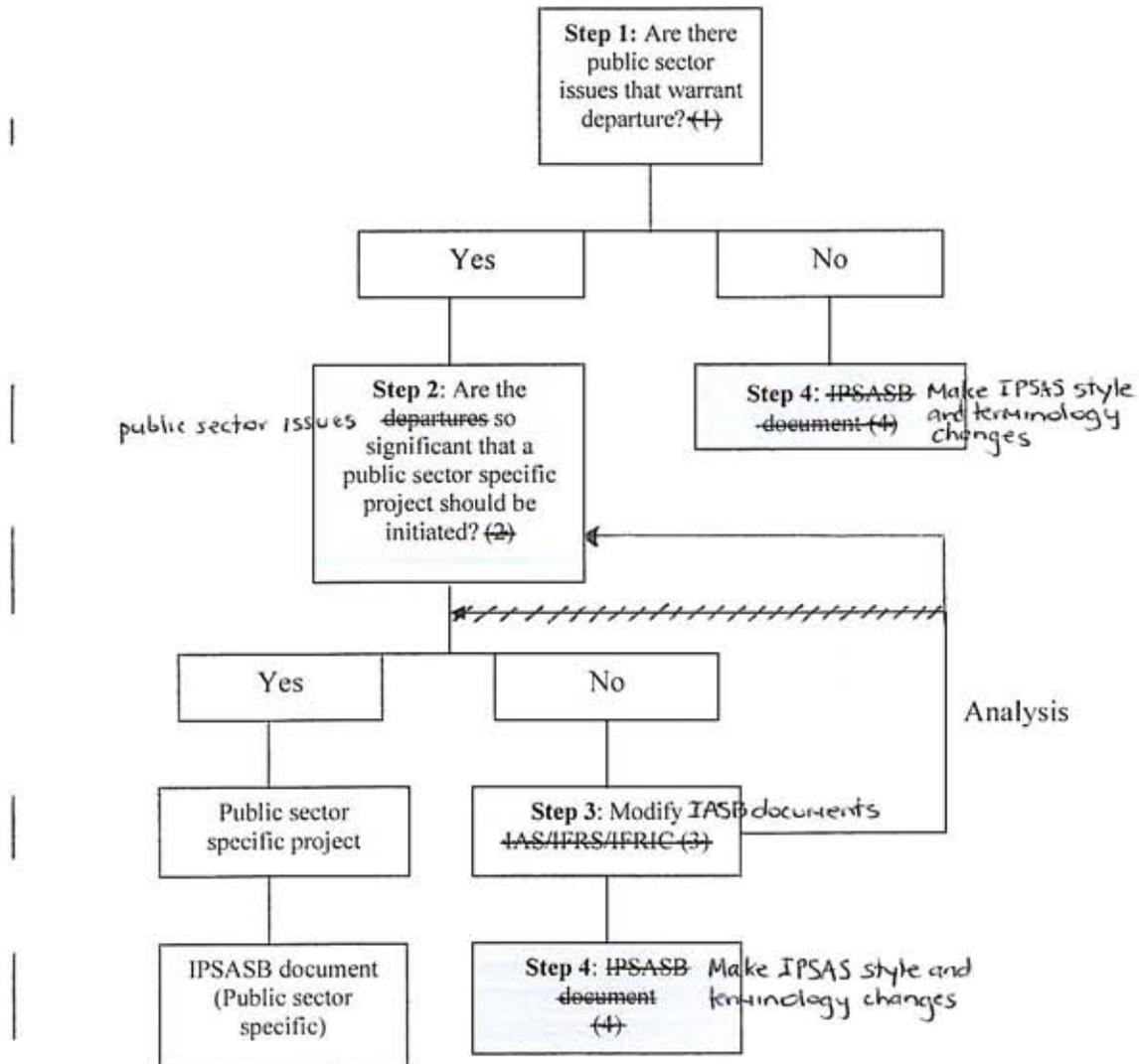
In all cases, when an IPSASB document is converged with a related IASB document, changes will be made to the style and structure for preparing or modifying the related IPSASB document. In that context, amendments will be limited and would result after applying the following rules/guidelines:

- i) The text and style of the IFRSs will be maintained as much as possible. Where changes in style are made it is expected that these would simplify or clarify the document, and that these would be consistent with the prescribed style for IPSASs. from a public sector perspective
- ii) The word “shall” <sup>will be</sup> rather than “should” <sup>will be</sup> is used.
- iii) A boxed rubric ~~is~~ included at the front of each IPSAS. The rubric identifies the material that constitutes the IPSAS, and the documents that provide the context in which the IPSAS should be read.
- iv) Unnecessary definitions in certain IFRSs will be deleted.
- v) References to IAS/IFRS for which an equivalent IPSAS has not been issued will be replaced with “the relevant international or national accounting standard dealing with [specific topic]”.
- vi) Certain terminology changes will be made to better reflect the public sector scope of the documents. For example, “business” will be replaced with “entity”. will
- vii) Appendices ~~form~~ part of an IPSAS to which they belong.
- viii) Amendments to Other Pronouncements will be included as an appendix to the IPSAS. The appendix identifies amendments to other IPSASs that arise as a consequence of updating the IPSAS. Certain non-authoritative Appendices (such as Illustrative Examples) will be relabeled as Implementation Guidance, which accompanies but does not form part of an IPSAS.
- ix) Each IPSAS will include a Basis for Conclusions. The Basis for Conclusions accompanies but does not form part of an IPSAS. The Basis for Conclusion will focus on the modifications to the IASB document. Specifically, the Basis for Conclusions will include a detailed description of the public sector issue, the rationale for allowing a departure from the related IASB document and the implications of the changes being made.

