



**INTERNATIONAL FEDERATION  
OF ACCOUNTANTS**

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**Agenda Item**  
**7**

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**Date:** November 18, 2011  
**Memo to:** Members of the IPSASB  
**From:** Ian Carruthers / Gwenda Jensen  
**Subject:** Alignment Project: Update on Progress and Draft Papers

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**Objectives**

- To review progress made on the project on Alignment of IPSASs and Public Sector Statistical Reporting Guidance; and
- Provide comment on three draft papers - listed below under “Agenda Material.”

**Agenda Material**

- 7.1 Draft Structure for Alignment Consultation Paper
- 7.2 Draft Appendix: GFS Links with International Public Sector Accounting Standards
- 7.3 Draft Table: Differences Between IPSAS and Statistical Reporting (Progress Made and Status)

**Background**

1. At its June 2011 meeting the IPSASB approved the Alignment Project, previously named the “GFS Project.” The approved Project Brief is attached as **Appendix 1**.
2. The project’s overall objective is to further enhance and promote the reconciliation and harmonization of International Public Sector Accounting Standards (IPSASs) and statistical reporting guidance for the public sector. The specific objectives of the project are to produce:
  - a. A GFSM Appendix (describing how IPSAS relates to GFS),
  - b. A Consultation Paper presenting a revised matrix,
  - c. An illustrative Chart of Accounts that will act as a bridge from IPSASs to public sector macro economic statistics,
  - d. An ED of amendments to IPSAS 22 (if necessary),
  - e. Discussion of progress towards further harmonization between statistical reporting guidance and IPSASs.
3. A Task Force was established for the project, with Ian Carruthers as Chair. The other Task Force Members are: Andre Schwaller (Swiss Federal Government),

John Verrinder, Lindy Bodewig, Marta Abilleira, Sagé de Clerck, Thomas Müller-Marqués Berger, and Tim Youngberry.

**Progress Made**

4. The Task Force has met three times since June; two teleconferences (26 July and 10 November) and a two hour face-to-face meeting (16 September). In between meetings the Task Force has corresponded. The discussions and correspondence have aimed to: (a) finalize the project brief; (b) discuss issues and process; (c) share information on IPSAS/statistical reporting differences and related Charts of Accounts; (d) develop the three draft papers for Members’ review; and, (e) update the matrix of detailed IPSAS/statistical reporting differences.
5. The priorities during this period and the progress made by the Task Force on each priority are shown below:

<b>Priorities</b>	<b>Progress: The Task Force has -</b>
Draft an Appendix on IPSAS/statistical differences for inclusion in the GFS Manual	Developed a first draft of the GFSM Appendix.
Develop a useful overview of alignment progress and the status of remaining differences/issues	Drafted a summary table showing alignment progress and the status of issues.
Determine what progress has been made on resolving IPSAS/statistical reporting differences, since 2005	Determined progress made since 2005, updating the detailed matrix of differences, although a few issues still require further clarification and the matrix is not in its final form.

6. The Draft Consultation Paper structure set out in Agenda Item 7.1 has been provided both for comment and to allow the Board to see the way that the project is evolving.
7. From a process perspective, the main priority for this meeting is to get the Board’s comments, and ideally provisional sign off, on the GFSM Appendix (Agenda item 7.2) so that it can move into the IMF review process. Subsequent changes made as a result of this process will be reported to the Board when it considers the draft Consultation Paper in March.
8. The other paper (Agenda Item 7.3) is still “work-in-progress.” In particular where it is clear that issues or further work remain, this has been noted.

**Next Steps**

The next steps will be to:

1. Revise the draft Appendix for review by the IMF prior to inclusion in the revised GFS Manual.

2. Draft an Alignment Consultation Paper and Issues Paper for IPSASB consideration at its March 2012 meeting.



## 1. INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD

### 2. PROJECT BRIEF AND OUTLINE

#### 1. Subject—Alignment of IPSASs and Public Sector Statistical Reporting Guidance

- 1.1 The overall objective of this project is to further enhance and promote the reconciliation and harmonization of International Public Sector Accounting Standards (IPSASs) and statistical reporting guidance for the public sector. Within this objective there are the following goals: (i) a short-term goal of development of a broad description of relationships between IPSASs and statistical reporting guidance for inclusion in the updated Government Finance Statistics Manual 2001 (GFSM); and medium-term goals of (ii) an updated comparison of current statistical guidance with current IPSASs; (iii) development of an illustrative chart of accounts that could facilitate the compilation of reports compliant with both IPSASs and statistical reporting guidance, so acting as a bridge between the two forms of reporting and (iv) consideration of whether changes to IPSAS 22, *Disclosure of Financial Information about the General Government Sector*, are warranted in the light of the revisions to the SNA 2008, and development of appropriate amendments as necessary.
- 1.2 The GFSM is issued by the International Monetary Fund (IMF) and provides a specialized macro-economic statistical reporting framework designed to support fiscal analysis and macro-economic policy decisions. It provides economic and statistical guidelines to be used in compiling statistics on the fiscal operations and position of governments. The GFSM is consistent with the overarching System of National Accounts (SNA), which was revised in 2008. Currently the 2001 GFSM is in the process of being updated to reflect the changes made in the SNA revision. A GFS Advisory Committee has been established to support this process. The IPSASB Chair and the UK member are members/observers of this Advisory Committee and attended a meeting of the group in Washington DC in February 2011. The European System of Accounts (ESA), which is the other main SNA-based statistical reporting framework, and is the legal reference for compilation of GFS in Europe, is also being revised to bring it into line with SNA 2008, with a proposal from the European Commission currently under discussion in the European Council and Parliament.
- 1.3 The IPSASB (and its predecessor, the Public Sector Committee) has acknowledged the importance of reporting in accordance with statistical bases of accounting in the financial management of the public sector for a number of years, most recently in the Exposure Draft (ED), *Key Characteristics of the Public Sector and their Implications for Financial Reporting*. In 2003 the PSC became a member of the Task Force on the Harmonization of Public Sector Accounts, which was coordinated by the IMF. The PSC Chair, Technical Director

- and some Members, TAs and Observers led the Working Group that was tasked primarily with the identification of differences in accounting requirements between IPSASs and statistical reporting guidance set out in both GFSM 2001 and ESA 95. This Working Group also considered the extent to which differences were in accordance with the different objectives of statistical reporting and IPSASs, and the scope for greater harmonization.
- 1.4 The Working Group's work culminated in the publication of a Research Report, *International Public Sector Accounting Standards (IPSASs) and Statistical Bases of Financial Reporting: An Analysis of Differences and Recommendations for Convergence, in January 2005*. The Research Report contained the recommendations of the Working Group and not the views of the IPSASB. The core of this Research Report was a matrix that identified accounting treatments in IPSAS, GFSM 2001 and ESA 95 and provided a commentary on those differences, including views on whether such differences could be narrowed or eliminated completely. One of the main differences between IPSASs and statistical accounting was found to be the definition of the reporting boundary, notably the approach to consolidation of entities.
- 1.5 In 2005 the IPSASB initiated a project on disclosures on the statistically defined general government sector (GGS) in IPSAS-compliant reports. This project led to the issuance of IPSAS 22. The objective of IPSAS 22 is to prescribe disclosure requirements for governments, which elect to present information about the GGS in their consolidated financial statements. IPSAS 22 does not require entities to make disclosures about the GGS. In making disclosures about the GGS in IPSAS-compliant financial statements entities follow the requirements of IPSASs except that IPSAS 6, *Consolidated and Separate Financial Statements* is not applied to public financial corporations and public non-financial corporations. The disclosure of information on the GGS does not provide relief from the provision of segment information in accordance with IPSAS 18, *Segment Reporting*.
- 1.6 Since the publication of IPSAS 22 the IPSASB has undertaken little direct project work on statistical reporting. The IPSASB's 'Rules of the Road' approach to IFRS-related alignment projects – set out in "Process for Reviewing and Modifying IASB Documents" - takes into account statistical accounting guidance. However, unless accompanied by other public sector specific considerations, a different treatment in statistical accounting has, in isolation, not been considered a sufficient reason to depart from the requirements of an IFRS e.g., approach to treatment of borrowing costs, which are expensed in national accounts, but capitalized under IAS 23, *Borrowing Costs*.

## **2. Project Rationale and Objectives**

- 2.1 The project would potentially comprise five components: (i) development of a broad description of relationships between accounting standards and statistical reporting guidance for inclusion as an Appendix in the updated GFSM; (ii) revisit

- and update the matrix, which formed the core of the 2004 Research Report (iii) consider whether there is further scope for harmonization between GFS/ESA and IPSASs; (iv) consider the development of an illustrative Chart of Accounts that could facilitate the compilation of both statistical and accounting reports in accordance with the guidance of 2008 SNA, updated GFSM/ESA, and IPSAS; and (v) consider whether amendments need to be made to IPSAS 22 and/or other standards in the light of the above work.
- 2.2 The project would reassert the importance of statistical reporting as a public sector critical issue.

**International Guidance on this Topic**

- 2.3 This is a public sector specific area that has not been addressed by the International Accounting Standards Board.

**National Guidance on this Topic**

- 2.4 There has been limited guidance in this area from National Standard Setters. However, in 2008 the Australian Accounting Standards Board issued AUS 1049, *Whole of Government and General Government Sector Financial Reporting*. The objective of AUS 1049 to specify requirements for whole-of-government general purpose financial statements and the GGS financial statements of each government.
- 2.5 The New Zealand Government has recently produced a reconciliation between fiscal forecasts and information reported in accordance with the GFSM.
- 2.6 A Chart of Accounts has recently been developed by the Swiss Federal Finance Administration.
- 2.7 Many European countries publish a reconciliation between their public and budgetary accounting and the ESA-based GFS data used for EU fiscal monitoring purposes.

