

**Meeting:** International Public Sector Accounting  
Standards Board  
**Meeting Location:** Toronto, Canada  
**Meeting Date:** December 8-11, 2014

# Agenda Item 11

For:  
 Approval  
 Discussion  
 Information

## Improvements to IPSASs 2014

### Objective(s) of Agenda Item

1. The objectives of this session are to:
  - (a) Discuss the responses to ED 55, *Improvements to IPSASs 2014*; and
  - (b) Approve the final pronouncement *Improvements to IPSASs 2014*.

### Material(s) Presented

Agenda Item 11.1	Issues Paper: Improvements to IPSAS 2014
Agenda Item 11.2	Draft final pronouncement <i>Improvements to IPSASs 2014</i> .
Agenda Item 11.3	List of Respondents with Summary Collation of Responses with Staff Comments
Agenda Item 11.4	Analysis of Responses by Region, Function and Language
Agenda Item 11.5	Responses to ED 55

### Action(s) Requested

2. The IPSASB is asked to review the responses to ED 55, *Improvements to IPSASs 2014*, collated in Agenda Item 11.3, and discuss the issues raised, including those identified in Agenda Item 11.1; and
3. Review and approve the draft final pronouncement *Improvements to IPSASs 2014* included in Agenda Item 11.2.

**Improvements to IPSASs 2014****Background**

1. The IPSASB approved ED 55, *Improvements to IPSASs 2014* (ED 55) at the June 2014 meeting. ED 55 was published in July 2014 with a response date of September 30, 2014.
2. Amendments arising from the IASBs annual improvements and narrow scope amendments project were included in ED 55. The improvements project was last carried out in 2011.
3. Eight responses were received. These are included as Agenda Item 11.5.
4. Agenda Item 11.3 includes a summary of all eight responses, with analysis and comments from staff.

**Issues****General Comments**

5. Overall respondents were supportive of the efforts to reduce differences with IFRS through an improvements project.
6. The majority of comments received related to minor editorial comments most of which have been included in the draft of the final pronouncement. The analysis and discussion of these comments is in Agenda Item 11.3.

**Convergence with IFRS and Improvements**

7. Some respondents strongly suggested that more effort should be undertaken to maintain convergence, the following reasons being stated:
  - (a) Importance of maintaining convergence given IPSAS are based on IFRS (002);
  - (b) For converged standards, all IASB amendments should be undertaken, unless there is a public sector specific reason that warrants a departure (006);
  - (c) Unnecessary differences between IPSASs and IFRSs may undermine the credibility and quality of IPSASs, particularly if improvements are perceived to lag significantly behind major developments in reporting in the for-profit sector that potentially would also improve reporting in the public sector (007); and
  - (d) For jurisdictions that apply IFRSs, unnecessary differences between IPSASs and IFRSs could create a barrier to adopting IPSASs. For example, a group comprising a central government applying IPSASs and its government business enterprises applying IFRSs. Unnecessary differences in the accounting policies by entities in the group would compound consolidation issues and affect compliance costs for group reporting entities when preparing consolidated financial statements (007).

### Staff Analysis

8. The comments raised by constituents raise some important points for consideration. Staff responses to the above comments are as follows:
- (a) The IPSAS improvements project, is designed to make minor changes (non-consequential). It is not a project to undertake revisions which would be considered major or comprehensive. Some converged IPSAS standards are based on older IFRSs. Since the project to converge these IPSAS standards, the related IFRS has been updated. Therefore, some of IASB annual improvements and narrow scope amendments would result in changes which are comprehensive;
  - (b) Maintaining convergence is a key aspect of the IPSASB's processes. However, given limited resources and projects which have been noted as important by constituents, keeping pace with all changes made by the IASB to IFRSs is challenging and projects must be prioritized; and
  - (c) During the December 2014 meeting, the IPSASB is considering the strategy for 2015 forward and projects to be added to the work plan. The consultation included several maintenance projects which constituents commented on. The IPSASB will discuss these in December.

### Other Comments

9. Staff notes that some specific points were raised for further modification which have not been included in the draft final pronouncement. The proposed changes are as follows:
- (a) Respondent 001 proposed that more comprehensive comparative information be required (5 years of comparatives for all complete sets of financial statements).
    - (i) **Staff response:** Changes are not recommended as this proposal is beyond the scope of the improvements project.
  - (b) Respondent 008 proposed that IPSAS 1, *Presentation of Financial Statements* include a point in either the body of the standard or as a BC which notes that a first-time adopter is exempted from presenting comparative information.
    - (i) **Staff response:** The First Time Adoption of Accrual IPSAS standard will provide the relief exemptions on comparative information. If an amendment such as that proposed is to be made, it should occur as a result of consequential amendments which arise through the First Time Adoption IPSAS standard and not through the improvements standard.
  - (c) Respondent 008 proposed revisions, because of divergence of practice of depreciating idle spare parts in their jurisdiction, and requested that guidance consistent with IAS 16 BC 30 and BC 31, be included to emphasize in IPSAS 17, *Property, Plant, and Equipment*, that the useful life of an asset should encompass the entire time it is available for use, regardless of whether it is idle at any point during that time.
    - (i) **Staff response:** Staffs view is that IPSAS 17.71 is clear and states that *Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases when the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use*