December 2007

### Guidelines for Modifying IASB Documents

#### IASB PROJECT



December 2007

**Guidelines for Modifying IASB Documents.**

**Comments Frans van Schaik Thomas van Tiel 28 January 2008**

1. We question whether a flow chart is the best way to visualize a rather complex and non-linear thinking process. This is illustrated by some of the comments below. Alternatively we suggest including a summary of the questions in step 1-4 and a clarification that these questions must be reevaluated along the way (iterative process).
2. Different words refer to apparently the same thing:
  - a. last page: “IASB Documents” versus “IAS/IFRS/IFRC”
  - b. rules and guidelines
3. Please insert page numbers
4. The 4 ‘rules’ in paragraph Step 1 are not exactly rules. We suggest using a different word, e.g. factors.
5. Reference is made to a “separate public sector project” (e.g. in Step 2). It would be helpful to explain in a few words what constitutes a separate public sector project.
6. The flowchart remains unclear:
  - a. What do the words “IASB Project” mean (second line from the top)? Is this the trigger? If so, than this should be clarified.
  - b. Consistency: all activities are represented by a rectangular box, except for Analysis
  - c. Our documents usually do not feature colors. But when using colors: add a legend (what is the difference between a yellow and a green box?)
  - d. The arrow from Analysis should probably aim at the box Step 2. We think there should also be an arrow from Analysis to Step 1, because it is possible that during the process the analysis leads to the conclusion that the answer to the question in Step 1 should have been ‘no’.
  - e. Step 3 in the flow chart has 2 outgoing arrows. It is not clear which arrow should be followed.
  - f. We suggest adding the word ‘continued’ in the box Step 2 (‘Are the departures so significant that a public sector specific project should be initiated or *continued*?’).
  - g. Do not give different boxes the same number.
  - h. The numbers between brackets in the boxes 1-4 are superfluous.
  - i. Step 4 (at the bottom). This IPSASB document is modified, so it is public sector specific. However the box does not say so, while the bottom box at the left hand side does say Public sector specific. The flow chart is also unclear about the fundamental difference between the documents that result from Step 4 and the documents that result from a public sector specific project.
  - j. Two boxes are numbered Step 4. I think they should get different numbers. Does the last page of the text refer to both boxes Step 4?

Good morning Stephenie - Sorry for the delay in responding.

I have reviewed the latest version of the " Rules of the Road " and concur with what has been proposed. It includes the changes we discussed in Beijing. Thank you very much. Rick

**International  
Public Sector  
Accounting  
Standards  
Board**

*International Public Sector Accounting Standards  
Board*

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Guidelines for Modifying IASB Documents

December January 2007/2008



**International Federation  
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## GUIDELINES FOR MODIFYING IASB DOCUMENTS

### Introduction

The IPSASB's mission is:

*"To serve the public interest by developing high-quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements."*

This will enhance the quality and transparency of public sector financial reporting by providing better information for public sector financial management and decision making. In pursuit of this objective, the IPSASB supports the convergence of international and national public sector accounting standards and the convergence of accounting and statistical bases of financial reporting where appropriate.

In pursuing its mission the IPSASB develops accrual IPSASs that:

- are converged with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) by adapting them to a public sector context when appropriate. In undertaking that process, the IPSASB ~~attempts~~, wherever possible, ~~to maintain~~ the accounting treatment and original text of the IFRSs unless there is a significant public sector issue which warrants a departure; and
- deal with public sector financial reporting issues that are either not comprehensively or appropriately dealt with in existing IFRSs or for which IFRSs have not been developed by the IASB. (*IPSAS Handbook, Preface, paragraph 18*)

These Guidelines have been developed to assist the IPSASB ~~in identifying public sector issues~~ when considering IASB documents for convergence ~~and assessing to determine~~ whether ~~such public sector~~ issues warrant differences ~~in accounting treatment between the IASB document and the related IPSASB document~~. To that end the following pages set out the process which will be followed by staff, ~~and the rules that they will apply within the process~~.

It is important to note that in applying these Guidelines, professional judgment will be required by the IPSASB in each case. It will be necessary at times to interpret the Guidelines in order to make a decision. In all cases, the reasons for IPSASB decisions will be documented in the related Basis for Conclusions. In addition, an ongoing assessment of the relationship with other IPSASB standards, particularly consistency between standards, will be part of the process. Finally, as conceptual framework develops, all proposed amendments will be considered in the context of the conceptual framework.

The process of assessing IASB documents is continuous and evolves. In applying these Guidelines, new information may become available or ongoing developments may demonstrate that the initial assessment that a project would be addressed as a convergence project is no longer valid and that a separate public sector project should be initiated.

### Step 1: Are there public sector issues that warrant departure?

#### Step #1 Rules

*The goal of applying these rules is to assess public sector issues to determine if they warrant a departure in recognition or measurement or in presentation or disclosure.*

In determining whether there is a public sector issue that warrants a departure from an IASB document, the following ~~rules~~ would be ~~observed~~ considered:

1. Where applying the international accounting standards/interpretations would mean the objectives of public sector financial reporting would not be met. ✓
2. Where applying the international accounting standards/interpretations would ~~result in a loss of~~ affect the accountability to stakeholders. ✓
3. Where applying the international accounting standards/interpretations would mean the qualitative characteristics of public sector financial reporting would not be met. ✓
4. Where the cost of applying the international accounting standards/interpretations exceeds the benefit. ✓

All decisions should be made in the context of considering:

- Consistency with the IPSASB conceptual framework as it develops;
- Internal consistency with existing IPSASs; and
- Consistency with the statistical bases.

Items that might affect the above consideration ~~be considered~~ include:

- the existence of sovereign powers; ✓
- the existence of contributed/donated assets or non-exchange activities; ✓
- the existence of non cash generating activities or assets; ✓
- the existence of social benefits; ✓
- accountability/stewardship differences; ✓
- governance or management structural differences; ✓
- sustainability issues; ✓
- differences related to the structure or control of assets; and ✓
- consolidation of GBEs in whole of government financial statements. ✓

~~All decisions should be made in the context of considering:~~

~~Consistency with the IPSASB conceptual framework as it develops;  
Internal consistency with existing IPSASs; and  
Inconsistency with the statistical basis.~~

~~If the answer in consideration of step 1 as a result of applying the rules is that there results in public sector issues that warrant a departure, then proceed to step 2.~~

*If the ~~answer is that the public sector issues do not warrant departure~~ then proceed directly to an IPSASB equivalent document where changes are made only to “public sectorize” the language and terminology (see step 4 guidelines).* ✓

**Step 2: Are the ~~departures~~ public sector issues so significant that a public sector specific project should be initiated?**

**Step #2 Rules**

*The goal of applying these rules is to determine if the public sector issues that warrant a departure from the related IASB document are so significant that a public sector specific project should be initiated.*

In assessing whether a public sector specific project should be initiated, the nature of the public sector issue identified and its significance in the public sector would be considered. If the ~~transaction issue~~ is of greater materiality or significance than in the private sector, this might lead to the conclusion that a separate public sector project should be undertaken. This would normally be the case if, for example, when assessing the standard as a whole such a determination is made rather than on a requirement by requirement basis within the standard.