**Issues Identified**

- 2.8 The main issues are:
- (a) Development of the broad description of relationships between IPSASs and statistical reporting guidance in time for inclusion as an Appendix in the revised GFSM and as a note for countries applying ESA;
  - (b) Confirming the nature and extent of differences between IPSAS and statistical reporting guidance by updating the matrix that formed the core of the 2005 Research Report;
  - (c) Analysing the extent to which the remaining areas of difference can be addressed and considering whether there is any further scope for harmonization between statistical reporting guidance and IPSASs;

- (d) Scoping the development of an illustrative Chart of Accounts that could be applied to support preparation of both IPSAS and GFSM/ESA compliant financial reports, and determining how to take this forward; and
- (e) Considering whether IPSAS 22 is still robust in the light of the revisions to the GFSM.

**(a) Objectives to be achieved**

2.9 The short-term objective is to produce the Appendix for the GFSM highlighted above (note that the Basis for Conclusions of IPSAS 22 provides a list of 4 significant differences). The medium-term objectives are to produce (1) a Consultation Paper presenting a revised matrix, and (2) an illustrative Chart of Accounts that will act as a bridge from IPSASs to public sector macro economic statistics, and, (3) if necessary, an ED of amendments to IPSAS 22. Scope for further harmonization between statistical reporting guidance and IPSASs will also be considered.

**(b) Link to IFAC and IPSASB Strategic Plans**

*i. Link to IPSASB Strategy*

2.10 A continuing emphasis on harmonization with statistical reporting is a component of the IPSASB's theme of 'public sector critical projects'. The project will reinforce awareness of the linkage between statistical reporting guidance and IPSASs. Development of an illustrative Chart of Accounts would be an important contribution to IPSASB's strategic theme of 'Outreach and Adoption' and would strengthen the likelihood of adoption of IPSAS by governments.

*ii. Link to IFAC Strategic Plan*

2.11 The IFAC Strategic Plan for 2011-2014 identifies an enhanced focus on public sector financial reporting as a key theme. The relationship between IPSAS-compliant financial statements and reports based on statistical reporting guidance can be confusing to users when they differ significantly and do not provide information on reconciling those differences. Explaining these relationships and remaining differences could therefore greatly enhance the understandability of public sector financial reports.

### **3. Outline of the Project**

**(a) Project Scope**

3.1 In line with the objectives highlighted above the scope of the project will involve an analysis of the differences between the revised GFSM and pronouncements in the *IPSASB Handbook of International Public Sector Accounting Pronouncements* and an evaluation of the extent to which further harmonization between statistical reporting guidance and IPSASs might be feasible. The project will also involve the development of an illustrative Chart of Accounts that could

facilitate compilation of reports based on the statistical reporting guidance and IPSASs and an evaluation of whether amendments should be made to IPSAS 22 in the light of changes to 2008 SNA and updated GFSM/ESA.

**(b) Major Problems and Key Issues that should be addressed**

*Key Issue #1—To what extent have differences in accounting requirements between GFSM and IPSASs recently changed?*

3.2 The Research Report was issued in January 2005. Since January 2005, SNA has been revised and the IPSASB has issued a number of new IPSASs. In addition to IPSAS 22 these are:

- IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*
- IPSAS 24, *Presentation of Budget Information in Financial Statements*
- IPSAS 25, *Employee Benefits*
- IPSAS 26, *Impairment of Cash-Generating Assets*
- IPSAS 27, *Agriculture*
- IPSAS 28, *Financial Instruments: Presentation*
- IPSAS 29, *Financial Instruments, Recognition and Measurement*
- IPSAS 30, *Financial Instruments: Disclosure*
- IPSAS 31, *Intangible Assets*

3.3 In addition a number of IPSASs have been updated since January 2005 to reflect amendments of IFRSs from which they were primarily drawn and IPSASB annual improvements. The project will ascertain the extent to which the requirements in these IPSASs are consistent with those in the revised 2008 SNA and revised versions of the GFSM and ESA, and the scope for further harmonization.

***Key Issue #2— Practicalities of developing an illustrative Chart of Accounts that could facilitate compilation of reports based on IPSASs and statistical reporting guidance?***

3.4 At the highest level a Chart of Accounts is a listing of all the accounts in the general ledger together with reference numbers. The possibility of the IPSASB developing a Chart of Accounts has been suggested by a number of preparers and it has also been indicated that such a development might assist the adoption and implementation of IPSASs and compliance with statistical reporting guidance.

3.5 Subject to the evaluation of the practicalities involved, the project will develop an illustrative Chart of Accounts that will facilitate compilation of reports meeting both IPSASs and statistical reporting guidance.

*Key Issue #3— Are changes needed to IPSAS 22 in light of revisions to GFS?*

- 3.6 IPSAS 22 has not been amended since its issuance in December 2006. It is not proposed that IPSAS 22 be subject to a full post-implementation review. However, the project will consider whether the main aspects of IPSAS 22 are robust. In particular it might be appropriate to consider whether a reconciliation of GGS disclosures in the financial statements and GGS disclosures under the statistical bases of financial reporting should be required. At present such a reconciliation is voluntary.

**4. Describe the Implications for any Specific Persons or Groups**

**(a) Relationship to IASB**

- 4.1 The project is not directly linked to any IASB project and is unlikely to have any impact on the IPSASB's relationship with the IASB, except to the extent that future decisions are taken to converge with statistical accounting guidance rather than maintaining alignment with IFRS (see above paragraph 1.6).

**(b) Relationship to Other Standards, Projects in Process or Planned**

- 4.2 Apart from IPSAS 22 there would be a relatively limited impact on other Standards unless the IPSASB decides to modify the current requirements in IPSASs to bring them in line with public sector statistical reporting guidance. There are links with the Conceptual Framework, particularly Phase 3: Measurement and Phase 4: Presentation.

**(c) Other—Government Finance Statistics**

- 4.3 The project is directly linked to the SNA, GFSM and ESA, all of which have recently been revised or in the closing stages of revision. Further background is provided in paragraph 1.2.

**5. Development Process, Project Timetable and Project Output**

**(a) Development Process**

- 5.1 The development of outputs will be subject to the IPSASB's formal due process. The issuance of documents for public comment will be subject to the usual IPSASB voting rules. As the project progresses, regular assessments will be made to confirm the proposed path in the project timetable remains the most appropriate.

**(b) Project timetable**

<b>Major Project Milestones</b>	<b>Expected Completion</b>
Project Brief - approved	August 2011
Development of high-level appendix of relationships between IPSASs and statistical reporting guidance for insertion as an Appendix in the revised GFSM.	December 2011
Discussion of issues and development of a Consultation Paper (Matrix - Illustrative) (October 2011–June 2012) Development of draft Chart of Accounts Assessment of whether amendments to IPSAS 22 and other IPSASs are necessary.	June 2012
Approve Consultation Paper (Matrix) Approve ED of changes to IPSAS 22 and other IPSASs (if warranted) Approve consultative version of Chart of Accounts (All on 4 month consultation).	June 2012
Review of responses to Consultation Paper, ED and Chart of Accounts (November 2012–June 2013).	June 2013
Approve Consultation Paper, Chart of Accounts and ED of amendments to IPSAS 22 and/or other IPSASs, if warranted.	Late 2013

**(c) Project output**

- 5.2 The output will be (a) high-level description of relationships between IPSASs and statistical reporting guidance for insertion as an Appendix in revised GFSM (b) a revision and reissue of the 2005 Consultation Paper including the Matrix; (c) an illustrative Chart of Accounts; and (d) amendments to IPSAS 22, if warranted.

**6. Resources Required**

**(a) Task Force/Subcommittee**

- 6.1 A Task Force will be set up, chaired by Ian Carruthers and including the current Observers from IMF and Eurostat on the IPSASB. The Task Force will work closely with the GFS Advisory Council.

**(b) Staff**

- 6.2 Depending on the nature of the work involved, and the extent of any external input, it is envisaged that up to 0.4 Full Time Equivalent (FTE) will be required to resource the project.

**(c) Factors that might add to complexity and length**

6.3 Factors that might add to the complexity and length of the project include:

- a) Component (a) of the project is strongly linked to the revised GFSM and, to a lesser extent ESA. If the revision of these manuals is not concluded quickly, this will lengthen the project work; and
- b) Assessment of the extent to which an illustrative Chart of Accounts can be developed, that could facilitate compilation of reports based on IPSASs and the statistical reporting guidance.

**7. Important Sources of Information that Address the Matter Being Proposed**

7.1 Potential sources of information include:

- a) The 2008 SNA;
- b) The GFSM 2001 and the proposed revisions to reflect the revised 2008 SNA;
- c) The revised ESA;
- d) The Eurostat Manual on Government Deficit and Debt;
- e) Other relevant pronouncements of National Standard Setters and Ministries of Finance with standard-setting responsibilities; and
- f) Publications and working materials of public authorities which reconcile IPSAS or partial-IPSAS based accounts with GFS (for example charts of account, budgetary and fiscal publications, etc).

**DRAFT STRUCTURE: CONSULTATION PAPER ALIGNMENT (IPSAS AND GFS)**

Executive summary

1. Introduction
2. Background
  - a. Previous Task Force on Harmonization of Public Sector Accounting
  - b. IPSAS 22 (Brief history, purpose, high level overview)
  - c. SNA Revisions
  - d. ESA 2010
  - e. Revised GFSM
  - f. IPSAS Conceptual Framework and Other developments
3. Differences between IPSAS and GFS
  - a. Overview (*why there are differences between the two frameworks (conceptual underpinnings) and the main differences.*)
    - i. Conceptual
    - ii. Presentational
  - b. Table of Conceptual Differences
4. Implications for IPSAS<sup>1</sup>
  - a. Revisions to IPSAS 22 - recommendations
  - b. Proposed changes to other IPSASs
5. Implications for Public Sector Statistical Reporting (*Development agenda for the various national accounts (GSF, SNA and ESA)*).
6. Way Forward
  - a. Chart of Accounts
  - b. Other initiatives

Annexes:

- Alignment Project Brief
- Appendix for revised GFSM
- Detailed tables of presentational differences

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<sup>1</sup> Content here and for (5) will depend on what comes out of the project.