*and held for disposal unless the asset is fully depreciated. However, under usage methods of depreciation, the depreciation charge can be zero while there is no production.* Further, The BCs in IPSAS 17 state that the IPSASB generally concurred with IASBs BCs and that they are not reproduced in IPSAS, but are available through the IASB. Given the current wording of the standard and the policy on inclusion of IASB BCs in IPSASs, no change is recommended.

**Matter(s) for Consideration**

1. The IPSASB is asked to indicate if it agrees with staff analysis and decisions in dealing with responses from constituents.

**Final Pronouncement  
December 2014**

*International Public Sector Accounting Standard*

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# Improvements to IPSASs 2014

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In meeting this objective, the IPSASB sets International Public Sector Accounting Standards™ (IPSAS™) and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS, RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

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# IMPROVEMENTS TO IPSASS 2014

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## **Amendments to IPSAS 1, *Presentation of Financial Statements***

Paragraphs 21, 53 and 54 are amended (new text is underlined and deleted text is struck through) and paragraphs 53A and 153E are inserted.

### **Components of Financial Statements**

21. A complete set of financial statements comprises:

- (a) A statement of financial position;
- (b) A statement of financial performance;
- (c) A statement of changes in net assets/equity;
- (d) A cash flow statement;
- (e) When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements; ~~and~~
- (f) Notes, comprising a summary of significant accounting policies and other explanatory notes; and
- (g) Comparative information in respect of the preceding period as specified in paragraphs 53 and 53A of IPSAS 1.

### **Comparative information**

#### **Minimum comparative information**

53. Except when an IPSAS permits or requires otherwise, an entity shall present comparative information ~~shall be disclosed~~ in respect of the ~~previous~~ preceding period for all amounts reported in the financial statements. An entity shall include ~~Comparative information shall be included~~ for narrative and descriptive information ~~when~~ if it is relevant to an understanding of the current period's financial statements.

**53A. An entity shall present, as a minimum, one statement of financial position with comparative information for the preceding period, one statement of financial performance with comparative information for the preceding period, one statement of cash flows with comparative information for the preceding period and one statement of changes in net assets/equity with comparative information for the preceding period, and related notes.**

54. In some cases, narrative information provided in the financial statements for the ~~previous~~ preceding period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute, the outcome of which was uncertain at the ~~last reporting date~~ end of the preceding period and is yet to be resolved. Users may benefit from the disclosure of information ~~(a)~~ that the uncertainty existed at the ~~last reporting date~~, end of the preceding period and ~~(b)~~ from disclosure of information about the steps that have been taken during the period to resolve the uncertainty.

...

## Effective Date

...

**153E.Paragrahs 21, 53 and 54 were amended and paragraph 53A added by *Improvements to IPSASs 2014* issued in December 2014. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2015. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2015, it shall disclose that fact.**

## Basis for Conclusions

...

### **Revision of IPSAS 1 as a result of IASB's Improvements to IFRSs issued May 2012**

BC7. The IPSASB reviewed the revisions to IAS 1 included in the *Improvements to IFRSs* issued by the IASB in May 2012 and generally concurred that there was no public sector specific reason for not adopting a portion of the amendments. The IPSASB noted some of the amendments impact IFRS 1 and IAS 34, for which equivalent standards do not exist in IPSASs and therefore a portion of the amendments have been excluded. Further, a portion of the amendments propose changes related to presenting a statement of financial position at the beginning of a preceding period for retrospective changes resulting from accounting policy changes, restatements and reclassifications. Presentation of an opening statement of financial position is currently not a concept included in IPSASs and introducing the proposed changes related to this portion of the proposed IASB amendments, is not considered minor and therefore these have been excluded. A further portion of the amendment related to presenting additional comparative information was not considered a minor change and has also been excluded.

## Amendments to IPSAS 17, *Property, Plant, and Equipment*

Paragraphs 17, 50 and 72 are amended (new text is underlined and deleted text is struck through) and paragraphs 78A, 106A and 107E are inserted.

### Recognition

...

