

First-Time Adoption of Accrual Basis IPSASs

Agenda Item 7

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New York, USA

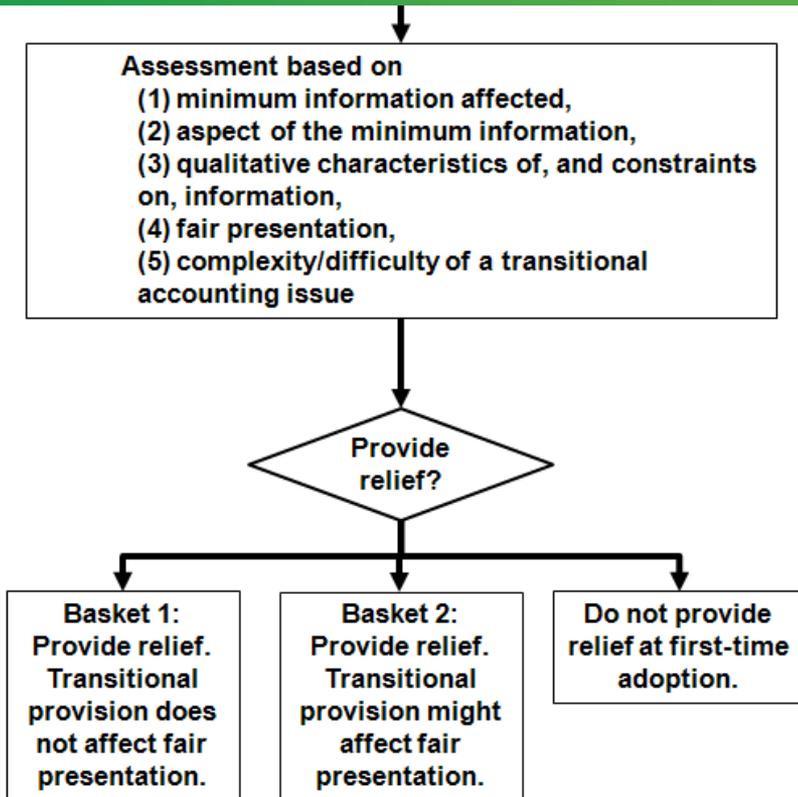
Objectives of Agenda Item

- Revised assessments of proposed transitional provisions of IPSAS 1 - 18
- Assessments of transitional provisions of IPSAS 19 - 22, IPSAS 24, IPSAS 26 - 27 and IPSAS 31
- Proposed reconciliation requirements and requirements for disclosure of narrative information about material adjustments
- Draft Exposure Draft

Revised Approach for the Assessment of Proposed Transitional Provisions for IPSAS 1 to 18 (1)

- Results of the September 2012 meeting:
 - Additional criterion on practical complexities or difficulties
 - Differentiation between:
 - (a) Transitional provisions which allow for fair presentation (basket 1), and
 - (b) Transitional provisions where an entity will likely not be able to assert fair presentation at first-time adoption (basket 2).

Revised Approach for the Assessment of Proposed Transitional Provisions for IPSAS 1 to 18 (2)



Please see figure 1 on page 3 for complete version.

Matter for Consideration
1. Members are asked to **confirm** the revised approach for the assessment of transitional provisions at first-time adoption of accrual basis IPSASs.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (1)

- Revised assessments based on decisions reached at the September 2012 meeting
- Staff provided the analysis of IPSAS 2, 3, 9, 10, 14 and 15 which were not included in the September Agenda Papers
- Please refer to Table 1 starting on page 4 and to the Background material starting on page 10 of Agenda Item 7.1

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (2)

Matter for Consideration

2. Members are asked to **review** and **discuss** the revised assessments of proposed transitional provisions based on the revised set of criteria.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (3)

IPSAS 1:

- Added Minimum information affected-section
- Basket classification: Staff considered this as a basket 1 transitional provision
- No changes made to the proposed transitional provision.

IPSAS 2 and 3:

- Analysis inserted
- Staff proposes that no transitional provisions should be provided.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (4)

IPSAS 4: Accounting for cumulative translation differences

- Consideration of practical complexity/difficulty criteria added.
- No changes made to the proposed transitional provision.
- Basket classification added: Basket 1.

IPSAS 4: Translation to the presentation currency

- Issue raised by the Chair at the last IPSASB meeting.
- As issue not only affects first-time adoption, but also subsequent periods staff proposes no transitional provision should be provided.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (5)

IPSAS 5: Retrospective capitalization or expensing of borrowing costs

- Staff revised entire assessment based on IPSASB’s recommendation
- No changes made to the proposed transitional provision: Entities are only encouraged to apply IPSAS 5 retrospectively.
- Basket classification added: Basket 1, precondition: notes disclosure.
- Clarification: Where an entity adopts, or changes its accounting policy, to the allowed alternative treatment, the entity should be allowed to apply the requirements of IPSAS 5 prospectively to qualifying assets.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (6)

IPSAS 5: Partly retrospective capitalization of borrowing costs where entities follow the allowed alternative treatment

- Staff revised its proposal for an alternative transitional provision to not apply IPSAS 5 retrospectively:

Those entities should be allowed to capitalize only those borrowing costs incurred after a specific date. An entity is allowed to designate any date before the date of transition to IPSASs and apply IPSAS 5 to borrowing costs relating to all qualifying assets for which the commencement date for capitalization is on or after that date.