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# #. GFS Links with International Public Sector Accounting Standards

## A. Introduction

### 1. Links with IPSASs

7.1 The *Government Finance Statistics Manual* recognizes the close relationship that exists between public sector statistical reporting and public sector accounting standards. Many of the rules, concepts, and procedures used in macroeconomic statistics are based on those used in public sector accounting. International developments in statistical methodology and accounting standards for the public sector have been coordinated over recent years, to improve government reporting and fiscal transparency. A government's preparation of fiscal statistics that meet the guidelines set out in the *Government Finance Statistics Manual* is facilitated by application of high quality accrual accounting standards such as International Public Sector Accounting Standards (IPSASs). This is because a comprehensive and harmonized accruals accounting system greatly improves the source data necessary for compilation of GFS.

7.2 The Task Force on Harmonization of Public Sector Accounting (TFHPSA), created in 2003, was the first formal initiative at the international level with

the objective to harmonize statistical guidelines and accounting standards. The Taskforce's major outputs were: (1) guidance in the area of public sector statistics that informed the update of the *2008 SNA*, and (2) a research report which systematically documented similarities and differences between the two reporting systems. International organizations and the International Public Sector Accounting Standards Board (IPSASB) continue efforts to align the two reporting frameworks as far as possible, while identifying and reconciling unavoidable differences that may continue to exist.

7.3 This Appendix provides a generalized description of the relationship between the statistical guidelines and IPSASs. These differences result from mainly two sources; (1) underlying conceptual differences, and (2) presentational differences. It describes the similarities and differences between the two reporting frameworks, to enhance an understanding of how to reconcile the two very similar yet – in important ways - different sets of information generated. An IPSASB consultation paper will contain a more detailed analysis of these differences.

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**7.4** This Appendix focuses on the basic principles that explain why the two reporting frameworks differ. Detailed information on specific differences should be found in the IPSASB consultation paper, and through reference to individual IPSASs and detailed chapters of the GFS.

*Summary at one moment in time*

**7.5** This Appendix provides a summary of GFS and IPSASs, which focuses on alignment issues. It is not designed to provide fully accurate and up-to-date information about either GFS or IPSASs. Both IPSASs and statistical guidance are dynamic and change over time. IPSASs, for example, have annual improvements, which typically impact on a number of different IPSASs. For accurate and up-to-date information on IPSASs, refer to the standards themselves, which can be downloaded (for free) from the International Federation of Accountants' website. A list of IPSASs is provided in the Annex to this Appendix.

**2. Reasons for Comparison with IPSAS**

**7.6** This Appendix focuses specifically on comparing GFS with IPSAS, because IPSAS is the internationally recognized example of best practice in public sector financial reporting, and is therefore the obvious counterpart to international statistical standards. It is a comprehensive set of full accruals accounting standards that is largely consistent with the public sector accounting standards developed in national jurisdictions. This means that comparison

with IPSAS provides a clear, comprehensive basis for a GFS comparison with accounting standards, while leaving scope for those who apply other, non-IPSAS, full accruals accounting standards to adjust this overview for their own national differences.

**B. Overview of Differences between GFS and IPSAS**

**7.7** This section provides an overview of the differences between GFS and IPSASs, focusing on the main conceptual differences. The main conceptual differences between GFS and IPSASs relate to:

- Objectives of reporting
- Reporting entity definition
- Recognition criteria for assets, liabilities, revenue and expenses
- Valuation (measurement) bases
- Treatment of revaluations and other changes in value and volume of assets and liabilities.

A summary of these main conceptual differences is provided in Table 1, and further discussed in section X

**7.8** Presentation and terminology differences between GFS and IPSAS also exist. As a result, the GFS and IPSASs financial statements and disclosures look quite different, even though the information reported is largely the same. Section X describes the main presentation and terminology differences.

[Include Table 1 here.]

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## C. Conceptual differences

### 1. Objectives

7.9 Statistical guidelines and IPSAS have different objectives for the two sets of financial information produced. GFS are used to analyze and evaluate fiscal policy options, determine the impact on the economy, and compare outcomes nationally and internationally. The focus is on evaluating the impact of the general government and public sector on the economy and the influence of government on other sectors of the economy. The GFS accounting framework was developed specifically for the public sector input to national and international accounts, noting that a range of countries adopt GFS for their fiscal reporting. General purpose financial statements, compiled in accordance with IPSAS, are used to evaluate financial performance, inform decision-making and to demonstrate accountability. The focus is on ensuring that there is sufficient information to hold public sector entities and their management accountable and to make decisions related to the financial performance and position of such entities.

7.10 Although the two sets of financial information necessary to meet these different objectives have many similarities, the different objectives do result in some fundamental differences on how information is reported. For example, in the statistical reports, transactions in financial assets and liabilities are reported according to whether the counterpart of the transactions was a resident or nonresident. In contrast, general purpose financial statements will rather report

these transactions according to whether they are current or noncurrent assets or liabilities<sup>1</sup>.

### 2. Reporting entity

7.11 One of the fundamental differences between statistical guidelines and IPSASs relates to the definition of the reporting entity and the process of consolidation (collectively often referred to as the "reporting boundary").

7.12 In statistical guidelines, as described in Chapter 2 of this manual and in the 2008 SNA, Chapter 4, institutional units are aggregated and consolidated into statistical sectors and sub-sectors. Although it is theoretically possible to create a GFS reports for individual institutional units, separate statistical report for individual units, are not disseminated<sup>2</sup>. Each individual entity in the economy is analyzed to determine if it can be considered to be an institutional unit, with respect to its autonomy of decision making, and those government-controlled units which are primarily engaged in non-market (including redistributive) activities are included within the general government sector." All government-controlled entities, including public corporations

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<sup>1</sup> The distinction between current and noncurrent assets and liabilities is based on whether the asset/liability is expected to be liquidated in the next accounting period.

<sup>2</sup> To the contrary, the United Nations Fundamental Principles of Official Statistics states that individual data collected by statistical agencies for statistical compilation, whether they refer to natural or legal persons, are to be strictly confidential and used exclusively for statistical purposes.

engaged in market activities, are included within the public sector. Nonmarket activities determine the delineation of the general government sector within the public sector. The focus of statistical reporting is primarily on consolidated sectors and sub-sectors.

**7.13** Thus statistical guidelines are based on the classification of a complete unit according to its nature to statistical sectors. Under statistical guidelines, where a unit (A) controls another unit (B) which is classified in a different statistical sector, the interest of unit A is reflected as an asset (commonly as an equity investment) in its balance sheet. Where both units are in the same statistical sector, the consolidated position presented in statistical data eliminates transactions and position between the units.

**7.14** In IPSASs, according to the IPSAS Conceptual Framework, the reporting entity is an entity which prepares financial statements on a compulsory basis or on a voluntary basis where a user is identified (*specific IPSAS and paragraph reference for the definition of reporting entity to be added*). A group reporting entity is identified where one entity has the authority and capacity to direct the activities of one or more other entities. IPSAS also has a requirement that a reporting entity provide segmental reporting (see IPSAS 18). Segment reporting is (*include brief description*) Government business enterprises are defined in IPSAS 1, as (*include fuller definition*) ...including the requirement that they sell goods and services to other entities in the normal

course of its business, at a profit or full cost recovery. These entities are not required to apply IPSAS. Instead they apply International Financial Reporting Standards (IFRS) or the private sector accounting standards for their national jurisdiction.

**7.15** The requirement to consolidate entities differs in IPSASs and GFS. Under IPSAS 6, Consolidated and Separate Financial Statements, consolidated financial statements are the financial statements of an entity presented as those of a single entity. This means that a controlling entity – with control defined according to the principle of the exercisable power to govern the financial and operating policies of another entity – will consolidate the financial statements of all of its controlled entities, irrespective of whether they are resident units or market/nonmarket entities.

**7.16** The IPSASs nevertheless provide for the disclosure of financial information about the General Government Sector (IPSAS 22). This IPSAS specifically sets aside the application of IPSAS 6 (whilst retaining the application of all other IPSASs), thereby allowing an aggregate presentation which can reconcile the statistical reporting boundary for general government sector with the IPSAS reporting boundary.

### **3. Recognition criteria**

**7.17** GFS and IPSASs both aim to recognize economic events in the period in which they occur. Neither GFS nor IPSAS allows the application of precaution or prudence to justify the reporting of

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provisions that anticipate future possible events. GFS and IPSAS differ in their recognition criteria for certain liabilities, because GFS treats uncertainty about future economic outflows differently from IPSAS. The effect of this difference is that IPSAS requires more items to be recognized as liabilities than does GFS. GFS guidance requires that probable exposures such as contingencies and guarantees be disclosed in memorandum items, until such time as these are called. An exception applies in cases where these liabilities relates to future government employee benefit payments and standardized guarantees schemes (see paragraph x.x and x.x), which are not considered contingencies but recognized as liabilities.<sup>3</sup> IPSAS requires that where an event has occurred that indicates an outflow will probably occur, the amount should be estimated and, if it can be reliably estimated, recognized as a liability in the balance sheet. *(Include similar coverage re asset recognition i.e. probable inflows recognized as assets.)*

**7.18** This difference with respect to liability recognition may also lead to differences in expense and, to a lesser extent, revenue recognition. When a liability is first recognized or increases in amount, an expense will often be reported. A decrease in the amount of a liability can result in revenue. These amounts will not be recognized in the GFS.