17. ~~Spare items such as spare parts, stand-by equipment and servicing equipment are recognized in accordance with this IPSAS are usually carried as inventory and recognized in surplus or deficit as consumed. However, major spare parts and stand-by equipment qualify as property, plant, and equipment when they meet the definition of property, plant, and equipment. Otherwise, such items are classified as inventory. an entity expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant, and equipment, they are accounted for as property, plant, and equipment.~~

...

### Revaluation Model

...

50. When an item of property, plant, and equipment is revalued, ~~any accumulated depreciation~~ the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the asset is treated in one of the following ways:
- (a) ~~Restated proportionately. The gross carrying amount is adjusted in a manner that is consistent with the change in the gross carrying amount of the asset, so that revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or after revaluation equals its revalued amount. This method is often used when an asset is revalued by means of applying an index to its depreciated replacement cost.~~
  - (b) The accumulated depreciation is eliminated against the gross carrying amount of the asset, and the net amount restated to the revalued amount of the asset. This method is often used for buildings.

The amount of the adjustment arising on the ~~restatement or elimination~~ of accumulated depreciation forms part of the increase or decrease in carrying amount that is accounted for in accordance with paragraphs 54 and 55.

...

### *Depreciable Amount and Depreciation Period*

...

72. The future economic benefits or service potential embodied in an item of property, plant, and equipment are consumed by the entity principally through the use of the asset. However, other factors such as technical or commercial obsolescence and wear and tear while an asset remains idle often

result in the diminution of the economic benefits or service potential that might have been obtained from the asset. Consequently, all the following factors are considered in determining the useful life of an asset:

- (a) Expected usage of the asset. Usage is assessed by reference to the asset's expected capacity or physical output.
- (b) Expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance program, and the care and maintenance of the asset while idle.
- (c) Technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset. Expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technical or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits or service potential embodied in the asset.

...

#### **Depreciation method**

...

78A. A depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits or service potential of the asset. For example, revenue is affected by other inputs and processes, selling activities and changes in sales volumes and prices. The price component of revenue may be affected by inflation, which has no bearing upon the way in which an asset is consumed.

...

#### **Transitional Provisions**

...

106A. Paragraph 50 was amended by *Improvements to IPSASs 2014* issued in December 2014. An entity shall apply those amendments to all revaluations recognized in annual periods beginning on or after the date of initial application of that amendment and in the immediately preceding annual period.

...

#### **Effective Date**

...

**107E. Paragraphs 17, 50 and 72 were amended and paragraphs 78A, 106A added by *Improvements to IPSASs 2014* issued in December 2014. An entity shall apply those amendments prospectively for annual financial statements covering periods beginning on or after January 1, 2015. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2015, it shall disclose that fact.**

#### **Basis for Conclusions**

...

**Revision of IPSAS 17 as a result of IASB's *Improvements to IFRSs and Narrow Scope Amendments* issued in May 2012, December 2013 and May 2014**

BC9. The IPSASB reviewed the revisions to IAS 16 included in the *Improvements to IFRSs and Clarification of Acceptable Methods of Depreciation and Amortisation* issued by the IASB in May 2012, December 2013 and May 2014 and generally concurred that there was no public sector specific reason for not adopting the amendments.

## **Amendments to IPSAS 28, *Financial Instruments: Presentation***

Paragraphs 40, 42 and 44 are amended (new text is underlined and deleted text is struck through) and paragraphs 40A and 61A are inserted.

### **Interest, dividends, losses and gains (see also paragraph AG62)**

**40. Interest, dividends, losses and gains relating to a financial instrument or a component that is a financial liability shall be recognized as revenue or expense in surplus or deficit. Distributions to holders of an equity instrument shall be recognized ~~debited~~ by the entity directly ~~to~~ in net assets/equity, ~~net of any related income tax benefit~~. Transaction costs incurred on transactions in net assets/equity shall be accounted for as a deduction from net assets/equity, ~~net of any related income tax benefit~~.**

40A. Income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with the relevant international or national accounting standard dealing with income taxes.

...

42. An entity typically incurs various costs in issuing or acquiring its own equity instruments. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity ~~(net of any related income tax benefit)~~ to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognized as an expense.

...

44. The amount of transaction costs accounted for as a deduction from equity in the period is disclosed separately ~~under~~ in accordance with IPSAS 1.

### **Effective Date**

...

61A. Paragraphs 40, 42 and 44 were amended and paragraph 40A added by *Improvements to IPSASs 2014* issued in December 2014. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2015. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2015, it shall disclose that fact.

### **Basis for Conclusions**

...

### **Revision of IPSAS 28 as a result of IASB's *Improvements to IFRSs* issued in May 2012**

BC27. The IPSASB reviewed the revisions to IAS 32 included in the *Improvements to IFRSs* issued by the IASB in May 2012 and generally concurred that there was no public sector specific reason for not adopting the amendments.