- Basket classification added: Basket 1, precondition: notes disclosure.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (7)

IPSAS 5: Partly retrospective expensing of capitalized borrowing costs where entities follow the benchmark treatment

- Staff proposes also an alternative transitional provision for entities which follow the benchmark treatment:
Those entities should be allowed to expense those borrowing costs incurred after a specific date. An entity is allowed to designate any date before the date of transition to IPSASs and expense borrowing costs relating to all qualifying assets for which the commencement date for capitalization under the previous basis of accounting is on or after that date.
- Basket classification added: Basket 1, precondition: notes disclosure.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (8)

IPSAS 6: Requirement to present consolidated financial statements at first-time adoption of accrual basis IPSASs

- Consideration of practical complexity/difficulty criteria added.
- No changes made to the proposed transitional provision:
No transitional provision relating to the presentation of consolidated financial statements at first-time adoption of accrual basis IPSASs should be provided.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (9)

IPSAS 6 and 8: Full elimination of balances, transactions, revenues, and expenses between entities within the economic entity according to IPSAS 6.45 and IPSAS 8.35

- Consideration of practical complexity/difficulty criteria added.
- Revised proposal: Based on the practical complexity/difficulty-criterion staff proposes to keep the existing transitional provisions in IPSAS 6 and 8, i.e. grace period of 3 years for full elimination.
- Basket classification added: Basket 2.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (10)

IPSAS 6, 7 and 8: Determination of the initial cost of an investment in (i) a controlled entity, (ii) an associate; or (iii) **a joint venture** in the separate opening IPSAS statement of financial position:

- Consideration of practical complexity/difficulty criteria added.
- No changes made to the proposed transitional provision:
Staff proposes to use the relief as provided by IFRS 1.D15 in the ED and adapt for IPSASs.
- Basket classification added: Basket 1.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (11)

IPSAS 8: Measurement and recognition of jointly controlled assets and liabilities at first-time adoption:

- Consideration of practical complexity/difficulty criteria added.
- Clarification: Joint venturer is allowed for its jointly controlled assets and liabilities to make use of the respective transitional provisions of the IPSAS on first-time adoption of accrual basis IPSASs
- Basket classification added: Not applicable.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (12)

IPSAS 9 and 10:

- Analysis inserted.
- Staff proposes that no transitional provisions should be provided.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (13)

IPSAS 11: Retrospective recognition of contract costs that relate to future activity on the contract

- Consideration of practical complexity/difficulty criteria added.
- No changes made to staff's proposal: Do not provide transitional provisions on such contract cost, i.e. require retrospective application as it is assumed that entities will have kept track of these costs.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (14)

IPSAS 12: Initial measurement of inventories

- Staff revised the assessment based on IPSASB’s recommendation.
- Consideration of practical complexity/difficulty criteria added.
- Revised proposal: Allow for deemed cost approach based on fair value for all three types of inventories except for inventories acquired in an exchange transaction and where cost information for such inventories is available.
- Basket classification added: Basket 1.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (15)

IPSAS 13: Retrospective application of IPSAS 13

- Staff has not presented this issue at the last meeting.
- IPSAS 13.81 only applies to entities that have adopted already the accrual basis
- Staff's proposal: Entities should not be required to apply IPSAS 13 retrospectively, irrespective of an entity's previous basis of accounting.
- Basket classification added: Basket 2.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (16)

IPSAS 13: Restatement of finance leases by a lessee (1)

- Staff has revised the assessment in the Issues Paper.
- Consideration of practical complexity/difficulty criteria added.
- Staff’s proposal: Staff proposes to keep the existing transitional provision in IPSAS 13.81: If IPSAS 13 is not applied retrospectively, the balance of any pre-existing finance leases is deemed to have been properly determined by the lessor, and shall be accounted for thereafter in accordance with IPSAS 13.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (17)

IPSAS 13: Restatement of finance leases by a lessee (2)

- For entities applying previously the cash basis staff suggests to provide guidance on how to measure assets acquired under finance leases and associated liabilities for existing finance leases at the date of transition to IPSASs in the Application Guidance of the ED.
- Staff is of the view that entities previously applying the cash basis of accounting could use the outstanding finance lease balance to measure a finance lease asset and the associated liability.
- Basket classification added: Basket 2.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (18)

IPSAS 14 and 15:

- Analysis inserted.
- Staff proposes that no transitional provisions should be provided for IPSAS 14 and IPSAS 15.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (19)