These considerations will arise, for example, when a public sector issue is not dealt with at all in an IASB document. In this case it is likely that a separate public sector project will be initiated. As an example, the IPSASB initiated its project on service concession arrangements because the IASB IFRIC dealt only with the operator side of these transactions. The public sector is often involved in such transactions as the grantor. The lack of guidance on such a fundamental issue drove the IPSASB to approve a new project on service concessions arrangements for the public sector.

In other situations the IASB document may deal with an issue but it may not respond to public sector circumstances. Or, how the issue is dealt with may not be adequate for the public sector. In such situations an assessment of the significance of the issue and the adequacy with which it has been dealt with in the IASB document ~~cost/benefit~~ will be important in deciding whether to amend an IASB document or initiate a public sector project.

~~For example, the IPSASB initiated the conceptual framework project because the fact that the objectives and users of government financial reports are fundamentally different was assessed as significant due to its pervasive effect on the framework as a whole.~~

*If the ~~answer in step~~ <sup>step</sup> consideration of 2 as a result of applying the rules is that the results in public sector differences that are so significant that a public sector specific project should be initiated, a project brief would be prepared for the IPSASB's approval and the project would proceed along the standard setting due process.*

*If the differences are such that they are not so fundamental significant as to require a separate project but can be addressed within a document converged with IASB, then proceed to step 3.*

### Step 3: Modify IASB documents

#### Step #3 Rules

*The goal of applying these rules is to set parameters on the modifications that would be made to an IASB document to address public sector differences.*

When a decision has been made that public sector issues that warrant departure can be addressed within a converged IASB document with some modification, it is important to establish parameters for the extent of modification allowed. Modifications should be made only as they relate to address the specific public sector issue that provoked the amendment. The following rules apply in determining the modifications that would be made, the following would be considered:

- i) Recognition and measurement requirements may be modified ~~only~~ if doing so will result in the objectives of public sector financial reporting being better met. ✓
- ii) Where appropriate, deletions from, or other amendments to, an IASB standard will be replaced by an alternative that achieves the objective of ~~the deleted requirement~~ public sector financial reporting. ✓
- iii) Amendments would occur to eliminate options in accounting treatments if one option is clearly inappropriate for the public sector. Likewise, options in accounting treatments may be added ~~but only~~ if doing so will result in the objectives of public sector financial reporting being better met. ✓
- iv) Guidance may be added that provides public sector context. ✓
- v) ~~It is expected that IFRS disclosures would be minimum disclosures unless~~ may be modified where a) they relate to recognition and measurement requirements that have been deleted in accordance with i) above or b) a cost/benefit analysis indicates that deleting some disclosures or adding other disclosures would be appropriate for the public sector. Disclosure requirements may be added in order to better meet the objectives of public sector reporting. ✓
- vi) Public sector examples may be added. Examples would be deleted if they are clearly inappropriate or inapplicable for the public sector. If examples are deleted it is expected that comparable public sector examples would be added. ✓
- vii) Amendments may be made to the scope to be consistent with existing IPSASs. ✓
- viii)

Having amended the IASB document as necessary, proceed to step 4.

**Step 4: Issue-Make IPSAS style and terminology changes to converged  
(to varying degrees) with IASB documents** ✓

**Step #4 Rules**

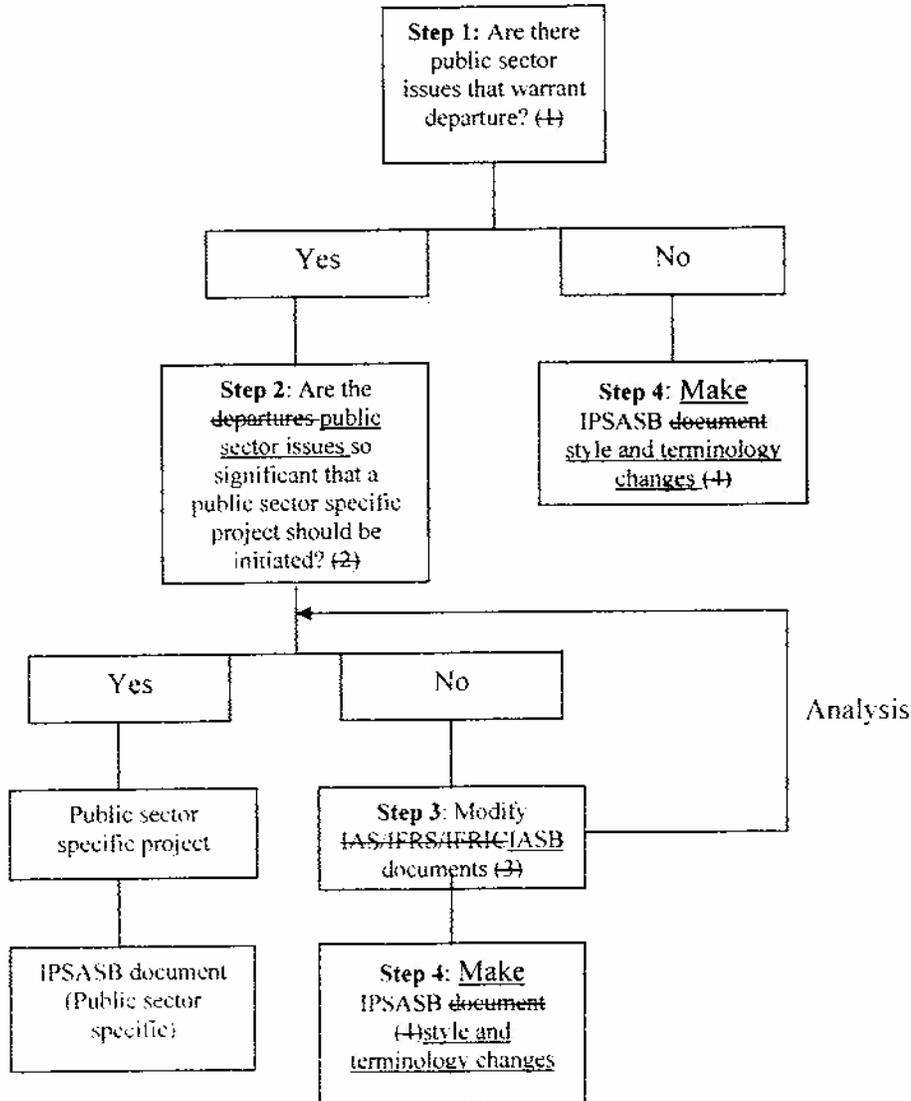
*The goal of applying these rules is to identify changes in style and terminology that are to be applied to all IPSASs.*