## Amendments to IPSAS 31, *Intangible Assets*

Paragraph 79, 91 and 97 are amended (new text is underlined and deleted text is struck through) and paragraphs 97A, 97B, 97C, 131A, and 134 are inserted.

### Revaluation Model

...

79. ~~When~~ an intangible asset is revalued, any accumulated amortization ~~the carrying amount of that asset is adjusted to the revalued amount.~~ At the date of the revaluation, the asset is either treated in one of the following ways:

- (a) ~~Restated proportionately~~ The gross carrying amount is adjusted in a manner that is consistent with the change in the gross carrying amount of the asset so that revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated amortization at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses after revaluation equals its revalued amount; or
- (b) The accumulated amortization is eliminated against the gross carrying amount of the asset, ~~and the net amount restated to the revalued amount of the asset.~~

The amount of the adjustment of accumulated amortization forms part of the increase or decrease in the carrying amount that is accounted for in accordance with paragraphs 84 and 85.

### Useful life

...

91. Given the history of rapid changes in technology, computer software and many other intangible assets are susceptible to technological obsolescence. Therefore, ~~it is likely~~ will often be the case that their useful life is short. Expected future reductions in the selling price of an item that was produced using an intangible asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits or service potential embodied in the asset.

...

### Amortization Period and Amortization Method

...

97. A variety of amortization methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method and the units of production method. The method used is selected on the basis of the expected pattern of consumption of the expected future economic benefits or service potential embodied in the asset and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits or service potential.

...

97A. There is a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate. The revenue

generated by an activity that includes the use of an intangible asset typically reflects factors that are not directly linked to the consumption of the economic benefits or service potential embodied in the intangible asset. For example, revenue is affected by other inputs and processes, selling activities and changes in sales volumes and prices. The price component of revenue may be affected by inflation, which has no bearing upon the way in which an asset is consumed. This presumption can be overcome only in the limited circumstances:

(a) In which the intangible asset is expressed as a measure of revenue, as described in paragraph 97C; or

(b) When it can be demonstrated that revenue and the consumption of the economic benefits or service potential of the intangible asset are highly correlated.

97B. In choosing an appropriate amortization method in accordance with paragraph 97, an entity could determine the predominant limiting factor that is inherent in the intangible asset. For example, the contract that sets out the entity's rights over its use of an intangible asset might specify the entity's use of the intangible asset as a predetermined number of years (i.e., time), as a number of units produced or as a fixed total amount of revenue to be generated. Identification of such a predominant limiting factor could serve as the starting point for the identification of the appropriate basis of amortization, but another basis may be applied if it more closely reflects the expected pattern of consumption of economic benefits or service potential.

97C. In the circumstance in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold, the revenue to be generated can be an appropriate basis for amortization. For example, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged (for example, a contract could allow operation of the toll road until the cumulative amount of tolls generated from operating the road reaches CU100 million). In the case in which revenue has been established as the predominant limiting factor in the contract for the use of the intangible asset, the revenue that is to be generated might be an appropriate basis for amortizing the intangible asset, provided that the contract specifies a fixed total amount of revenue to be generated on which amortization is to be determined.

...

## **Transitional Provisions**

...

131A. Paragraph 79 was amended by *Improvements to IPSASs 2014* issued in December 2014. An entity shall apply that amendment to all revaluations recognized in annual periods beginning on or after the date of initial application of that amendment and in the immediately preceding annual period.

...

## **Effective Date**

...

134. Paragraphs 79, 91 and 97 were amended and paragraphs 97A, 97B, 97C and 131A added by *Improvements to IPSASs 2014* issued in December 2014. An entity shall apply those amendments prospectively for annual financial statements covering periods beginning on or after January 1, 2015. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2015, it shall disclose that fact.

## Basis for Conclusions

...

### **Revision of IPSAS 31 as a result of IASB's *Improvements to IFRSs and Narrow Scope Amendments* issued in December 2013 May 2014**

BC10. The IPSASB reviewed the revisions to IAS 38 included in the *Improvements to IFRSs and Clarification of Acceptable Methods of Depreciation and Amortisation* issued by the IASB in December 2013 and May 2014 and generally concurred that there was no public sector specific reason for not adopting the amendments.

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## **STAFF SUMMARY OF RESPONSES TO EXPOSURE DRAFT ED 55 IMPROVEMENTS TO IPSASS 2014**

**Note:** This paper includes extracts from each response received to the ED, which have been grouped to identify respondents' views on the ED as well as the key issues identified by staff. In some cases, an extract may not do justice to the full response. This analysis should therefore be read in conjunction with the submissions themselves.