IPSAS 16: Recognition of investment property at first-time adoption of accrual basis IPSASs

- Assessment performed based on IPSASB's recommendation at September 2012 meeting.
- Staff proposal: Entities should not be required to recognize investment property beginning on a date within five years following the date of transition to IPSASs.
- Basket classification: Basket 2.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (20)

IPSAS 16: Initial measurement of investment property

- Consideration of practical complexity/difficulty criteria added.
- Partially revised staff proposal:
 1. Allow for deemed cost approach based on fair value for investment property as provided by IFRS 1.D5-D7 also in the ED on first-time adoption if the entity elects to use the cost model in IPSAS 16.
 2. Entities should also be allowed to measure investment property acquired at no cost, or for a nominal cost using the deemed cost approach at first-time adoption.
- Basket classification: Basket 1.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (21)

IPSAS 17: Recognition of property, plant and equipment at first-time adoption of accrual basis IPSASs

- Revised staff proposal based on IPSASB's view expressed at September meeting: Based on practical complexity/difficulty entities should not be required to recognize PP&E beginning on a date within five years following the date of transition to IPSASs.
- Basket classification: Basket 2.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (22)

IPSAS 17: Initial measurement of PP&E

- Consideration of practical complexity/difficulty criteria added.
- Partially revised staff proposal:
 1. Allow for deemed cost approach based on fair value for PP&E as provided by IFRS 1.D5-D7 also in the ED on first-time adoption.
 2. Entities should also be allowed to measure PP&E acquired at no cost, or for a nominal cost using the deemed cost approach at first-time adoption.
- Basket classification: Basket 1.

Revised Assessments of Proposed Transitional Provisions for IPSAS 1 to 18 (23)

IPSAS 18: Requirement to disclose financial information by segments

- Staff strengthened the rationale why fair presentation might not be affected at first-time adoption.
- Consideration of practical complexity/difficulty criteria added.
- Minor change: A transitional provision for reporting segment information based on time which is in line with grace periods given in other standards should be provided, e.g. three years.
- Basket classification: Basket 1.

Assessments of Transitional Accounting Issues of IPSASs 19-22, 24, 26-27 and 31 (1)

- Of the remaining IPSASs staff was not able to analyze in detail:
 - IPSAS 23, *Revenue from Non-Exchange Transactions*
 - IPSAS 25, *Employee Benefits*
 - IPSAS 28-30, *Financial Instruments*
 - IPSAS 32, *Service Concession Arrangements*
- Next meeting:
 - Bring back remaining assessments
 - Overarching issues
 - Reporting of the effect of the initial application of a Standard

Assessments of Transitional Accounting Issues of IPSASs 19-22, 24, 26-27 and 31 (2)

Matter for Consideration

3. Members are asked to **review** and **discuss** the assessments of proposed transitional provisions for IPSASs 19-22, 24, 26-27 and IPSAS 31.

Assessments of Transitional Accounting Issues of IPSASs 19-22, 24, 26-27 and 31 (3)

IPSAS 19: Recognition (and measurement) of provisions at first-time adoption (other than decommissioning, restoration and similar liabilities)

- Staff proposal: Despite cost and practical complexities/difficulties, entities should be required to recognize provisions (other than decommissioning, restoration and similar liabilities) according to IPSAS 19 at first-time adoption of IPSASs.
- No transitional provision should be provided.

Assessments of Transitional Accounting Issues of IPSASs 19-22, 24, 26-27 and 31 (4)

IPSAS 19: Disclosure of contingent liabilities and contingent assets at first-time adoption

- Staff proposal: Relief for the disclosure of contingent liabilities and contingent assets at first-time adoption should not be provided.

Assessments of Transitional Accounting Issues of IPSASs 19-22, 24, 26-27 and 31 (5)

IPSAS 20: Requirement to disclose related party relationships, transactions and information about key management personnel

- Staff proposal: Entities should be required to disclose related party relationships, related party transactions and information about key management personnel in their first IPSAS financial statements
- Rationale:
 - Faithful representation, relevance and benefits outweigh costs
 - Existence of related party relationships may have an effect on user’s assessment of the financial position and the financial performance of an entity.

Assessments of Transitional Accounting Issues of IPSASs 19-22, 24, 26-27 and 31 (6)

IPSAS 21: Retrospective accounting for impairment of non-cash generating assets

- Staff proposal: Existing transitional provision should be kept, i.e. entities should only be required to apply IPSAS 21 prospectively.
- As a consequence, entities are required to perform an impairment test under IPSAS 21 for its non-cash generating assets in the opening statement of financial position if there is any indication at the date of transition that the respective assets are impaired.
- Basket classification: Basket 1.