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<sup>3</sup> GFS do not

**7.19** GFS and IPSAS apply the same broad recognition criteria to assets, with the result that the same financial and nonfinancial assets are recognized. Therefore revenue related to asset recognition is also reported at the same point. However, differences with respect to views about valuation (measurement) and where these valuation changes should be reported mean that the amount of revenue reported under GFS and IPSAS could differ. (see paragraph x.x)

#### **4. Valuation (Measurement) Bases**

**7.20** The valuation principles in GFS and IPSAS result in the majority of assets and liabilities being valued on the same basis i.e. current market prices. The exceptions are when IPSAS uses historic cost, as described in more detail below. Both GFS and IPSAS allow surrogates for current market price. For example depreciated replacement cost can be used as a surrogate for the market price of specialized assets, if no market price information is available.

**7.21** The general valuation principle of the GFS is to use current market prices for all assets, liabilities, and related value change, i.e. for all stocks and flows<sup>4</sup>. Where an active market does not exist, the GFS guidelines recommend to use nominal values for financial instruments, and to estimate the value of

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<sup>4</sup> The main area where this is not the case are for financial instruments that are presumed to be non-marketable, such as loans. It is also possible that debt instruments may be measured for policy purposes on a “nominal” basis. See the Public Sector Debt Guide for further information on this.

other assets/liabilities. These estimates could be based on prices of similar products in similar markets, the costs of production of similar assets at the reporting date, or the discounted present value of expected future returns on the asset. (See paragraph 3.XX for a full discussion on the valuation principles of the GFS).

**7.22** IPSAS uses current market price for many, but not all, assets, liabilities, and related value changes. IPSAS values some assets and liabilities at historic cost. With respect to ‘market prices’ IPSAS defines ‘fair value,’ which usually involves market prices. The trend in IPSAS is towards increased use of market prices.

**7.23** IPSAS requires that marketable financial instruments be measured at fair value. Non-marketable financial instruments are measured at historic cost. Employee related liabilities and provisions other than financial instruments are measured at net present value, which is likely to approximate market price. Property, plant and equipment and intangible assets can be valued *either* at fair value or at depreciated historic cost. Inventory is valued at historic cost, with a requirement to reduce to net realizable value, if the historic cost drops below cost.

**7.24** Where an entity reports an item using historic cost, IPSASs often encourages or requires disclosure of fair value, if there is a material difference between the reported cost and the item’s fair value. For example, that is the case for property, plant and

equipment and intangible assets. (Since use of historic cost in these two cases is optional under IPSAS, governments can also choose to value them at fair value, which avoids the need to revalue for GFS purposes.)

**7.25** IPSAS requires the valuation basis for all assets and liabilities to be disclosed. This means that IPSAS information makes clear those situations where a non-market price has been used to value assets or liabilities. If historic cost has been used to value assets or liabilities, then the IPSAS source data will need to be adjusted from historic cost to market price, before it can be used for GFS. The adjustment will be straightforward, where IPSAS already requires disclosure of a market price valuation, as is often the case.

## **5. Treatment of revaluations and other value changes**

**7.26** GFS records all holding gains and losses (revaluations) and other changes in the volume of assets and liabilities in the Statement of Other Economic Flows. These flows are separated out from transactions to provide data for revenues, expenses, and the financial balance of government, which are useful for fiscal analysis. Other economic flows represent economic value gained or lost due to economic events that are not directly under the control of the government unit. It is therefore not directly the result of a fiscal policy decision..

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**7.27** IPSASs requires the majority of revaluations and changes in value to be recorded in the Statement of Financial Performance and the trend is towards all value changes being included in this statement. Gains and losses recorded in the Statement of Financial Performance, are then included in the total net amount that flows from the Statement of Financial Performance into the Statement of Changes in Net Assets/Equity. As a result, the Statement of Changes in Net Assets/Equity reports the total impact of all recognized value changes. Some unrealized gains and losses are not allowed to be recorded in the Statement of Financial Performance and must, instead, be recorded directly in the Statement of Changes in Net Assets. The main items are foreign exchange gains/losses and revaluations of property, plant and equipment.

**7.28** Traditionally the distinction between realized and unrealized gains/losses has been viewed as the main difference between items recorded in the Statement of Financial Performance versus those excluded from this statement and, instead, only recorded in the Statement of Changes in Net Assets/Equity. The Statement of Financial Performance was viewed showing realized gains/losses, while the Statement of Changes in Net Assets/Equity was viewed as also showing unrealized gains/losses. But IPSAS now requires many unrealized value changes to be included in the Statement of Financial Performance. For example, value changes due to unrealized revaluations of

employee liabilities or impairment reductions are included in the Statement of Financial Performance. The two main exceptions recorded in the Statement of Movements in Net Assets/Equity (foreign exchange fluctuations and revaluations of property, plant and equipment) are both unrealized, but they are also viewed as potentially obscuring an entity's financial performance, partly because they are outside of management's control and partly because gains in one year may be reversed in subsequent years.

*[Include diagrams showing presentation differences here. Development of diagrams in progress.]*

#### **D. Presentation and Terminology Differences**

**7.29** This section describes the main presentational and terminology differences between GFS guidance and IPSAS requirements. It begins with an overview of these differences, then presents these differences in comparison tables for each GFS statement and its IPSAS equivalent.

#### **6. Overview of presentation and terminology differences**

**7.30** The main presentation and terminology differences are:

- Different names for the IPSAS equivalents to the GFS statements
- The types of classification structures included in the balance sheet and operating statements of the

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two reporting frameworks differ, which, in some cases, also necessitates differences in terminology.

- GFS sets out a minimum level of detail according to a comprehensive list of standard line items that all entities must report in their GFS financial statements, while IPSAS establishes a minimum set of standard line items, while providing principles and guidance on further line items that a reporting entity may need to report.
- The way in which additional information about the data is disclosed, differ in the two frameworks.
- The definition and/or value of key balancing items such as net worth, revenue and expense, may differ.

Each of these main differences are discussed below.

**a. Statements**

**7.31** The IPSAS equivalents to the GFS statements have different names [Ref. IPSAS 1]. The IPSAS equivalent to the GFS “Balance Sheet” is “Statement of Financial Position,” although IPSAS also recognize that the terms “Balance Sheet” or “Statement of Assets and Liabilities” may be used. The IPSAS equivalent to the GFS “Statement of Government Operations” is called a “Statement of Financial Performance,” while terms such as “Income Statement,” “Statement of Revenues and Expenses,” “Operating Statement,” or “Profit and Loss Statement” are acceptable alternatives under IPSAS. The GFS “Statement of Other Economic Flows” is

partly captured in the IPSAS “Statement of Changes in Net Assets<sup>5</sup>.” IPSAS also refers to this as the “Statement of Movements in Equity.”

**7.32** The IPSAS equivalent to the GFS Statement of Sources and Uses of Cash is called a “Cash Flow Statement.”

**7.33** IPSAS financial statements include a “comparison of budget and actual amounts,” for which there is no GFS equivalent. This information must be provided by all entities that publish an approved budget [Ref. IPSAS 1 and IPSAS 24]. It is presented either as a separate additional financial statement or as an additional budget column in the financial statements. A separate statement must be used when the budget is on a different basis from the actual reported results. For example, if the budget is on a cash basis, while the results are accruals, the budget-actuals statement is separate. If the budget is on the same basis as the results, that is on an accruals basis, then the budgeted amounts can be fully integrated into the financial statements through the use of an additional budget column and a separate statement is not necessary.

**b. Classification structures**

**7.34** The GFS classify and group items in its statements differently from IPSAS. At the highest

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<sup>5</sup> Some other economic flows recorded in the GFS Statement of Other Economic Flows are sourced from the IPSAS Statement of Financial Performance (see paragraph x.x)

level, the terminology used for classifications are the same, for example, assets, liabilities, revenue and expenses. However, within these items there are conceptual differences and differences in the structure of subclassifications. The differences reflect the different objectives of the two information sets. For example, IPSAS requires that assets and liabilities be presented as current or non-current, or that a liquidity structure be followed. This is important for the assessment of an entity's liquidity and solvency. GFS does not make this distinction in its core statements, but allow for a supplementary table on the maturity structure of government's financial assets and liabilities to be compiled.

**7.35** For GFS, standardized economic and functional classifications (as described in Chapter 6) serve the specific objective of comparability of various government entities and international comparability. These classifications are devised to evaluate the impact of the general government and public sector on the economy as a whole, and to identify government's involvement with other sectors. For example, financial assets and liabilities are classified and presented according to whether they are domestic or foreign instruments to allow an assessment of government's interaction with the rest of the world. Such a classification is important because fiscal policy decisions on domestic versus foreign instruments are based on different criteria; and also because it allows the derivation of a

government's impact on the balance of payments of the country. IPSAS does not require this distinction.

**7.36** In GFS counterpart information plays an important role. The GFS economic classification often requires counterpart information for flows and stocks (balance sheet). IPSAS does not require counterpart information.

**c. Minimum level of detail**

**7.37** GFS require a minimum level of detail to be reported according to a comprehensive list of standard items. The level of detail is presented in standardized items to facilitate: consistency over time; comparability; and, consolidation of data across units and sectors.

**7.38** IPSAS also require some minimum items to be reported. But presentation is less standardized than for GFS, with preparers required to make decisions about what items are shown, with reference to the purposes and understandability of statements, information relevance, and the principle that material items should be presented separately in the financial statements [Ref. IPSAS 1]. (*Check wording with Task Force.*)

**d. Disclosure of additional information**

**7.39** To facilitate the correct interpretation of GFS, compilers are encouraged to present information on the sources, methods and procedures of the statistics as metadata or footnotes to statistical reports. In particular, information that may have an impact on

assessing the statistics should be disclosed in the statistical reports. GFS also use standard categories of memorandum items to report on items that are not reported in the body of the statements.

**7.40** IPSASs require that information that may have a significant impact on the assessment of the outcome be disclosed as notes to the financial statements. Notes include a summary of significant accounting policies. They also include further detailed information about individual items reported on the face of a statement, for example, a break-down of property, plant and equipment into classes, information about items that are not recognized but nonetheless important (for example, contingencies), and risk information related to financial instruments.