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## List of Respondents

<b>Response #</b>	<b>Respondent Name</b>	<b>Country</b>	<b>Function</b>
001	Mid Sweden University	Sweden	Other
002	Secretariat of the Accounting Standards Board	South Africa	Standard Setter/Standards Advisory Body
003	Chartered Institute of Public Finance and Accountancy (CIPFA)	UK	Member or Regional Body
004	Staff of the Public Sector Accounting Board (PSAB)	Canada	Standard Setter/Standards Advisory Body
005	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	Switzerland	Standard Setter/Standards Advisory Body
006	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)	Australia	Preparer
007	XRB External Reporting Board / NZ Accounting Standards Board	New Zealand	Standard Setter/Standards Advisory Body
008	Malaysian Institute of Accountants	Malaysia	Member or Regional Body

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
001	<i>No general comments noted.</i>	
002	<p>Overall, we support the biennial revision of the IPSASs to align them to IFRSs and agree with the amendments proposed in the Exposure Draft. We believe the proposed amendments will enhance and improve the principles set out in the IPSASs.</p> <p>While we acknowledge the IPSASB's efforts to update the IPSASs for annual Improvements to IFRSs made to the equivalent IFRSs by the IASB, we would like to encourage the Board to undertake a future project to review existing IPSASs to ensure consistent references to other standards and use of terminology.</p> <p>The views expressed in this letter are those of the Secretariat and not the Accounting Standards Board (Board).</p> <p>....</p> <p>We agree with the IPSASB's reasons for excluding certain amendments.</p>	<p>Supportive of the Improvements ED and project overall.</p> <p>Proposal for a more comprehensive improvements project.</p> <p>Agreement with IPSASB's decision to exclude IASB amendments from the Improvements 2014 project.</p>
003	<p>CIPFA welcomes the IPSASB's commitment to maintaining its standards, whether IFRS converged or public sector specific.</p> <p>We agree with the proposed changes in the ED. Furthermore, we have not identified any additional matters arising from IFRS developments, as noted in Appendix A which we consider should have been included.</p>	<p>Support expressed for future improvements projects.</p> <p>Support for proposed changes and for those IFRS developments which have not been included in the Improvements to IPSASs 2014 project.</p>
004	<p>Thank you for the opportunity to provide input on the Exposure Draft, <i>Improvements to IPSASs 2014</i>. It is important to complete the review on the improvements to International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) given that the accrual International Public Sector Accounting Standards (IPSASs) are based on the IFRSs.</p>	<p>Support expressed for IPSAS improvements project.</p> <p>Support for amendments proposed with edits proposed.</p> <p>Edits discussed with</p>

R#	<b>RESPONDENT COMMENTS</b> <b>GENERAL COMMENTS</b>	<b>STAFF COMMENTS</b>
	Overall, PSAB staff is in support of the proposals in the Exposure Draft. A few proposed amendments are set out in the Appendix to this letter and represent the views of PSAB staff and not those of the Public Sector Accounting Board (PSAB).	the sections the amendments relate to below.
005	The SRS-CSPCP notes that the proposed amendments to the standards <i>1 Presentation of Financial Statements, 17 Property, Plant and Equipment, 28 Financial Instruments Presentation</i> and <i>31 Intangible Assets</i> are marginal and do not change the essence of the existing requirements. These amendments are consistent with the Swiss public entities existing practices. Therefore the SRS-CSPCP considers the proposal appropriate and supports it.	Support expressed for ED 55 amendments.
006	<p>HoTARAC commends the IPSASB's ongoing effort in maintaining an alignment, where possible, with new and amended pronouncements issued by the International Accounting Standards Board. HoTARAC is generally supportive of the proposed amendments in ED 55 and the analysis of the other IFRS amendments in Appendix A. Attachment A to this letter sets out HoTARAC's comments on each amendment.</p> <p>...</p> <p>HoTARAC notes that there are a few instances where the IPSASB has chosen not to make IASB equivalent amendments because the current wording of certain IPSASs are not consistent with the corresponding IFRS wording (Appendix A refers to those instances). HoTARAC believes that, unless there is a public sector specific reason that warrants a departure from the equivalent IFRS requirements, the IPSASB should develop a strategy to remove progressively those existing inconsistencies to prevent further divergence between IFRSs and IPSASs when new/amended IASB pronouncements are issued.</p>	<p>Support expressed for ED 55 amendments.</p> <p>Comment noted. Staff highlights that some converged IPSAS standards are based on older IFRSs standards. The related IFRS standards have subsequently been revised (not through improvements, but update more significant update projects). Therefore, some amendments which come out of the IASB improvements projects are not appropriate, as they are amending wording/text which is not yet in IPSAS. An IPSAS improvements</p>