Assessments of Transitional Accounting Issues of IPSASs 19-22, 24, 26-27 and 31 (7)

IPSAS 22: Requirement to disclose financial information about the General Government Sector (GGS)

- Staff proposal: Entities preparing and presenting consolidated financial statements under the accrual basis of accounting and electing to disclose financial information about the GGS should be required to present information about the GGS in accordance with IPSAS 22 at first-time adoption. No transitional provision should be provided.

Assessments of Transitional Accounting Issues of IPSASs 19-22, 24, 26-27 and 31 (8)

IPSAS 22: Requirement to present comparative information for the disclosure of financial information about the GGS

- Staff proposal: Entities which elect to provide comparative information at first-time adoption of accrual basis IPSASs should be required to present comparative information also for the disclosures of financial information about the GGS in its first IPSAS financial statements. No transitional provision should be provided.

Assessments of Transitional Accounting Issues of IPSASs 19-22, 24, 26-27 and 31 (9)

IPSAS 24: Requirement to present budget information in an entity's first IPSAS financial statements

- Staff proposal: Entities should be required to present a comparison of budget and actual amounts at first-time adoption. For the presentation of budget information in an entity's first IPSAS financial statements no transitional provision should be provided.
- Rationale:
 - Relevance of information
 - Unique public sector requirement

Assessments of Transitional Accounting Issues of IPSASs 19-22, 24, 26-27 and 31 (10)

IPSAS 26: Retrospective accounting for impairment of cash generating assets

- IPSAS 26 does not provide any transitional provisions; staff assumes that by analogy to IPSAS 21 entities would not be required to account for impairments of cash generating assets on a retrospective basis.
- Staff proposal: Entities should only be required to apply IPSAS 26 prospectively. As a consequence, entities are required to perform an impairment test under IPSAS 26 for its cash generating assets in the opening statement of financial position if there is any indication at the date of transition that the respective assets are impaired.
- Basket classification: Basket 1.

Assessments of Transitional Accounting Issues of IPSASs 19-22, 24, 26-27 and 31 (11)

IPSAS 27: Recognition of biological assets and agricultural produce at first-time adoption of accrual basis IPSASs

- Staff proposal: Based on the practical complexity/difficulty criterion, the IPSASB should consider whether entities should be required to recognize biological assets and agricultural produce at the date of transition to IPSASs. Entities which have significant agricultural activities may find a grace period for the recognition of biological assets and agricultural produce of, for example, three years useful.
- Basket classification, if a transitional provision based on time will be provided: Basket 2.

Assessments of Transitional Accounting Issues of IPSASs 19-22, 24, 26-27 and 31 (12)

IPSAS 31: Retrospective recognition (and measurement) of intangible assets (1)

- Staff identified critical issues with the existing transitional provisions:
 - Shall entities applying the cash basis of accounting under their previous basis of accounting apply IPSAS 31 retrospectively or prospectively?
 - Assumption that entities which have previously recognized intangible assets are able to apply IPSAS 31 retrospectively might not hold true.
- Staff is of the view that the distinction between entities which have previously recognized intangible assets and those which have not might not be suitable for transitional provisions for intangible assets.

Assessments of Transitional Accounting Issues of IPSASs 19-22, 24, 26-27 and 31 (13)

IPSAS 31: Retrospective recognition (and measurement) of intangible assets (2)

- Staff proposal:
 - For (a) internally generated intangible assets, and (b) intangible assets separately acquired through an exchange transaction, which existed before the date of transition to IPSASs and where cost information for those assets is available, entities should be required to apply IPSAS 31 retrospectively.
 - For all other intangible assets, entities should merely be encouraged, but not required, to apply IPSAS 31 retrospectively.
- Basket classification for proposal: Basket 2

Assessments of Transitional Accounting Issues of IPSASs 19-22, 24, 26-27 and 31 (14)

IPSAS 31: Initial measurement of intangible assets (1)

– Staff proposal:

1. Entities should be allowed to measure intangible assets at first-time adoption using the deemed cost approach, except for pre-existing (a) internally generated intangible assets, and (b) intangible assets separately acquired through an exchange transaction and where cost information for those intangible assets is available.
2. Entities should also be allowed to measure intangible assets that were acquired through a non-exchange transaction, using the deemed cost approach at first-time adoption.

Assessments of Transitional Accounting Issues of IPSASs 19-22, 24, 26-27 and 31 (15)

IPSAS 31: Initial measurement of intangible assets (2)

- Staff proposal (continued):
 3. Reliable measurement of original cost and existence of an active market should be excluded as criterion for the application of the deemed cost approach. Entities should have the possibility to apply the deemed cost approach when the intangible items meet: (a) The recognition criteria in IPSAS 31 (excluding reliable measurement of original cost); and (b) The criteria in IPSAS 31 for revaluation (excluding existence of an active market).
- Basket classification for proposal: Basket 1.