In all cases, when an IPSASB document is converged with a related IASB document, changes will be made to the style and structure for preparing or modifying the related IPSASB document. In that context, amendments will be limited and would result after the following considerations: applying the following rules:

- i) The text and style of the IFRSs-IASB document will be maintained as much as possible. Where changes in style are made it is expected that these would simplify or clarify the document from a public sector perspective and that these would be consistent with the prescribed style for IPSASB documents. ✓
- ii) The word “shall” rather than “should” is-will be used. ✓
- iii) A boxed rubric is-will be included at the front of each IPSAS. The rubric identifies the material that constitutes the IPSAS, and the documents that provide the context in which the IPSAS should be read. ✓
- iv) Unnecessary definitions in certain IFRSs-IASB documents will be deleted. ✓
- v) References to IAS/IFRS for which an equivalent IPSAS has not been issued will be replaced with “the relevant international or national accounting standard dealing with [specific topic]”. ✓
- vi) Certain terminology changes will be made to better reflect the public sector scope of the documents. For example, “business” will be replaced with “entity”. ✓
- vii) Appendices will form part of an IPSAS to which they belong. ✓
- viii) Amendments to Other Pronouncements will be included as an appendix to the IPSAS. The appendix identifies amendments to other IPSASs that arise as a consequence of updating the IPSAS. Certain non-authoritative Appendices (such as Illustrative Examples) will be relabeled as Implementation Guidance, which accompanies but does not form part of an IPSAS. ✓
- ix) Each IPSAS will include a Basis for Conclusions. The Basis for Conclusions accompanies but does not form part of an IPSAS. The Basis for Conclusion will focus on the modifications to the IASB document. Specifically, the Basis for Conclusions will include a detailed description of the public sector issue, the rationale for allowing a departure from the related IASB document and the implications of the changes being made. ✓
- x) Initial adoption and transitional provisions may differ to reflect public sector circumstances. ✓

### Guidelines for Modifying IASB Documents

#### IASB PROJECT DOCUMENTS



Hi Stephenie

Some comments on the Rules of the Road document:

Step 1 point 4 My standard issue on undue cost/effort versus cost/benefit.

I realise that consistency with the statistical bases, is a consideration, should we capture the conclusions made at the last two meetings that while it is a consideration, it carries less weight than the others.

The use of the word ‘existence’ in relation to social benefits should be reconsidered – I would prefer ‘impact’.

I don’t think that the consolidation of GBEs should be a consideration. If it is, it would mean we have to adopt IAS/IFRS wholesale.

Step 3

As illustrated with borrowing costs, recognition and measurement principles in IFRS may not be appropriate. Modification may not be enough.

Step 4

Appendices do not have the same status. We should distinguish between implementation and application guidance.

We should also decide on the status of examples removed from IAS/IFRS text to an appendix. It is the whole debate all over of whether they are illustrative or explain the application of the Standard.

Kind regards

Erna

International  
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Board*

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## Guidelines for Modifying IASB Documents

November 2007



International Federation  
of Accountants

## GUIDELINES FOR MODIFYING IASB DOCUMENTS

### Introduction

The IPSASB's mission is:

*“To serve the public interest by developing high-quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements.”*

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In pursuing its mission the IPSASB develops accrual IPSASs that:

- are converged with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) by adapting them to a public sector context when appropriate. In undertaking that process, the IPSASB attempts, wherever possible, to maintain the accounting treatment and original text of the IFRSs unless there is a significant public sector issue which warrants a departure; and
- deal with public sector financial reporting issues that are either not comprehensively dealt with in existing IFRSs or for which IFRSs have not been developed by the IASB. (IPSAS Handbook, Preface, paragraph 18)

These Guidelines have been developed to assist the IPSASB in identifying public sector issues when considering IASB documents for convergence and assessing whether such issues warrant differences in accounting treatment. To that end the following pages set out the process which will be followed by staff and the **rulesguidelines** that they will apply within the process.

It is important to note that in applying these Guidelines, professional judgment will be required by the IPSASB in each case. It will be necessary at times to interpret the Guidelines in order to make a decision. In all cases, the reasons for IPSASB decisions will be documented in the related Basis for Conclusions. In addition, an ongoing assessment of the relationship with other IPSASB standards, particularly internal consistency between standards, will be part of the process. Finally, as the IPSASB's conceptual framework develops, all proposed amendments will be considered in the context of the conceptual framework.

The process of assessing IASB documents is continuous and evolutionary. In applying these Guidelines, new information may become available or ongoing analysis may demonstrate that the initial assessment that a project would be addressed as an IFRS convergence project is no longer valid and that a separate public sector project should be initiated.

## Step 1: Are there public sector issues that warrant departure?

### Step #1 Rules Guidelines

*The goal of applying these rules guidelines is to assess public sector issues to determine if they warrant a departure in recognition or measurement or in presentation or disclosure.*

In determining whether there is a public sector issue that warrants a departure from an IASB document, the following rules guidelines would be ~~observed~~used:

1. Where applying the international accounting standards/interpretations would mean the objectives of public sector financial reporting would not be met.
2. Where applying the international accounting standards/interpretations would result in a loss of accountability to stakeholders. I THINK THIS POINT IS COVERED IN THE PREVIOUS POINT AND THAT IT IS VERY DANGEROUS TO SEPERATE OUT AND EMPHASISE ACCOUNTABILITY OTHER THAN THROUGH THE OBJECTIVE IN THE FRAMEWORK.
3. Where applying the international accounting standards/interpretations would mean the qualitative characteristics of public sector financial reporting would not be met.
4. Where the cost of applying the international accounting standards/interpretations exceeds the benefit in a public sector context.