R#	<b>RESPONDENT COMMENTS</b> <b>GENERAL COMMENTS</b>	<b>STAFF COMMENTS</b>
		project is not appropriate to address major changes in standards and is designed only for minor amendments.
007	<p>We are pleased that ED 55 proposes improvements to International Public Sector Accounting Standards (IPSASs) to take into account amendments to International Financial Reporting Standards (IFRSs) based on the IASB's Improvements to IFRSs projects and Narrow Scope Amendments projects. We agree with each of the proposed amendments in ED 55.</p> <p>We support the IPSASB's work on eliminating unnecessary differences between IPSASs and IFRSs and encourage the IPSASB to continue to do this regularly. In our view, any unnecessary differences between IPSASs and IFRSs may undermine the credibility and quality of IPSASs. This is particularly so if improvements to IPSASs are perceived to lag significantly behind major developments in reporting in the for-profit sector that potentially would also improve reporting in the public sector.</p> <p>In addition, for jurisdictions that apply IFRSs, unnecessary differences between IPSASs and IFRSs could create a barrier to adopting IPSASs, particularly if there are groups that comprise some entities that apply IFRSs and other entities that apply IPSASs. For example, a group comprising a central government applying IPSASs and its government business enterprises applying IFRSs. Unnecessary differences in the accounting policies applied by entities in the group would compound consolidation issues and affect compliance costs for group reporting entities when preparing consolidated financial statements.</p>	<p>Support for amendments proposed in ED 55.</p> <p>Support for further convergence of IPSAS and IFRS.</p>
008	<p>We agree with the changes proposed in the ED.</p>	<p>Support expressed for ED 55 amendments.</p>

**Comments on Amendments to IPSAS 1, *Presentation of Financial Statements***

**STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members**

R#	C #	RESPONDENT COMMENTS	STAFF COMMENTS
001		<p><i>While Public Sector</i> agencies could have disparate disclosures from year to year I feel that too only provide users of such financial statements one year of comparative figures is an extreme application of <i>de minimis</i> and FAILS to provide stakeholders, including citizens, with the degree of comfort that adequate transparency through comparability requires in this era of serving the public interest and being accountable..</p> <p>I recommend five <i>years</i> of comparative figures for all complete sets of financial statements, namely:</p> <ul style="list-style-type: none"> <li>a) A statement of financial position;</li> <li>b) A statement of financial performance;</li> <li>c) A statement of changes in net assets/equity;</li> <li>d) A cash flow statement;</li> <li>e) When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements; and</li> <li>f) Notes, comprising a summary of significant accounting policies and other explanatory Notes; and</li> <li>g) Comparative information in respect of the preceding periods.</li> </ul>	<p>The proposed revisions to IPSAS 1 are much beyond the scope of the proposed changes in ED 55 and changes considered appropriate for the improvements project and should be considered in a future project to review IPSAS 1, if undertaken by the IPSASB after work plan consultations with constituents.</p>
002		<p>We support the proposed amendment and also agree with the IPSASB for excluding those amendments that relate to presenting additional comparative information, and presenting a statement of financial position at the beginning of a preceding period for retrospective changes resulting from accounting policy changes, restatements and reclassifications.</p> <p>We note that the term “preceding” has been left out in the proposed amendments in paragraph 53, and we propose that this paragraph should be amended as indicated below:</p> <p>“Except when IPSAS permits or requires otherwise, <u>an entity shall present</u> comparative information <del>shall be disclosed</del> in respect of the <del>previous</del> <u>preceding</u> period for all amounts reported in the financial statements...”</p>	<p>Agreement noted with proposed edits included.</p> <p>Proposed edits have been included in the final draft of the improvements 2014 standard.</p> <p>See Appendix A, for a mark-up of changes.</p>

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R#	C #	RESPONDENT COMMENTS	STAFF COMMENTS
		We also note the inconsistent use of terminology in the proposed amendments in paragraph 53B. To be consistent with paragraphs 21, 53 and 53A, we propose that paragraph 53B, 54 and 57 should be amended by replacing “previous period(s)” with “preceding period(s)”, and/or “last reporting date” with “end of the preceding period”.	
003		<i>No comments noted.</i>	
004		Page 7, P. 53 “...an entity shall present comparative information in respect of the <u>preceding</u> period for all amounts...” Preceding to be added to be consistent with the wording in the remainder of the IPSAS. To be consistent with the amendment in IAS 1.	Agreement noted with proposed edits included. Proposed edits have been included in the final draft of the improvements 2014 standard. See Appendix A, for a mark-up of changes.
005		<i>No comments noted.</i>	
006		<p><i>Comparative information - Paragraph 53</i></p> <p>HoTARAC suggests that instead of deleting “previous” in the first sentence, the IPSASB should replace the word “previous” with “preceding” to clarify the period to which the comparative information relates.</p> <p><i>Comparative information - Paragraph 53B</i></p> <p>For consistency with the above suggestion, HoTARAC also recommends replacing “previous period(s)” in the first sentence with “preceding period(s)”, and adding “current” before “period to resolve the uncertainty” in the last sentence.</p>	Agreement noted with proposed edits included. Edits have been included in the final draft of the improvements 2014 standard to address these comments. See Appendix A, for a mark-up of changes.
007		<i>No comments noted.</i>	
008a		Paragraph 53A requires an entity to present, as a minimum, one statement of financial position with comparative information for the preceding period, one statement of financial performance with comparative information for the	Comment noted. However, ED 53 and any future standard