Reconciliation requirements at first-time adoption (1)

Objectives of this session

- a) An **overview** of the proposed reconciliation requirements at first-time adoption (**Significant Issue 1**)
- b) A **discussion** about the proposed requirements for disclosure of narrative information about material adjustments in an entity's first IPSAS financial statements (**Significant Issue 2**)

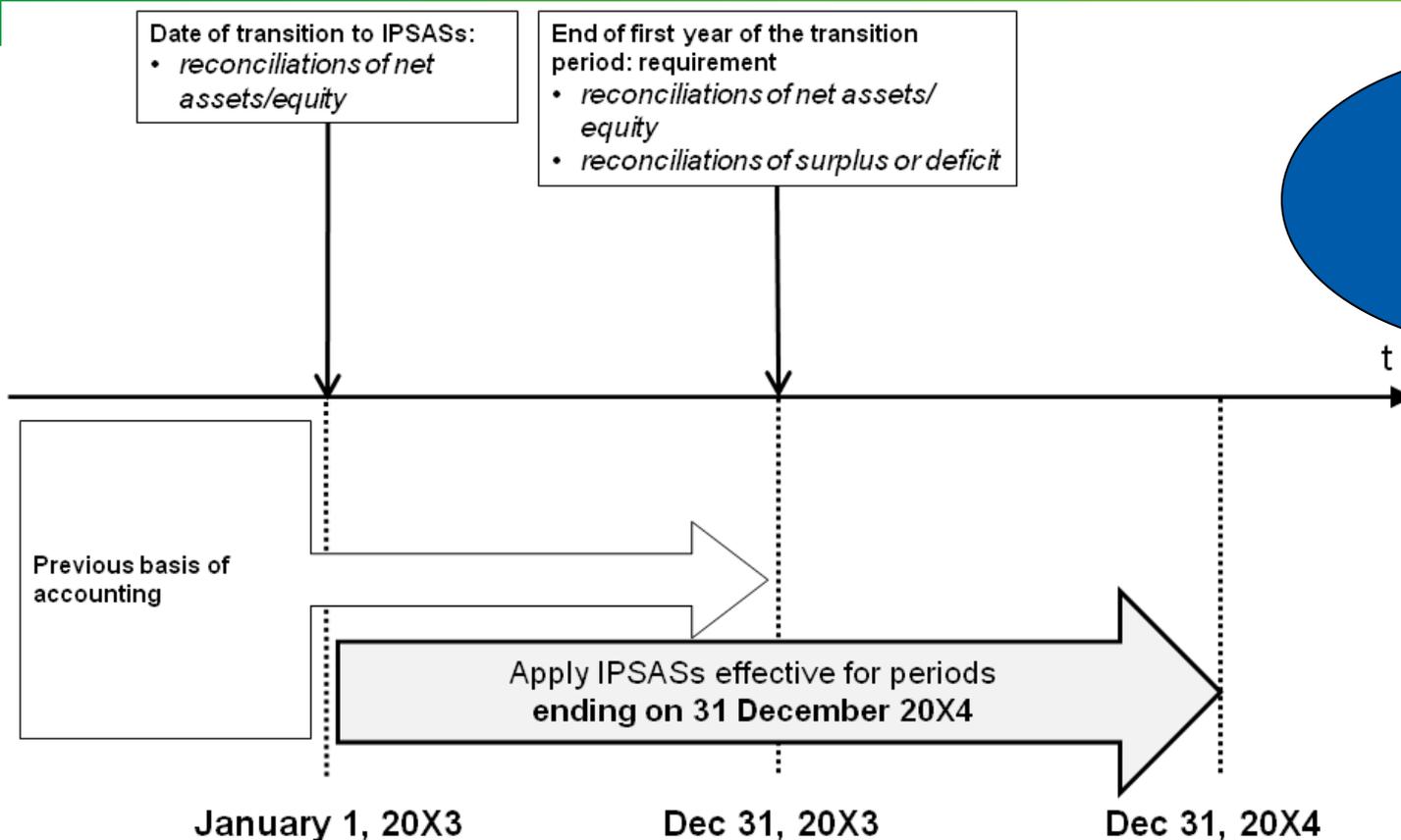
Reconciliation requirements at first-time adoption (2)

Background

- IPSASB: Notes of an entity's first IPSAS financial statements should comprise reconciliations that provide linkages with information previously presented by an entity.
- Therefore: An entity should be required to disclose information how the transition from its previous basis of accounting to accrual basis IPSASs affected its reported financial position and, where appropriate, its financial performance and cash flows.
- Staff considered the IFRS 1 reconciliation requirements as too onerous and not appropriate for IPSASs.

Reconciliation requirements at first-time adoption (3)

IFRS 1 reconciliation requirements



Please see figure 1 on page 3.

Reconciliation requirements at first-time adoption (4)

Staff proposal:

- Entities should only be required to present a reconciliation of its net assets/equity reported in accordance with its previous basis of accounting to their net assets/equity in accordance with IPSASs **for the date of transition to IPSASs**, i.e. the entities' net assets/equity in the opening IPSAS statement of financial position.
- This requirement should apply to all entities except for entities applying the cash basis as its previous basis of accounting.