**7.41** GFS are usually presented as a time series of data, so comparative data for multiple years are presented at the same time. Consistent time series may be very long; decades for some countries. Following from this, it is also required that corrections to data, will be effected in the period in which mistakes occurred, irrespective of when the need for such corrections are determined. Financial statements presented according to IPSASs require comparative information about one previous year. However, IPSAS requirements with respect to adjustment of previous years' figures are open about the number of prior years affected, stating, for example, that changes should be made to 'each prior period presented'

without stipulating the number of prior periods [Ref. IPSAS 3].

**e. Key balancing items**

*i. Net worth*

**7.42** The GFS's 'net worth' is different from IPSASs' net assets/equity:

- In the GFS net worth is calculated as the balance sheet opening net worth + operating balance + changes in all assets and liabilities due to other economic flows = balance sheet closing net worth. Net worth for a specific period is also equal to the net of all assets less all liabilities.
- According to IPSAS the net asset/equity is calculated as the opening net assets/equity + surplus/deficit + items shown directly on changes in equity statement = closing net assets/equity. Net asset/equity is also equal to the net of all assets less liabilities excluding equity.

**7.43** These differences in the calculation of the net balancing item primarily results from the differences between how GFS and IPSAS allocate items to their respective statements (GFS showing other economic flows separately). In addition, it should be noted that in the net worth concept equity is treated symmetrically as part of financial assets and liabilities. In contrast, the net asset/equity concept include equity liabilities, but treat equity assets as part of the financial asset. In addition to this presentational difference, the value of these concepts can also differ

due to valuation differences (see paragraph x.x for a discussion on the conceptual differences in valuation).

*ii. Total assets and liabilities*

There are some broad classification differences between GFS and IPSAS. First, GFS classifies assets in terms of whether they are financial or non-financial. IPSAS does not require assets to be grouped in terms of whether they are financial or non-financial. But IPSAS does distinguish between financial and non-financial assets. There is sufficient information in an IPSAS balance sheet to determine financial and non-financial assets totals. Second, GFS classifies financial assets into domestic and foreign. IPSAS does not use this classification. Third, IPSAS generally does not classify assets according to the purpose for which the assets have been acquired. The IPSAS 16 classification of property in terms of whether or not it is an investment property is an exception to this general rule.

*iii. Operating balance*

**7.44** The GFS net operating balance is calculated in the same way as the IPSAS “surplus/deficit.” Both are calculated as revenue less expense. However, the value of these two balancing items will differ because the items included in the GFS revenue and expense are different from those included in the IPSAS Concept of revenue and expense. This difference can be ascribed to the conceptual difference in the treatment of other economic flows. (see paragraph x.x).

*iv. Revenue and expense*

**7.45** Although the GFS and IPSAS concepts of revenue and expenses are different, they can be reconciled as follows:

- GFS (Revenue + Other Economic Inflows) = IPSAS (Revenue + economic inflows recognized directly in Statement of Changes in Equity); and
- GFS (Expenses + Other Economic Outflows) = IPSAS (Expenses + outflows recognized directly in Statement of Changes in Equity)

*v. Consumption of fixed assets*

**7.46** Conceptually the GFS concept of consumption of fixed capital differs from the IPSAS concept of “depreciation.” The economic concept is discussed in paragraph x.x. The IPSAS concept of “depreciation” is that of calculating an estimated total value drop for an asset’s useful life, then allocating equal fractions of that change in value to each reporting period in which the asset is used.

**7.47** In practice depreciation approximates GFS asset consumption, if similar valuation methods and service lives are assumed for assets, and asset values are close to replacement values through revaluations. Where IPSAS asset values are based on historic cost values, depreciation would usually represent an underestimate of fixed capital consumption.

**7.48** GFS considers net capital investment to be an expense, with consumption of fixed capital treated as an “other economic flow” not impacting on the

government balance. IPSAS treats depreciation as an expense.

**7.49** [Include discussion of provisioning difference and its impact on expenses?]

**7.50** IPSAS refers to materiality as a classification criterion for revenue and expenses. In this context, in addition to the economic classification (as shown), the GFSM also has a Classification of Functions of Government (COFOG), which can be found in a similar form in IPSAS 22. [More here?]

**7.51** [Check against GFS and generally:] Under IPSAS, cash flows resulting from acquisitions or disposals of assets are part of cash flow statement. Any gain or loss on disposal is a realized holding gain or loss and as such is shown as part of surplus/deficit i.e. recognized in the statement of financial performance.

## **E. USE OF IPSAS SYSTEMS TO GENERATE STATISTICAL INFORMATION**

**7.52** As explained above, there is a significant degree of overlap between public sector statistical reporting and IPSAS. If a government has a comprehensive accruals accounting system, such as that designed to produce IPSAS financial statements, then this will facilitate preparation of fiscal statistics, and greatly improve the source data for GFS. Production of fiscal statistics can be further facilitated through (a) choice of IPSAS options; and, (b) chart of accounts design. For example, many of the measurement differences can be overcome through

choice of options within IPSAS. All of the classification differences described above can be addressed through chart of accounts design.

### **1. Alignment Through Choice of IPSAS Options**

**7.53** Governments can better align their financial reporting with statistical reporting through the choices they make between IPSAS options. Some IPSASs include accounting options where one option is consistent with statistical reporting, while the other is not. For better alignment governments should adopt, as their accounting policies, those IPSAS options that are consistent with statistical reporting.

**7.54** For example, Statistical reporting requires all borrowing costs to be expensed. IPSAS 5, *Borrowing Costs*, requires most costs to be expensed, while also allowing certain types of borrowing costs to be capitalized. But IPSAS 5 makes capitalization *optional*. Under IPSAS 5 a government can choose to expense *all* borrowing costs, so that its IPSAS policy for borrowing costs is consistent with statistical reporting requirements.

### **2. Use of the Chart of Accounts to Reconcile Differences**

**7.55** A chart of accounts is a list of the accounts used by a reporting entity to define each class of items for which money or the equivalent is spent or received. It is used to organize the finances of the entity and to segregate expenses, revenue, assets and liabilities. Broad accounting classifications (assets, liabilities, etc) include more detailed subsets (for

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example, assets are further classified into accounts receivable, inventory, property, etc). A chart of accounts also allows classifications that apply *across* accounting distinctions. For example, assets, liabilities, revenue and expenses can be coded to show location (North America, Asia, etc). Classifications can be tailored to collect data that is specific to an entity's information needs.

**7.56** This ability to tailor a chart of accounts to an organization's needs provides scope to use a chart of accounts to generate statistical information. But the chart of accounts should be one that is broadly aligned with statistical reporting. This means that it should be designed to generate accruals information, such as IPSAS information, rather than cash information.

**7.57** For a government's chart of accounts to produce statistical information, the classification in the chart of account need to include both IPSAS and statistical accounting descriptors. The information system is then able to collect and classify the same item for the two different types of reporting; financial and statistical.

**7.58** For example, IPSAS financial statements report "finance costs" and the related information system collects information on "interest expenses," which are identified in the chart of accounts. IPSAS does *not* need information on whether interest is due to be paid either to resident or non-resident units, but this is information that statistical reporting *does* require. Statistical reporting also needs interest costs

related to other general government units or public corporations to be identified, to allow consolidation. So for statistical reporting the item "interest expense" to be further classified in terms of whether (a) the counterpart is "resident" or "non-resident," and (b) "resident" amounts need to be classified in terms of the counterpart.

**7.59** A well designed chart of accounts will include coding that addresses the distinctions described in the previous paragraph. The coding might, for example, look like this:

Expenses (account numbers 50000 - 54999)

53100 Interest Expense

53101 Interest – To nonresidents

53102 Interest– To residents other than public sector

53103 Interest - To other general government units

53103.1 To other budgetary central government units

53103.2 To extra budgetary central government units

53103.3 To social security funds

53103.4 To state governments

53103.5 To local authorities

53104 Interest– To public corporations

53104.1 To financial public corporations

53104.2 To nonfinancial public corporations

**7.60** If the classification needed for statistical reporting has been included during the chart of accounts' design, then amounts will be coded for

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statistical reporting purposes at the same time as data is input into the IPSAS information system for financial reporting purposes. Then the accounting system will generate information on these statistically important categories.

***Other statistical classifications***

**7.61** Examples of other statistical classifications that should be included in the Chart of Accounts are:

- Transfer payments classified in terms of their counterparties;
- Revenue classified in terms of taxes or grants received or other revenue; and,
- Expenses classified in terms of subsidies paid, grants paid, and benefits.

Integrating statistical reporting classification into a chart of accounts developed for IPSAS reporting makes the chart of accounts more detailed. But the added detail should be well within the capacity of the normal information system. The benefits are significant. If the chart of accounts is appropriately designed, then it will reliably generate much of the information needed for statistical reporting, with significant gains in terms of efficiency and information quality. The alternative is time-consuming additional ad hoc work, which is likely to result in less reliable and less timely information.