R#	C #	RESPONDENT COMMENTS	STAFF COMMENTS
		<p>preceding period, one statement of cash flows with comparative information for the preceding period and one statement of changes in net assets/equity with comparative information for the preceding period, and related notes. This would apply to entities who are always using IPSASs but not to those adopting IPSASs for the first-time.</p> <p>Paragraph 75 of ED 53 <i>First-Time Adoption of Accrual Basis International Public Sector Accounting Standards</i> (“IPSASs”) provides that a first-time adopter is not required to present comparative information in its transitional IPSAS financial statements or its first IPSAS financial statements presented in accordance with ED53. We propose that reference be made to ED53 in which first time-adopter is exempted to present comparative information either in the body of IPSAS 1 or in the Basis for Conclusions.</p>	<p>on First Time Adoption of Accrual Basis IPSASs will provide relief and exemptions within such a standard. Staff does not think it is appropriate to make any consequential amendments to comparative requirements for this project through improvements and is not proposing to include this proposal in the final Improvements 2014 standard.</p>
008b		<p>The ED does not specify the effective dates of the amendments proposed. We believe indicative effective dates would be beneficial especially for those jurisdictions adopting IPSASs as the accounting standards and those following the effective dates of IPSASs to assess the impact or implementation issues arising from the proposed amendments.</p>	<p>Comment noted, currently the IPSASB does not include effective dates in EDs.</p> <p>Effective dates have been included in the draft final Improvements to IPSASs 2014 standard.</p> <p>See Appendix A, for a mark-up of changes.</p>

**Comments on Amendments to IPSAS 17, *Property, Plant, and Equipment***

**STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members**

R#	C #	RESPONDENT COMMENTS	STAFF COMMENTS
001		<i>No comments noted.</i>	
002		We support all the proposed amendments to IPSAS 17.	Supports amendments proposed.
003		<i>No comments noted.</i>	
004		Page 11, P.BC9 "...included in the Improvements to IFRSs issued by the IASB in May 2012, <u>December 2013 and May 2014...</u> " — To document that the amendments to IPSAS 17 reflect amendments issued in May 2012, December 2013 and May 2014.	Agreement noted with proposed edits included.  Proposed edits have been included in the final draft of the improvements 2014 standard.  See Appendix A, for a mark-up of changes.
005		<i>No comments noted.</i>	
006		<p><i>Effective Date – paragraph 106E /Transitional Provisions – paragraph 106A</i></p> <p>HoTARAC notes that the IASB <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> requires prospective application, whereas the equivalent IPSASB amendment does not specify a preferred method of application. To ensure consistency between the relevant IASB amendments and IPSASs, HoTARAC strongly recommends the IPSASB adopt prospective application and specify this under either "Effective Date" or "Transitional Provisions".</p> <p><i>Basis for Conclusions - BC9</i></p> <p>HoTARAC suggests the IPSASB update the "May 2012" reference to reflect the actual dates of issue of those IFRS requirements. For example, the IASB's amendment to clarify the restatement of the carrying amount and</p>	<p>Agreement noted with proposed edits included.</p> <p>Proposed edits have been included in the final draft of the improvements 2014 standard.</p> <p>See Appendix A, for a mark-up of changes.</p>