Reconciliation requirements at first-time adoption (5)

Matter for Consideration

4. The IPSASB is asked whether it agrees that entities should be **required** to present a reconciliation of its net assets/equity reported in accordance with its previous basis of accounting to its net assets/equity in accordance with **IPSASs at the date of transition to IPSASs.**
(Exception for cash-basis entities shall be discussed later)

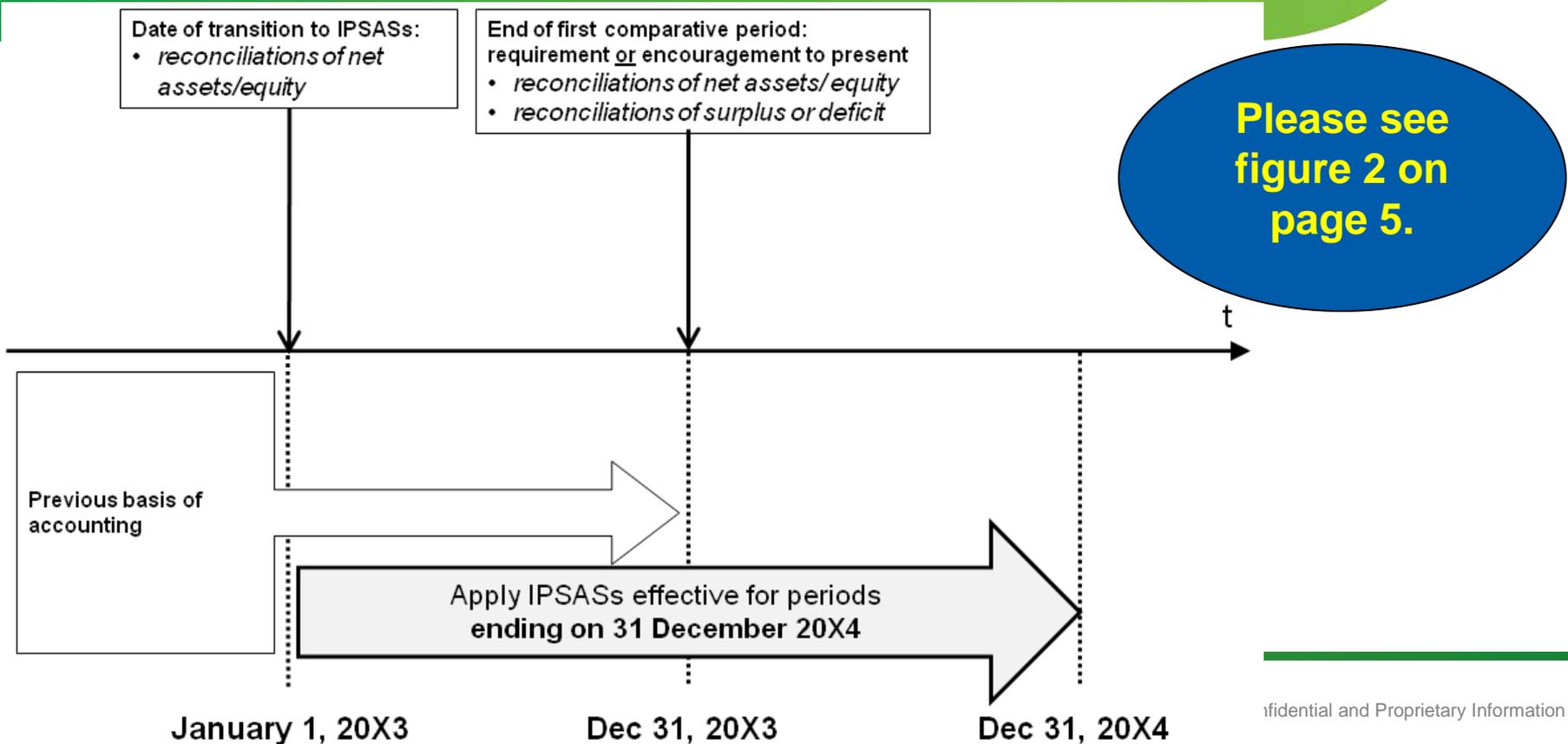
Reconciliation requirements at first-time adoption (6) *Where an entity elects to present comparative information*

Staff proposal:

- Where an entity elects to present comparative information in its first IPSAS financial statements and has published or publishes financial statements in accordance with its previous basis of accounting for the same period, staff is of the view that entities could either be
 - a) required, or
 - b) encouragedto present reconciliations at the end of the first comparative period.