**ANNEX: LIST OF IPSASs (At DECEMBER 2011)**

IPSAS 1—Presentation of Financial Statements	IPSAS 22—Disclosure of Information about the General Government Sector
IPSAS 2—Cash Flow Statements	IPSAS 23—Revenue from Non-Exchange Transactions (Taxes and Transfers)
IPSAS 3—Accounting Policies, Changes in Accounting Estimates and Errors	IPSAS 24—Presentation of Budget Information in Financial Statements
IPSAS 4—The Effects of Changes in Foreign Exchange Rates	IPSAS 25—Employee Benefits
IPSAS 5—Borrowing Costs	IPSAS 26—Impairment of Cash-Generating Assets
IPSAS 6—Consolidated and Separate Financial Statements	IPSAS 27—Agriculture
IPSAS 7—Investments in Associates	IPSAS 28—Financial Instruments: Presentation
IPSAS 8—Interests in Joint Ventures	IPSAS 29—Financial Instruments: Recognition and Measurement
IPSAS 9—Revenue from Exchange Transactions	IPSAS 30—Financial Instruments: Disclosures
IPSAS 10—Financial Reporting in Hyperinflationary Economies	IPSAS 31—Intangible Assets
IPSAS 11—Construction Contracts	IPSAS 32—Service Concession Arrangements: Grantor
IPSAS 12—Inventories	
IPSAS 13—Leases	
IPSAS 14—Events After the Reporting Date	
IPSAS 15—Financial Instruments: Disclosure and Presentation ( <i>To be withdrawn</i> )	
IPSAS 16—Investment Property	
IPSAS 17—Property, Plant, and Equipment	
IPSAS 18—Segment Reporting	
IPSAS 19—Provisions, Contingent Liabilities and Contingent Assets	
IPSAS 20—Related Party Disclosures	
IPSAS 21—Impairment of Non-Cash-Generating Assets	

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**Table 1** Summary of the main differences between GFS and IPSAS

Government Finance Statistics	IPSAS
<b>Objectives</b>	
<b>Evaluate economic impact:</b> Government finance statistics are used to analyze and evaluate fiscal policy options, determine the impact on the economy, and compare outcomes nationally and internationally. The GFS reporting framework was developed specifically for the public sector input to national and international accounts, noting that a range of countries use GFS for their ex posts and ex ante fiscal reporting.	<b>Evaluate financial performance:</b> General purpose financial statements are used to evaluate financial performance, inform decision-making and to demonstrate accountability.
<b>Reporting Entity</b>	
<b>Institutional units and sectors:</b> The statistical reporting unit is an institutional unit, defined as an entity that is capable, in its own right, of owning assets, incurring liabilities, and engaging in economic activities in its own name. The reporting entity may be an institutional unit or a group of institutional units. The scope of the reporting entity is not necessarily determined by the notion of control.	<b>Economic entity and consolidation:</b> The reporting unit for financial statements is an economic entity, defined as a group of entities and one or more controlled entities. Control is the main criterion that determines consolidation. The focus of financial reporting is primarily on individual groups of controlled entities.
<b>Recognition Criteria</b>	
<b>Economic events recognized:</b> Government finance statistics recognize economic events that have occurred in the past – most provisions are therefore not recognized, but exposures such as explicit guarantees are disclosed as memorandum items.	<b>Past events with probable outflows recognized:</b> IPSASs recognize liabilities, including provisions, when: <ul style="list-style-type: none"> <li>• A past economic event has taken place,</li> <li>• The amount can be reliably estimated, and</li> <li>• Future outflows are probable.</li> </ul> If not recognized as a liability, the event may still be disclosed in the notes to the financial statements as a contingent liability.
<b>Valuation (Measurement)</b>	
<b>Market prices:</b> Market prices are used for all flows, and stocks of assets/liabilities, but there is allowance for alternative valuations where an active market does not exist.	<b>Fair value and cost:</b> Fair value is used for marketable financial instruments. Either fair value or historic cost is used for other assets and liabilities. Where an entity reports an item using historic cost, IPSASs often encourage disclosure of fair value if there is a material difference between the reported cost and the item's fair value.
<b>Revaluations and Value Changes</b>	
<b>Record all revaluations and changes in volume in the Statement of Other Economic Flows:</b> Separating all other economic flows is useful for fiscal analysis, given that these do not represent fiscal policy decisions directly in control of government.	<b>Make distinction between realized and unrealized gains and losses:</b> Some losses or gains due to revaluations or changes in volume of assets are reported in the Statement of Financial Performance, while others are reported directly in the Statement of Changes in Net Assets.

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### 7.3 DIFFERENCES BETWEEN IPSAS AND STATISTICAL REPORTING (PROGRESS MADE AND STATUS)

Issues	Progress (since 2004), and Status (as of November 2011)	IPSAS (GFS/ESA)
<i>1) Resolved</i>		
<i>The scope of the reporting entity and sector reporting - reconciliation through disclosure.</i>	<p><b>Progress:</b> IPSAS 22, Disclosure of Financial Information About the General Government Sector (1) encourages disclosure of information about the general government sector, (2) specifies rules when a government elects to make such disclosures; and, (3) requires a government’s investment in public corporations to be recognized at the carrying amount of investees’ net assets.</p> <p><b>Status: Issue resolved.</b> The recommendation for reconciliation through disclosure has been met.</p> <p><i>The basic conceptual difference between how the reporting entity is defined for statistics and for IPSAS remains, and is discussed below under “(2) Unresolvable Issues.”</i></p>	IPSAS 6, IPSAS 22
<i>Measurement of investments in unquoted shares</i>	<p><b>Progress:</b> IPSAS 29 requires fair value where there is a reliable measure, otherwise, cost. In practice fair value is used in the majority of cases. The SNA 2008 adopts a “current market price” (fair value) hierarchy across all assets. So the two treatments are consistent.</p> <p><b>Status: Issue resolved.</b> The measurement issue has been resolved.</p> <p><i>The issue of treatment of losses and gains is unresolved. It is included under (4) “IPSAS to resolve.”</i></p>	IPSAS 29 (SNA 13.70–13.71)
<i>Employee stock options</i>	<p><b>Progress:</b> SNA changes have addressed the differences. 2008 SNA, (paragraph 11.125) clarified employee stock options. Chapter 17 now provides guidance on valuation and recognition. So there is no difference between IPSAS and the SNA. (Note that IFRS 2 is the authoritative pronouncement, applying the IPSAS hierarchy).</p> <p><b>Status: Issue resolved.</b> No remaining differences.</p>	IFRS 2 (SNA para.11.125, Ch.17)

Issues	Progress (since 2004), and Status (as of November 2011)	IPSAS (GFS/ESA)
<i>Measurement of non cash-generating assets<sup>1</sup></i>	<p><b>Progress:</b> As recommended, SNA work to align guidance on the valuation of non cash-generating assets, including heritage assets, has resolved this issue. If entities choose to use the revaluation options in IPSAS 17 and IPSAS 31, then their measurement of PP&amp;E will be aligned with statistical accounting’s use of current market price. Therefore, alignment is confirmed, conditional on use of the appropriate options in IPSAS.</p> <p><b>Status: Issue resolved.</b> No remaining differences.</p>	(SNA)
<i>Borrowing costs</i>	<p><b>Progress:</b> IPSAS 5, Borrowing Costs has the SNA approach of expensing borrowing costs as its “bench mark treatment,” but allows capitalization of costs as an acceptable alternative treatment for costs related to certain assets. A draft Standard, ED 35, Borrowing Costs, was issued in 2008. ED 35 proposed to require expensing. The IPSASB did not finalize ED 35, deciding to defer work on this issue, until after the Framework was completed. Entities can align by choosing to apply the IPSAS 5 option to expense all borrowing costs. Therefore, alignment is confirmed, conditional on use of the appropriate options in IPSAS.</p> <p><b>Status: Issue resolved.</b> No remaining differences.</p>	IPSAS 5 (SNA 7.113 – 7.126 )
<i>Defence weapons</i>	<p><b>Progress:</b> SNA changes have met recommendations on capitalization and classification. The 2008 SNA (paragraphs 10.87, 10.144 and A3.55–58) recommends that military weapon systems be classified as fixed assets based on the same recognition criteria as for other fixed assets. The SNA 2008 also recognizes large defence weapons systems and weapons platforms as assets, measured at fair value. Missiles and explosive ordinance are treated as inventory. These changes will flow to the update of the GFSM.</p> <p><b>Status: Issue resolved.</b> No remaining differences. <i>(Check further re. IPSAS requirements: There may be an issue relating to the delineation between capitalised assets, e.g. weapons platforms, and inventory. For weapons that are “inventory” there is a measurement difference).</i></p>	(SNA para.10.87, 10.144 and A3.55–58)

<sup>1</sup> Note: A recognition issue was identified with respect to heritage assets. If entities apply the IPSAS 17 and IPSAS 31 options to recognize heritage then treatment is aligned with statistical reporting, which recognizes such assets.

Issues	Progress (since 2004), and Status (as of November 2011)	IPSAS (GFS/ESA)
<i>Recognition and derecognition of financial instruments</i>	<p><b>Progress:</b> IPSAS 29's recognition and de-recognition requirements mirror those of IAS 39. IPSAS 28 adopted the requirements of the former IPSAS 15 to offsetting. (The SNA 2008 requirements in respect to debt defeasance have not changed, but have been elaborated). The SNA 2008 deals specifically with debt assumption, as a liability, however, if on transfer the acquirer also includes a claim against the debtor, then a financial asset is also recognised. The SNA 2008 treats debt forgiveness as a capital transfer with the creditor's liability and the debtor's asset reduced by the amount forgiven. The IMF's Public Sector Debt Statistics Guide provides detailed clarifications on debt assumptions.</p> <p><b>Status: Issue resolved.</b> No remaining differences. <i>(Double check status with Task Force).</i></p>	IPSAS 28. 29 (SNA 12.42, 22.122)
<i>Low interest and interest free loans</i>	<p><b>Progress:</b> An IPSAS to address non-exchange revenue, IPSAS 23, has been issued. IPSAS 23 and IPSAS 29 deal with concessional loans. The entity needs to assess whether an arrangement is an exchange or non-exchange transaction. Normal impairment applies.</p> <p>2008 SNA, (paragraph 22.123–22.124) defines concessional terms and states that concessional interest rates to a foreign government could be seen as providing a transfer equal to the difference between the actual interest and the market equivalent interest. If such a transfer is recognized, it is usually recorded as current international cooperation. The interest recorded would be adjusted by the same amount. But the means of incorporating the impact into the SNA has not been developed and, until this is done, information on concessional debt is shown in supplementary tables. <i>(Note comment that Eurostat is trying to resolve this issue, but no agreement has been reached).</i></p> <p><b>Status: Issue resolved.</b> No remaining differences. <i>(Comment received has changed status to "resolved." Double check with Task Force).</i></p>	IPSAS 23, 29 (SNA para. 22.123–22.124, A4.44)