Items Examples of issues that might be considered include:

- the existence of contributed/donated assets or non-exchange activities;
- the existence of non cash generating activities or assets;
- the existence of social benefits;
- accountability/stewardship differences;
- governance or management structural differences;
- sustainability issues;
- differences related to the structure or control of assets; and
- consolidation of GBEs in whole of government financial statements. I DON'T UNDERSTAND THIS POINT

All decisions should be made in the context of considering:

- Consistency with the IPSASB conceptual framework as it develops;
- Internal consistency with existing IPSASs; and
- Inconsistency with the statistical basis.

*If the answer in step 1 as a result of applying the rules is that the public sector issues warrant a departure, then proceed to step 2.*

*If the answer is that the public sector issues do not warrant departure then proceed directly to an IPSASB equivalent document where changes are made only to “public sectorize” the language and terminology (see step 4 guidelines).*

## Step 2: Are the departures so significant that a public sector specific project should be initiated?

### Step #2 Rules Guidelines

*The goal of applying using these rules guidelines is to determine if the public sector issues that warrant a departure from the related IASB document are so significant that a public sector specific project should be initiated.*

In assessing whether a public sector specific project should be initiated, the nature of the public sector issue identified and its significance in the public sector would be considered as well as its uniqueness to the public sector. If the transaction is of greater materiality or significance than in the private sector, this might lead to the conclusion that a separate public sector project should be undertaken. This would normally be the case if, for example, when assessing the standard as a whole such a determination is made rather than on a requirement by requirement basis within the standard.

These considerations will arise, for example, when a public sector issue is not dealt with at all in an IASB document. In this case it is likely that a separate public sector project will be initiated. As an example, the IPSASB initiated its project on service concession arrangements because the IASB IFRIC dealt only with the operator side of these transactions. The public sector is often involved in such transactions as the grantor. The lack of guidance on such a fundamental issue drove the IPSASB to approve a new project on service concessions arrangements for the public sector.

In other situations the IASB document may deal with an issue but it may not respond to public sector circumstances. Or, how the issue is dealt with may not be adequate for the public sector. In such situations an assessment of the significance of the issue and the cost/benefit will be important in deciding whether to amend an IASB document or initiate a public sector project.

For example, the IPSASB initiated the conceptual framework project because of perceived differences in the fact that the objectives and users of government financial reports, are fundamentally different was assessed as significant due to its pervasive effect on the framework as a whole. I WOULD PARTICULARLY LEAVE OUT THE WORD FUNDAMENTALLY-I DO NOT THINK IT IS AT ALL RIGHT.

*If the answer in step 2 as a result of applying the rules guidelines is that the public sector differences are so significant that a public sector specific project should be initiated and the cost benefit considerations are favourable, a project brief would be prepared for the IPSASB's approval and the project would proceed along the standard setting due process.*

*If the differences are such that they are not so fundamental as to require a separate project but can be addressed within a document converged with IASB, then proceed to step 3.*

### Step 3: Modify IASB documents

#### Step #3 ~~Rules~~Guidelines

*The goal of applying these ~~rules~~guidelines is to set parameters on the modifications that would be made to an IASB document to address public sector differences.*

When a decision has been made that public sector issues that warrant departure can be addressed within a converged IASB document with some modification, it is important to establish parameters for the extent of modification allowed. Modifications should be made only as they relate to the specific public sector issue that provoked the amendment.

The following ~~rules~~guidelines apply in determining the modifications that would be made:

- i) Recognition and measurement requirements may be modified only if doing so will result in the objectives of public sector financial reporting being better met.
- ii) Where appropriate, deletions from, or other amendments to, an IASB standard will be replaced by an alternative that achieves the objective of the deleted requirement and meets the differing public sector objectives.
- iii) Amendments would occur to eliminate options in accounting treatments if one option is clearly inappropriate for the public sector. Likewise, options in accounting treatments may be added but only if doing so will result in the objectives of public sector financial reporting being better met.
- iv) Guidance may be added that provides public sector context.
- v) It is expected that IFRS disclosures would be minimum disclosures unless they relate to recognition and measurement requirements that have been deleted in accordance with i) above or a cost/benefit analysis indicates that deleting some disclosures would be appropriate for the public sector. Disclosure requirements may be added in order to better meet the objectives of public sector reporting.
- vi) Public sector examples may be added. Examples would be deleted if they are clearly inappropriate or inapplicable for the public sector. ~~If examples are deleted it is expected that comparable public sector examples would be added.~~ I DON'T THINK THIS WOULD NECESSARILY BE THE CASE.