Reconciliation requirements at first-time adoption (7)

Where an entity elects to present comparative information



Reconciliation requirements at first-time adoption (8) *Where an entity elects to present comparative information*

Advantages of requiring (or encouraging) entities to present reconciliations at the end of the entity's first comparative period:

- Users would be able to see a reconciliation for net assets/equity and for surplus or deficit at the same time;
- Users could get a more complete picture about the effects of the changes in accounting policies on net assets/equity as well as on surplus or deficit
- With respect to net assets/equity users could compare two reconciliation statements.

Reconciliation requirements at first-time adoption (9) *Where an entity elects to present comparative information*

Staff is of the view that entities which

- (a) Elect to present comparative information in their first IPSAS financial statements, and
- (b) Have published or publish annual financial statements in accordance with its previous basis of accounting for the same period

should be **required** to present reconciliations at the end of the first comparative period.

Reconciliation requirements at first-time adoption (10) *Where an entity elects to present comparative information*

Matter for Consideration

5. The IPSASB is asked whether entities electing to present comparative information in its first IPSAS financial statements and have published or publish annual financial statements in accordance with its previous basis of accounting for the same period should be:
- a) **Required** to present reconciliations at the end of the first comparative period; or
 - b) **Encouraged** to present reconciliations at the end of the first comparative period; or
 - c) **Neither be required nor encouraged** to present reconciliations at the end of the first comparative period.

Reconciliation requirements at first-time adoption (11)

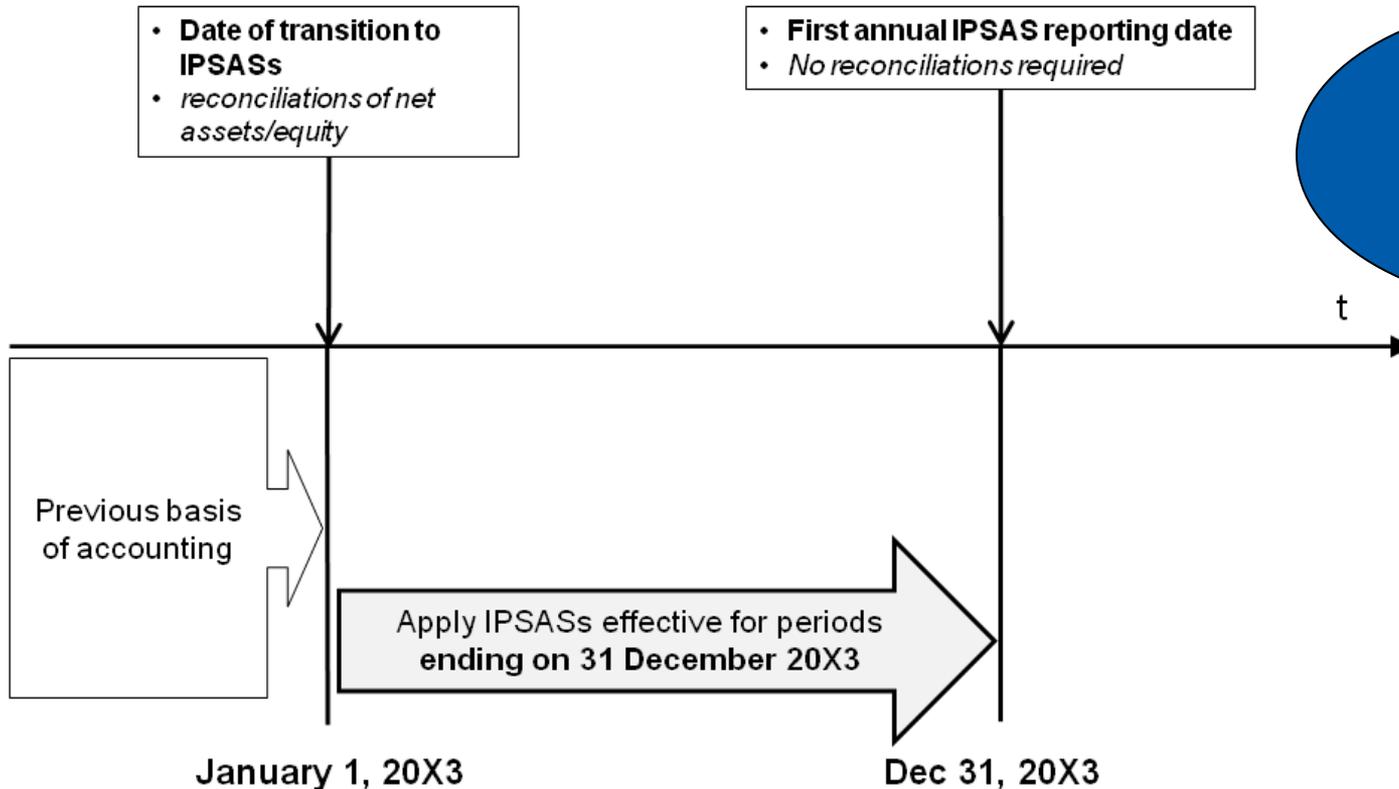
Additional reconciliation requirements where an entity elects to not present comparative information?