Issues	Progress (since 2004), and Status (as of November 2011)	IPSAS (GFS/ESA)
<i>2) Cannot be resolved</i>		
<i>Reporting entity definition.</i>	<p><b>Progress:</b> Statistical guidance aims to report on the whole government or public sector, including the general government sector, the public corporations sector, and all their subsectors. The national accounts produced for statistics include financial information from all such entities within the nation’s economic territory. By contrast, IPSAS reports on all entities controlled by the reporting government. For example, where lower levels of government (for example, local authorities, or state and provincial governments) are not controlled by the national government, those uncontrolled entities are not included in the government’s financial report.</p> <p><b>Status: Issue cannot be resolved.</b> The basic conceptual difference remains. (But note that scope also exists, in practice, to reduce differences, and therefore included in Section 3 below as well).</p>	IPSAS 6 (SNA 4.127–4.148)
<i>Prior period adjustments/back casting – correction of errors</i>	<p><b>Progress:</b> Progress has occurred through issuance of the improved IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors, which states that changes should be made to ‘each prior period presented’ without stipulating the number of prior periods.</p> <p><b>Status: Issue cannot be resolved.</b> Statistics needs restatement of the time series (many past years), while IPSAS focuses on the current year and usually only requires restatement of one past year.</p> <p><i>(Scope in IPSAS 3 to conclude that it is “impracticable” to apply a policy retrospectively. This may mean that, in practice, there is a difference between IPSAS and statistical reporting. But, based on the Australian experience for fiscal reporting, a change in accounting policy will under GFS be recognised following GAAP, with the statistical accountants then applying back casting through the time series, for the national accounts).</i></p>	IPSAS 3 (SNA 18.11–18.13)

Issues	Progress (since 2004), and Status (as of November 2011)	IPSAS (GFS/ESA)
<i>Provisions arising from constructive obligations</i>	<p><b>Progress:</b> The gap between SNA and IPSAS was reduced when the 2008 SNA (paragraphs 17.207–17.214) introduced a three-way treatment of guarantees. One of the categories, standardized guarantees, is now treated similarly to non-life insurance, and provisions for claims recognized. In all other cases constructive obligations are not recognized. Instead, some contingencies are recorded as memorandum items. IPSAS recognizes all constructive obligations.</p> <p><b>Status: Issue cannot be resolved.</b></p>	IPSAS 19 (SNA para. 17.207–17.214)
<i>Nonperforming loans</i>	<p><b>Progress:</b> Progress has involved clarification of practices. IPSAS 29 requires that loans and other receivables be assessed for impairment and, if evidence indicates impairment, a provision created, with the decrement in value going to revenue. Where the loans are measured at amortized cost, the loans are assessed at every reporting date for impairment. The impairment is calculated based on the present value of the estimated future cash flows, discounted using the original effective interest rate. Any impairment losses are either recognized as a direct reduction of the asset, or through the use of an allowance account. 2008 SNA (paragraph 11.130) recommends nonperforming loans to be disclosed as memorandum items, rather than recognized, while paragraph 13.66 elaborates on identifying these. In practice, no provision will exist until both counter parties agree to debt relief (a mutually agreed right off). (<i>Check further with respect to SNA treatment</i>).</p> <p><b>Status: Issue cannot be resolved.</b> IPSAS treatment differs from SNA. This is likely to continue.</p>	IPSAS 29 (SNA para. 11.130, 13.66)

Issues	Progress (since 2004), and Status (as of November 2011)	IPSAS (GFS/ESA)
<p><i>Biological assets (that is, living animals and plants)</i></p>	<p><b>Progress:</b> The issuance of IPSAS 27, Agriculture brought IPSAS closer to SNA. IPSAS 27 requires that biological assets be measured at fair value, net of point of sale costs. SNA 2008 deals with biological assets. The market value hierarchy applies. This measurement difference is likely to continue. There is also a definitional difference: IPSAS 27 covers a wider set of assets than SNA’s definition of biological and agricultural assets.</p> <p>In the SNA the category fixed assets includes cultivated biological resources such as trees or animals that are used repeatedly or continuously to produce other products such as fruit or dairy products. (10.11). In the case of specialist producers, these animals or trees whose production is not yet complete and are not ready for sale or delivery are recorded as work-in-progress. However, when these animals or trees are intended to be used as fixed assets are produced on own account by farmers or others, incomplete assets in the form of immature animals or trees are treated as gross fixed capital formation by the producing unit (10.88–91). Animals or trees grown for single use are not treated as fixed assets but as inventory, either as work-in-progress or finished goods. (10.139). These assets are valued at current market prices as for other fixed assets. <i>(Clarify and check further).</i></p> <p><b>Status: Issue cannot be resolved.</b></p>	<p>IPSAS 27 (SNA para. 10.11, 10.88–10.96, 10.139)</p>
<p><i>Transaction costs: Costs of disposing of non-financial and financial assets</i></p>	<p><b>Progress:</b> IPSAS 27, IPSAS 29, and IPSAS 31 clearly establish IPSAS treatment. The difference between IPSAS and SNA remains. SNA expenses transaction costs, while IPSAS requires such costs to be capitalized in some cases. In respect to financial assets and liabilities IPSAS 29 excludes transaction costs from the initial recognition of the asset and/or liability. IPSAS 28 requires transaction costs to be a direct deduction from equity. Following initial recognition, sales costs are not deducted. IPSAS 31, Intangible Assets requires certain conditions. IPSAS 27, Agriculture requires assets to be measured at fair value less point of sale costs. <i>(Improve description. Clarify aspects).</i></p> <p><b>Status: Issue cannot be resolved.</b></p>	<p>IPSAS 27, 28, 29, and 31 (SNA 10.158 – 10.160)</p>

Issues	Progress (since 2004), and Status (as of November 2011)	IPSAS (GFS/ESA)
<i>Distributions receivable from controlled entities</i>	<p><b>Progress:</b> The 2008 SNA (paragraph 7.131) clarified the notion of super dividends and made a distinction between dividends and withdrawal of equity, while paragraphs 11.83–11.93 elaborate about equity injections. However the fundamental difference between SNA and IPSAS (consolidation of controlled entities) remains. <i>(Improve description. Check last sentence with Task Force).</i></p> <p><b>Status: Issue cannot be resolved.</b></p>	<p><i>IPSAS/IFRS</i> (SNA para.7.131, para.11.83–11.93)</p>
<i>Contributions from owners, for commercial government operations</i>	<p><b>Progress:</b> 2008 SNA (paragraph 7.131) clarifies the notion of super dividends, and makes a distinction between dividends and withdrawal of equity, while paragraphs 11.83–11.93 elaborate about equity injections (and identify certain cases-for example those injections covering losses-which should be treated as an expense). IPSAS 1, Presentation of Financial Statements and IPSAS 23, Revenue from Non-Exchange Transactions deal with contributions from owners, including designation. IPSAS 23 does not deal with contributions from a re-structure. <i>(Check wording changes from Eurostat).</i></p> <p><b>Status: Issue cannot be resolved. IPSAS and SNA agree conceptually on capital injections, but IPSAS makes identification by reference to legal description, while SNA focuses on economic substance.</b></p>	<p>IPSAS 1, 23 (SNA para. 7.131, 11.83–11.93)</p>
<i>Net worth/net assets/equity</i>	<p><b>Progress:</b> SNA 2008 continues to treat equity as a liability.</p> <p><b>Status: Issue cannot be resolved.</b></p>	<p>SNA 11.83</p>

Issues	Progress (since 2004), and Status (as of November 2011)	IPSAS (GFS/ESA)
<p><i>Measurement of assets, liabilities and net assets/equity (Fair value versus historic cost)</i></p>	<p><b>Progress:</b> The gap between the SNA’s comprehensive requirement for current market value and the IPSASs’ mixture of fair value and historic cost has reduced.</p> <p>IPSAS 7, Accounting for Investments in Associates, requires fair value when an intention to sell an investment within 12 months exists. IPSAS 29, Financial Instruments: Recognition and Measurement, requires fair value on initial recognition, then allows fair value for financial assets through income (so long as designation criteria are met, which would normally be the case) and “held for sale” assets through equity. Financial liabilities can be measured at fair value.</p> <p>But IPSAS 12, Inventories, requires the lower of cost and net realisable value. IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets retains the “best estimate” approach. IPSAS 29 states that assets held to maturity, loans, and receivables are valued at amortised cost.</p> <p><b>Status: Historic cost issue cannot be resolved.</b> So long as IPSAS allows historical cost, this difference will remain. But there is scope to make progress with respect to current value measurement. (Monitor Phase 3 of the IPSASB Framework, where measurement concepts are being considered and include in Sections 3 and 4 below).</p>	<p>IPSAS 7, 12, 19, 29 (SNA 13.16 – 13.25)</p>

Issues	Progress (since 2004), and Status (as of November 2011)	IPSAS (GFS/ESA)
<p><b>3) Resolution possible - GFS/ESA</b></p>		
<p><i>Costs associated with R&amp;D and other intangible assets</i></p>	<p><b>Progress:</b> The recommendation that R&amp;D providing an economic benefit be recognized as an asset has been met. IPSASB issued IPSAS 31 Intangible Assets, which sets out recognition requirements covering R&amp;D, software and other intangible assets. For R&amp;D, research costs are not capitalised. Development costs are capitalised to the extent they meet recognition criteria. IPSAS 31 does not recognise internally generated items such as mastheads, brands etc. Measurement is initially cost, with option to subsequently measure at fair value. SNA 2008 deals with computer software, artistic originals, and intellectual property as part of the capital account. SNA requires recognition for R&amp;D if economic benefits accrue and addresses goodwill.</p> <p><b>Status: Scope to resolve</b> The GFSM update is expected to resolve any remaining differences, because the revised GFSM will address intangibles assets. <i>(Further comment indicated that the issue may be resolved already. Clarify).</i></p>	<p>IPSAS 31 (SNA 13.33, 13.36, and 10.98 – 10.117)</p>
<p><i>Measurement of assets, liabilities and net assets/equity</i></p>	<p><b>Progress:</b> The gap between the SNA’s comprehensive requirement for current market value and the IPSASs’ mixture of fair value and historic cost has reduced.</p> <p>IPSAS 7, Accounting for Investments in Associates, requires fair value when an intention to sell an investment within 12 months exists. IPSAS 29, Financial Instruments: Recognition and Measurement, requires fair value on initial recognition, then allows fair value for financial assets through income (so long as designation criteria are met, which would normally be the case) and “held for sale” assets through equity. Financial liabilities can be measured at fair value.</p> <p>But IPSAS 12, Inventories, requires the lower of cost and net realisable value. IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets retains the “best estimate” approach. IPSAS 29 states that assets held to maturity, loans, and receivables are valued at amortised cost.</p> <p><b>Status: Scope to resolve.</b> There is scope to make progress with respect to current value measurement. (Monitor Phase 3 of the IPSASB Framework, where measurement concepts are being considered and include in Sections 3 and 4 below).</p>	<p>IPSAS 7, 12, 19, 29 (SNA 13.16 – 13.25)</p>