## Step 4: Issue IPSAS converged (to varying degrees) with IASB documents

### Step #4 Rules Guidelines

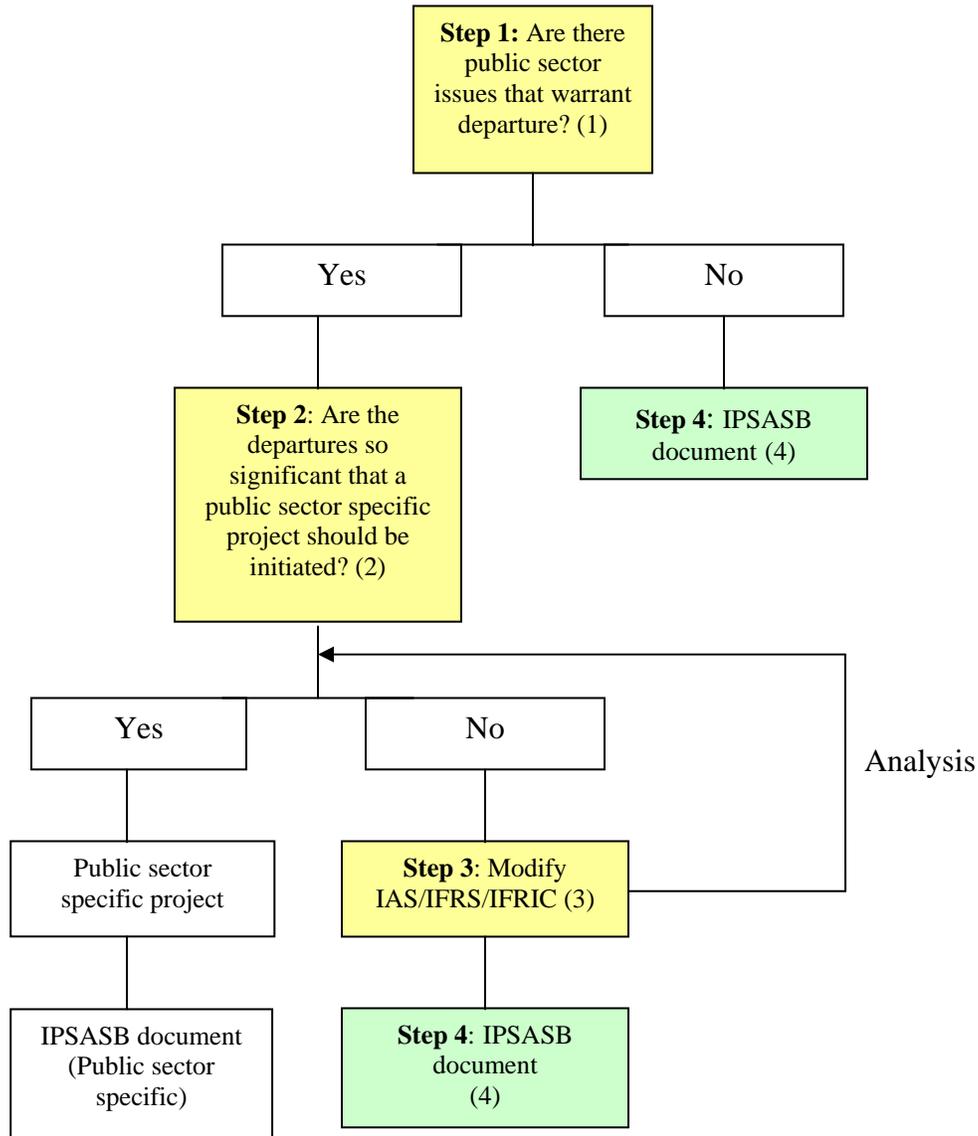
*The goal of applying these rules guidelines is to identify changes in style and terminology that are to be applied to all IPSASs.*

In all many (AN IMPORTANT CHANGE) cases, when an IPSASB document is converged with a related IASB document, changes will be made to the style and structure for preparing or modifying the related IPSASB document. In that context, amendments will be limited and would result after applying the following rules guidelines:

- i) The text and style of the IFRSs will be maintained as much as possible. Where changes in style are made it is expected that these would simplify or clarify the document to meet public sector specific circumstances and that these would be consistent with the prescribed style for IPSASs.
- ii) The word “shall” rather than “should” is used for black letter requirements.
- iii) A boxed rubric is included at the front of each IPSAS. The rubric identifies the material that constitutes the IPSAS, and the documents that provide the context in which the IPSAS should be read.
- iv) Unnecessary Definitions that have no context in the public sector in certain IFRSs will may be deleted.
- v) References to IAS/IFRS for which an equivalent IPSAS has not been issued will be replaced with “the relevant international or national accounting standard dealing with [specific topic]”.
- vi) Certain terminology changes will be made to better reflect the public sector scope of the documents. For example, “business” will be replaced with “entity”.
- vii) Appendices form part of an IPSAS to which they belong.
- viii) Amendments to Other Pronouncements will be included as an appendix to the IPSAS. The appendix identifies amendments to other IPSASs that arise as a consequence of updating the IPSAS. Certain non-authoritative Appendices (such as Illustrative Examples) will be relabeled as Implementation Guidance, which accompanies but does not form part of an IPSAS.
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## Guidelines for Modifying IASB Documents

### IASB PROJECT



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International Public Sector Accounting Standards Board

Guidelines for Modifying IASB Documents

~~December~~ October 2007 2008



International Federation  
of Accountants

## GUIDELINES FOR MODIFYING IASB DOCUMENTS

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Resp 007  
edit

In pursuing its mission the IPSASB develops accrual IPSASs that:

- are converged with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) by adapting them to a public sector context when appropriate. In undertaking that process, the IPSASB ~~attempts, wherever possible, to maintain~~ attempts, wherever possible, to maintain the accounting treatment and original text of the IFRSs unless there is a significant public sector issue which warrants a departure; and
- deal with public sector financial reporting issues that are either not comprehensively or appropriately dealt with in existing IFRSs or for which IFRSs have not been developed by the IASB. ~~(IPSAS Handbook, Preface, paragraph 18)~~

001/005  
edits

These Guidelines have been developed to assist the IPSASB ~~in identifying public sector issues when considering IASB documents for convergence and assessing to determine~~ whether such public sector issues warrant differences in accounting treatment between the IASB document and the related IPSASB document. To that end the following pages set out the process which will be followed by staff, ~~and the rules that they will apply within the process.~~

002 edits and  
remove rules  
based  
language

It is important to note that in applying these Guidelines, professional judgment will be required by the IPSASB in each case. It will be necessary at times to interpret the Guidelines in order to make a decision. In all cases, the reasons for IPSASB decisions will be documented in the related Basis for Conclusions. In addition, an ongoing assessment of the relationship with other IPSASB standards, particularly internal consistency between standards, will be part of the process. Finally, as the IPSASB's conceptual framework develops, all proposed amendments will be considered in the context of the conceptual framework.

The process of assessing IASB documents is continuous and evolutionary. In applying these Guidelines, new information may become available or ongoing analysis may demonstrate that the initial assessment that a project would be addressed as an IFRS

convergence project is no longer valid and that a separate public sector project should be initiated.

## Step 1: Are there public sector issues that warrant departure?

### Step #1 Rules

*The goal of applying these rules is to assess public sector issues to determine if they warrant a departure in recognition or measurement or in presentation or disclosure.*

In determining whether there is a public sector issue that warrants a departure from an IASB document, the following ~~rules would~~ will be observed ~~considered~~:

1. Where applying the international accounting standards/interpretations would mean the objectives of public sector financial reporting would not be met.
- ~~2. Where applying the international accounting standards/interpretations would result in a loss of accountability to stakeholders.~~
- ~~3.~~2. Where applying the international accounting standards/interpretations would mean the qualitative characteristics of public sector financial reporting would not be met.
- ~~4.~~3. Where the cost of applying the international accounting standards/interpretations exceeds the benefit or where applying the international accounting standards or where applying the international accounting standards/interpretation would require undue cost or effort.

Resp 007

Resp 006 add in undue cost/effort or substitute?

All decisions should be made in the context of considering:

- Consistency with the IPSASB conceptual framework as it develops;
- Internal consistency with existing IPSASs; and
- Consistency with the statistical bases.