Issue:

- Next to the reconciliation of its net assets/equity at the date of transition to IPSASs, the question is whether an entity which elects to not present comparative information should be required (or encouraged) to present a reconciliation of its net assets/equity or surplus or deficit reported in accordance with its previous basis of accounting to its net assets/equity or surplus or deficit in accordance with IPSASs at the end of the transition period, i.e. **for the first annual IPSAS reporting date.**

Reconciliation requirements at first-time adoption (12)

Additional reconciliation requirements where an entity elects to not present comparative information?



Please see figure 3 on page 7.

Reconciliation requirements at first-time adoption (13)

Additional reconciliation requirements where an entity elects to not present comparative information?

Matter for Consideration

6. The IPSASB is asked whether it agrees with staff's view that where an entity does not elect to present comparative information entities should **neither be required nor encouraged** to present reconciliations **at the first annual IPSAS reporting date**.

Reconciliation requirements at first-time adoption (14) *For entities previously applying the cash basis of accounting*

Issue:

- Should entities applying the cash basis of accounting as their previous basis of accounting be required to present reconciliations of its net assets/equity reported in accordance with its previous basis of accounting to its net assets/equity in accordance with IPSASs for the date of transition to IPSASs?

Arguments for not requiring such reconciliations:

- Under the cash basis of accounting there is no net assets/equity balance
- Such a reconciliation does not provide useful information to users.

Reconciliation requirements at first-time adoption (15)

For entities previously applying the cash basis of accounting

Matter for Consideration

7. The IPSASB is asked whether it agrees that entities applying the cash basis of accounting as their previous basis of accounting should **not** be required to present reconciliations at first-time adoption of accrual basis IPSASs.

Reconciliation requirements at first-time adoption (15)

Terminology

- Staff would like to note that staff wasn't happy with the IFRS 1 definition for the second date in figure 1 or figure 2 (“the end of the latest period presented in the entity’s most recent annual financial statements in accordance with previous GAAP”) staff decided to use the phrase “**the end of the first comparative period**” instead.

Reconciliation requirements at first-time adoption (15)

For entities applying previously the cash basis of accounting

Matter for Consideration

7. The IPSASB is asked whether it agrees with the proposed wording for the reconciliation requirements in the ED on first-time adoption of accrual basis IPSASs.

Reconciliation requirements at first-time adoption (17)

Presentation of narrative information...

- Staff assumes that IPSASB intends to have a requirement to **present** narrative information about the material adjustments to the statement of financial position and, where applicable, to the statement of financial performance and the cash flow statement in an entity's first IPSAS f/s.
- Staff received comments that suggested that such information should be presented in an FSDA at first-time adoption and therefore needs to be addressed in the FSDA-project.
- So far, staff has envisaged that FSDA is not part of minimum information
- September 2012 meeting: Develop FSDA into an IPSAS.

Reconciliation requirements at first-time adoption (18)

Presentation of narrative information...

Issue

- The IPSASB’s decision on FSDA might have an influence on whether narrative information about the material adjustments to the financial statements:
 - a) Shall be presented in FSDA, or
 - b) Shall be disclosed in the notes (likely by a requirement within the First-Time Adoption ED).

Reconciliation requirements at first-time adoption (19)

Presentation of narrative information...

Staff's view

- As long as it's not clear whether FSDA is going to be an IPSAS or RPG, a requirement to disclose narrative information about the material adjustments to the financial statements in the notes should be incorporated in the ED on First-time Adoption.
- Alternative to disclosure in the notes: present information in a report published at the same time as the first IPSAS financial statements.

Reconciliation requirements at first-time adoption (20)

Disclosure of narrative information...

Matter for Consideration

9. The IPSASB is asked:

- a) Whether the ED on First-time Adoption of Accrual Basis IPSAS should contain a requirement to **disclose** narrative information about the material adjustments to the financial statements in the **notes**
- b) If the IPSASB agrees with such a requirement in the ED, whether, as an **alternative**, entities should be allowed to present such narrative information in a report published at the same time as the first IPSAS financial statements.

Reconciliation requirements at first-time adoption (21)

Disclosure of narrative information...

Matter for Consideration

10. The IPSASB is asked whether it agrees with the proposed wording for the requirement to disclose narrative information about the material adjustments to the statement of financial position and, where applicable, to the statement of financial performance and the cash flow statement in the ED.

Draft Exposure Draft: First-Time Adoption of Accrual Basis IPSASs

Objectives of this session

- Members are asked to **review** and **discuss** the proposed IPSASs.

Next Steps of the Project

- Revise assessments of transitional provisions based on IPSASB's views taken at the December meeting
- Revise Exposure Draft based on IPSASB's views taken at the December meeting
- Bring back remaining assessments of transitional provisions
- Assess overarching issues
- Assess reporting of the effect of the initial application of a Standard
- Develop Application/Implementation Guidance