Issues	Progress (since 2004), and Status (as of November 2011)	IPSAS (GFS/ESA)
<i>Extractive industries exploration &amp; evaluation; development &amp; production</i>	<p><b>Progress:</b> GFSM 2012 will clarify the treatment, based on 2008 SNA treatment of contract leases and licences. IFRS 6 applies, through the IPSAS hierarchy. IPSAS 29 requires recognition at fair value for forward sales arrangements.</p> <p><b>Status: Scope to resolve:</b> There is scope to resolve this issue through changes to GFS/ESA.</p>	IFRS 6 , IPSAS 29 (SNA 10.106 – 10.108; 13.49, 13.50)
<i>Decommissioning/restoration costs</i>	<p><b>Progress:</b> 2008 SNA (paragraphs 10.51-10.55) includes decommissioning/restoration costs as costs incurred on acquisition and disposal of assets. Such guidance will be included in the GFS.</p> <p><b>Status: Scope to resolve</b> There is scope to resolve this issue through changes to GFS/ESA.</p>	(SNA para. 10.51(f))
<i>Public private partnerships (PPPs) (e.g. BOOT schemes)</i>	<p><b>Progress:</b> IPSAS has clarified its treatment, but the treatments (IPSAS and SNA) remain different. 2008 SNA (paragraph 22.154–22.163 clarified the treatment of PPPs in government, but left the approach quite open. SNA states that the guidance is indicative and further development awaits issuance of standards being developed by the IASB and IPSASB. In 2011 the IPSASB issued an IPSAS dealing with “Service Concessions Arrangements” (SCAs), which include PPPs and also what the ESA/SNA call “SCAs.” The IPSAS approach focuses on control. According to the ESA “SCAs” involve 3<sup>rd</sup> party revenue and ESA treatment for “SCAs” (all assets usually end up with the operator) is different from PPP treatment, where PPP assets are classified on the basis of risks and rewards.</p> <p><b>Status: Scope to resolve:</b> The SNA has this issue on its research agenda. The timing is unknown. (Note: <i>There is no world-wide agreement amongst statisticians on the treatment of PPPs and service concessions</i>).</p>	IPSAS 32 (SNA para. 22.154–22.163)

Issues	Progress (since 2004), and Status (as of November 2011)	IPSAS (GFS/ESA)
<p><i>“Subscriptions” to international organizations</i></p>	<p><b>Progress:</b> 2008 SNA guidance indicates that transactions with international and supranational organizations, including membership dues and subscription fees payable to international organizations, may not be treated as transfers but as payments for a service, recorded on an accrual basis. Exceptionally, and when there is a possibility even if unlikely, of repayment of the full amount, the payment may be represented as a financial asset. Similar guidance in the updated GFS will clarify that, depending on their nature, “subscriptions” to international non-monetary organizations could give rise to expenses. Brett: note that based on membership deeds, some countries may treat the initial and subsequent annual membership subscriptions as an investment. <i>(Comment: Eurostat is developing a guidance note on this, basically recording as expenditure all subscriptions to international organisations which make concessional loans; is this really a change in IPSAS or an interpretation of the valuation principle of investments?) (Is IPSAS treatment clear enough to be non-aligned?)</i></p> <p><b>Status: Scope to resolve</b> There is scope to resolve this issue either through changes to GFS/ESA or changes to IPSAS.</p>	

Issues	Progress (since 2004), and Status (as of November 2011)	IPSAS (GFS/ESA)
<b>4) Resolution possible - IPSAS</b>		
<i>Reporting entity definition.</i>	<p><b>Progress:</b> Statistical guidance aims to report on the whole public sector, and the national accounts produced for statistics include financial information from all public sector entities within the nation’s geographic boundary. By contrast, IPSAS only includes entities controlled by the national government within the national government’s financial report. Where lower levels of government (for example, local authorities, or state and provincial governments) are not controlled by the national government, those uncontrolled entities are not included.</p> <p><b>Status: Scope to resolve some differences.</b> The basic conceptual difference will remain, but there appears to be scope to reduce some differences.</p>	IPSAS 6 (SNA 4.127–4.148)
<i>Measurement of assets, liabilities and net assets/equity (at current value)</i>	<p><b>Progress:</b> The gap between the SNA’s comprehensive requirement for fair value and the IPSASs’ mixture of fair value and historic cost has reduced. (For further detail, see coverage of this issue under ‘cannot be resolved’ issues.)</p> <p><b>Status: Scope to resolve.</b> There is scope to make progress with respect to current value measurement, by improving the consistency of approaches to current value measurement and the related guidance.</p>	IPSAS 7, 12, 19, 29 (SNA 13.16 – 13.25)
<i>Transaction costs: Capitalization of the costs of issuing equity instruments</i>	<p><b>Progress:</b> SNA was clarified in 2008, which lessened the gap between statistical guidance and IPSAS. 2008 SNA (paragraph 11.35) confirms that all service charges and interest payments must be excluded from the cost of transactions in financial instruments such as equity. IPSAS requires that transaction costs be excluded when subsequent measurement is fair value. Generally equity is measured at fair value. If subsequent measurement is at cost then transaction costs are included in measurement of the asset. In the majority of cases there is no difference with both types of reporting stating that transaction costs should be <i>excluded</i> from measurement of the asset, when the asset is measured at fair value. But IPSAS requires that transaction costs be <i>included</i> in the asset’s measurement, when subsequent measurement is at cost.</p> <p><b>Status: Scope to resolve</b> There is scope to resolve this issue through changes to IPSAS requirements.</p>	(SNA para. 11.35)

Issues	Progress (since 2004), and Status (as of November 2011)	IPSAS (GFS/ESA)
<i>Gains and losses due to measurement of investments in unquoted shares</i>	<p><b>Progress:</b> The measurement issue has been resolved.</p> <p><b>Status: Scope to resolve:</b> There may be scope to resolve differences in the treatment of gains and losses through IPSAS 1 changes. Treatment of gains and losses has been discussed within the context of the IPSASB’s Conceptual Framework.</p>	IPSAS 1 (SNA 12.73 – 12.121)
<i>Currency on issue/seigniorage</i>	<p><b>Progress:</b> The IPSASB has discussed development of guidance on this topic (treated as a public sector specific financial instrument) but timing is unknown.</p> <p><b>Status: Scope to resolve:</b> There is scope to resolve this issue through IPSAS changes.</p>	<i>GFSM 2010?</i>
<i>Inventory measurement</i>	<p><b>Progress:</b> IPSAS and SNA remain different. SNA requires market values.</p> <p><b>Status: Scope to resolve:</b> An IPSAS 12, Inventories change (to require net realisable value) would resolve the difference.</p>	IPSAS 12 (SNA 10.118 – 10.148)
<i>Statement of financial performance: format, presentation classification</i>	<p><b>Progress:</b> A project to split the comprehensive result into two components - aligned with the transactions/other economic flows distinction in the SNA - was recommended. But IPSASB has not adopted a comprehensive income approach for presentation of performance. The SNA 2008 retains the distinction between transactions and other economic flows.</p> <p><b>Status: Scope to resolve:</b> Resolution may be possible, depending on IPSASB decisions with respect to comprehensive income.</p>	IPSAS 1 (SNA chapter 18)
<i>Cash flow statement: presentation</i>	<p><b>Progress:</b> IPSAS and GSF differ on the notion of “cash surplus/deficit” in the Statement of Cash Flows The improved IPSAS 2, Cash Flow Statements did <i>not</i> provide an alternate GFS presentation. GFSM 2001 reinstated the notion of expenditure in the cash flow statement. GFS is unlikely to remove notional cash flows such as finance leases from cash flow presentation.</p> <p><b>Status: Scope to resolve:</b> <i>(If the AASB 1049 approach is used then the issue can be resolved. Double check with Task Force). (Discuss issue of notional cash flows).</i></p>	IPSAS 2 ( <i>GFSM 2010?</i> )

Issues	Progress (since 2004), and Status (as of November 2011)	IPSAS (GFS/ESA)
<p><i>“Subscriptions” to international organizations</i></p>	<p><b>Progress:</b> 2008 SNA guidance indicates that transactions with international and supranational organizations, including membership dues and subscription fees payable to international organizations, may not be treated as transfers but as payments for a service, recorded on an accrual basis. Exceptionally, and when there is a possibility even if unlikely, of repayment of the full amount, the payment may be represented as a financial asset. Similar guidance in the updated GFS will clarify that, depending on their nature, “subscriptions” to international non-monetary organizations could give rise to expenses. (<i>Is IPSAS treatment clear enough to be non-aligned?</i>) (<i>Note Eurostat comment above</i>).</p> <p><b>Status: Scope to resolve</b> There is scope to resolve this issue through changes to GFS/ESA or IPSAS.</p>	<p>MGDD chapter III</p>