Resp 002 suggested moving up

Items that might affect the above consideration ~~be considered~~ include:

- the existence of sovereign powers;
- the existence of contributed/donated assets or non-exchange activities;
- the existence of non cash generating activities or assets;
- ~~the existence~~ impact of social benefits;
- accountability/stewardship differences;
- governance or management structural differences;
- sustainability issues;
- differences related to the structure or control of assets; and
- ~~consolidation of GBEs in whole of government financial statements.~~

Resp 002 re first bullet

Resp 006/007 re deleting last bullet

~~All decisions should be made in the context of considering:~~

- ~~Consistency with the IPSASB conceptual framework as it develops;~~
- ~~Internal consistency with existing IPSASs; and~~
- ~~Inconsistency with the statistical basis.~~

*If the ~~answer in~~ consideration of step 1 as a result of applying the rules is that ~~the~~ results in public sector issues ~~that~~ warrant a departure, then proceed to step 2.*

*If the ~~answer is that the~~ public sector issues do not warrant departure then proceed directly to step 4 to develop an IPSASB equivalent document where changes are made only to “public sectorize” the language and terminology (~~see step 4 guidelines~~).*

**Step 2: Are the ~~departures~~ public sector issues so significant that a public sector specific project should be initiated?**

**Step #2 Rules**

*The goal of applying these rules is to determine if the public sector issues that warrant a departure from the related IASB document are so significant that a public sector specific project should be initiated.*

In assessing whether a public sector specific project should be initiated, the nature of the public sector issue identified and its significance in the public sector would be considered as well as its uniqueness to the public sector. ~~If the transaction is of greater materiality or significance than in the private sector, this might lead to the conclusion that a separate public sector project should be undertaken. This would normally be the case if, for example, when assessing the standard as a whole such a determination is made rather than on a requirement by requirement basis within the standard.~~

Resp 007

These considerations will arise, for example, when a public sector issue is not dealt with at all in an IASB document. In this case it is likely that a separate public sector project will be initiated. As an example, the IPSASB initiated its project on service concession arrangements because the IASB IFRIC dealt only with the operator side of these transactions. The public sector is often involved in such transactions as the grantor. The lack of guidance on such an important fundamental issue ~~drove resulted in~~ the IPSASB to approve a new project on service concessions arrangements for the public sector.

In other situations the IASB document may deal with an issue but it may not respond to public sector circumstances. Or, how the issue is dealt with may not be adequate for the public sector. In such situations an assessment of the significance of the issue and the adequacy with which it has been dealt with in the IASB document ~~cost/benefit~~ will be important in deciding whether to amend an IASB document or initiate a public sector project.

~~For example, the IPSASB initiated the conceptual framework project because the fact that the objectives and users of government financial reports are fundamentally different was assessed as significant due to its pervasive effect on the framework as a whole.~~

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*If the answer in step consideration of step 2 as a result of applying the rules is that the identifies public sector differences that are so significant that a public sector specific project should be initiated, a project brief would be prepared for the IPSASB's approval and the project would proceed along the standard setting due process.*

*If the differences are such that they are not so fundamental significant as to require a separate project but can be addressed within a document converged with IASB, then proceed to step 3.*

### Step 3: Modify IASB documents

#### Step #3 Rules

*The goal of applying these rules is to set parameters on the modifications that would be made to an IASB document to address public sector differences.*

When a decision has been made that public sector issues that warrant departure can be addressed within a converged IASB document with some modification, it is important to establish parameters for the extent of modification allowed. Modifications should be made ~~only as they relate to~~ to address the specific public sector issue that provoked the amendment. ~~The following rules apply. In~~ determining the modifications that would be made, the following would be considered:

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- i) Recognition and measurement requirements may be modified ~~only~~ if doing so will result in the objectives of public sector financial reporting being better met.
- ii) Where appropriate, deletions from, or other amendments to, an IASB standard will be replaced by an alternative that achieves the objective of ~~the deleted requirement~~ public sector financial reporting.
- iii) Amendments would occur to eliminate options in accounting treatments if one option is clearly inappropriate for the public sector. Likewise, options in accounting treatments may be added ~~but only~~ if doing so will result in the objectives of public sector financial reporting being better met.
- iv) Guidance may be added that provides public sector context.
- v) ~~It is expected that IFRS disclosures would be minimum disclosures unless~~ may be modified where a) they relate to recognition and measurement requirements that have been deleted in accordance with i) above or b) a cost/benefit analysis indicates that deleting some disclosures or adding other disclosures would be appropriate for the public sector. Disclosure requirements may be added in order to better meet the objectives of public sector reporting.
- vi) Public sector examples may be added. Examples would be deleted if they are clearly inappropriate or inapplicable for the public sector. ~~If examples are deleted it is expected that comparable public sector examples would be added.~~
- vii) Amendments may be made to the scope to be consistent with existing IPSASs.
- ~~vi)~~ viii)

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**Having amended the IASB document as necessary, proceed to step 4 to develop an IPSASB equivalent document where changes are made only to “public sectorize” the language and terminology**

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**Step 4: ~~Issue~~ Make IPSAS style and terminology changes to converged  
~~(to varying degrees) with IASB documents~~**

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**Step #4 Rules**

*The goal of applying these rules is to identify changes in style and terminology that are to be applied to all IPSASs.*

In ~~all many~~ cases, when an IPSASB document is converged with a related IASB document, changes will be made to the style and structure for preparing or modifying the related IPSASB document. In that context, amendments will be limited and would result after the following considerations: ~~applying the following rules~~:

- i) The text and style of the ~~IFRSs-IASB document~~ will be maintained as much as possible. Where changes in style are made it is expected that these would simplify or clarify the document from a public sector perspective and that these would be consistent with the prescribed style for IPSASB documents.
- ii) The word “shall” rather than “should” ~~is~~ will be used.
- iii) A boxed rubric ~~is~~ will be included at the front of each IPSAS. The rubric identifies the material that constitutes the IPSAS, and the documents that provide the context in which the IPSAS should be read.
- iv) ~~Unnecessary~~ Definitions in certain IFRSs-IASB documents that have no context in the public sector ~~will~~ may be deleted.
- v) References to IAS/IFRS for which an equivalent IPSAS has not been issued will be replaced with “the relevant international or national accounting standard dealing with [specific topic]”.
- vi) Certain terminology changes will be made to better reflect the public sector scope of the documents. For example, “business” will be replaced with “entity”.
- vii) Appendices will form part of an IPSAS to which they belong.
- viii) Amendments to Other Pronouncements will be included as an appendix to the IPSAS. The appendix identifies amendments to other IPSASs that arise as a consequence of updating the IPSAS. Certain non-authoritative Appendices (such as Illustrative Examples) will be relabeled as Implementation Guidance, which accompanies but does not form part of an IPSAS.
- ix) Each IPSAS will include a Basis for Conclusions. The Basis for Conclusions accompanies but does not form part of an IPSAS. The Basis for Conclusion will focus on the modifications to the IASB document. Specifically, the Basis for Conclusions will include a detailed description of the public sector issue, the rationale for allowing a departure from the related IASB document and the implications of the changes being made.
- ~~ix~~x) Initial adoption and transitional provisions may differ to reflect public sector circumstances.

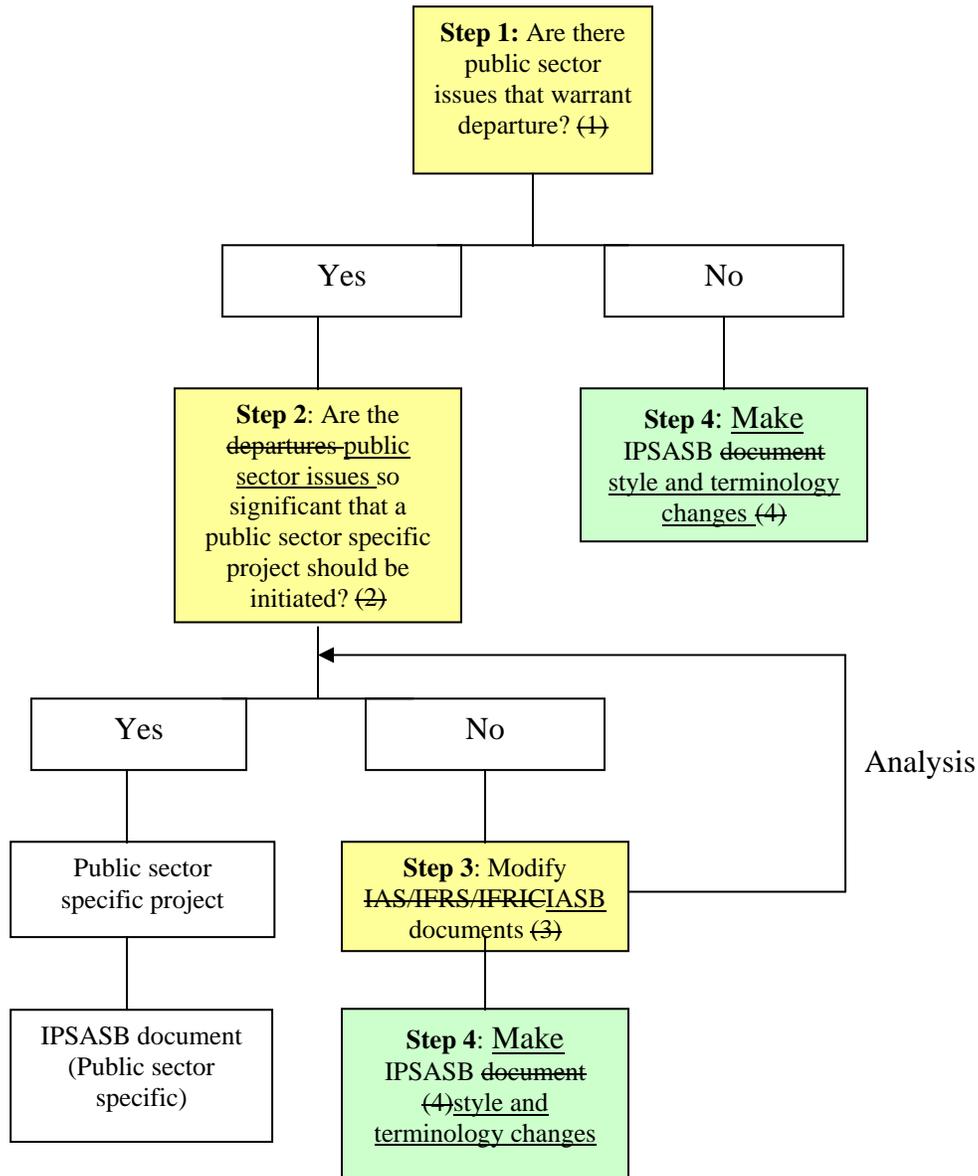
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## Guidelines for Modifying IASB Documents

### IASB PROJECT DOCUMENTS

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 001/002/003  
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**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			RR	DI			ED
Conceptual Framework Group 2	SF/TB	DI	DI	DI	DI	CP		RR		ED
Conceptual Framework Group 3	SF				DI	DI	CP		RR	ED
Conceptual Framework Group 4	SF							DI	CP	
Social Benefits- pres & disc	JS			RR						
Social Benefits- rec & meas	JS			RR						
Service Concessions/PPPs	BN			RR	ED			RR	IPSAS	
Heritage Assets						Analysis				
Review Cash Basis IPSAS	SF				DI	ED		IPSAS		
Long-term Fiscal Sustainability	JS			DI	DI	CP			ED	
Performance Reporting	GASB			PB		DI	DI	CP		RR
Narrative Reporting		PB				DI	CP		RR	ED
Financial Instruments – IAS 32/39/IFRS7	MB-A		RofR/DI	DI	ED		RR	IPSAS		
Financial Instruments public sector	MB-A		DI	DI	CP		RR	ED		RR
Rules of the Road	SF			DI			DI			DI
Annual Improvements – October 2007	QC				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 –j.v/rpt	QC				ED		RR	IPSAS		
Entity Combinations- IFRS 3	BN		RofR/DI		CP/ED		RR	ED/IPSAS		
Entity Combinations – public sector	BN				CP/ED		RR	ED/IPSAS		
Intangible Assets	MJK		RofR/DI	ED		RR	IPSAS			
Agriculture	MB-A			RofR/PB	ED		RR	IPSAS		
Fair Value	MJK					DI				
GBEs				DI						
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