R#	C #	RESPONDENT COMMENTS	STAFF COMMENTS
		accumulated depreciation was issued in the <i>Annual Improvements to IFRSs</i> in December 2013, and the amendment on <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> was issued in May 2014.	
007		<i>No comments noted.</i>	
008		<p>In connection with spare parts mentioned in paragraph 17 of IPSAS 17 in the ED, we wish to highlight that there is divergent practice of depreciating idle spare parts. For instance, in power generation industry, spare parts are readily available to replace those critical parts in the event of plant failure or major breakdown. Some depreciate such spare parts and some did not.</p> <p>Those who did, follow paragraph 71 of IPSAS 17 which states that depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. IPSAS 17 was adopted from International Accounting Standard (“IAS”) 16 <i>Property, Plant and Equipment</i> issued by the International Accounting Standards Board (“IASB”). This is further strengthened in the Basis for Conclusion (“BC”) 30 of IAS 16 which states that the IASB decided that the useful life of an asset should encompass the entire time it is available for use, regardless of whether during that time it is in use or is idle. In BC 31 of IAS 16, the IASB emphasized that, whether idle or not, it is appropriate to depreciate an asset with a limited useful life so that the financial statements reflect the consumption of the asset’s service potential that occurs while the asset is held. We propose such emphasis to be mentioned either in the body of IPSAS 17 or in the Basis for Conclusions in order to avoid diversity in practice.</p>	<p>Comment noted.</p> <p>Staff notes that the issue will be raised for discussion. Staff believes that a basis for conclusion is the only appropriate place to discuss this issue.</p> <p>BC 5 in IPSAS 17 notes that the IPSASB generally agrees with the IASBs BCs, however, they are not reproduced in the IPSASs.</p>

**Comments on Amendments to IPSAS 28, *Financial Instruments: Presentation***

**STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members**

R#	C #	RESPONDENT COMMENTS	STAFF COMMENTS
001		<i>No comments noted.</i>	
002		We support the proposed amendments to clarify the tax effect of distributions to holders of equity instruments.	Supports amendments proposed.
003		<i>No comments noted.</i>	
004		<p>Page 12, P.61A “Paragraphs 40, 42 and 44 were amended and paragraphs 40A and 61A added by...” — To be consistent with the “effective date” paragraphs included in the amendments of other IPSAS in the ED.</p> <p>Page 12, P.BC27 “The IPSASB reviewed the Amendments to IAS 32 issued by the IASB in May 201<u>2</u>4...” — To indicate that the amendment to the IAS was issued in 2012, not 2014.</p>	<p>Agreement noted with proposed edits included.</p> <p>Proposed edits have been included in the final draft of the improvements 2014 standard.</p> <p>See Appendix A, for a mark-up of changes.</p>
005		<i>No comments noted.</i>	
006		<p><i>Interest, dividends, losses and gains - Paragraph 44</i></p> <p>HoTARAC believes the reference to “IAS 1” should be corrected to “IPSAS 1”.</p>	<p>Agreement noted with proposed edits included.</p> <p>Proposed edits have been included in the final draft of the improvements 2014 standard.</p> <p>See Appendix A, for a mark-up of changes.</p>

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R#	C #	RESPONDENT COMMENTS	STAFF COMMENTS
007		<i>No comments noted.</i>	
008		<i>No comments noted.</i>	

**Comments on Amendments to IPSAS 31, *Intangible Assets***

**STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members**

R#	C #	RESPONDENT COMMENTS	STAFF COMMENTS
001		<p>The recommendation for goodwill fails to engender any certainty. It meanders like a stream down a mountain slope into an abyss.</p> <p>Para. 97 actually does make a good attempt at amortizing the <del>depreciable</del>-amortizable amount using units of production, patterns of consumption etc.</p> <p>However the following paragraphs, perhaps meant to be elaborative, are bordering on difficult to comprehend as several caveats apply.</p> <p>The greater the elaboration the more one realizes that "one size does not fit all".</p>	<p>Comment noted.</p> <p>Staff notes, that the proposed changes to IPSAS 31 relate to intangible assets and none of the proposed amendments related to goodwill specifically and IPSAS does not have a standard on accounting for goodwill.</p> <p>Support for IPSAS 31, P.97 modifications.</p> <p>Proposed modification of depreciable amount to amortizable amount is noted. However, IPSAS 31 and IAS 38 both use this common term throughout standards and a compelling case for modification has not been proposed.</p>

R#	C #	RESPONDENT COMMENTS	STAFF COMMENTS
002		We support all the proposed amendments to IPSAS 31.	Supports amendments proposed.
003		<i>No comments noted.</i>	
004		<p>Page 14, P.97A (a) "...as described in paragraph 978C; or..." — PSAB staff believes the intent is to cross reference paragraph 97C rather than 98C as 98C does not appear to exist.</p> <p>Page 15, P.BC10 "...included in the Improvements to IFRSs issued by the IASB in December 2013 and <u>May 2014...</u>" — To document that the amendments to IPSAS reflect amendments issued in December 2013 and May 2014.</p>	<p>Agreement noted with proposed edits included.</p> <p>Proposed edits have been included in the final draft of the improvements 2014 standard.</p> <p>See Appendix A, for a mark-up of changes.</p>
005		<i>No comments noted.</i>	
006		<p><i>Amortization Period and Amortization Method - Paragraph 97A (a)</i></p> <p>Reference is made to paragraph 98C, whereas HoTARAC believes the correct paragraph reference should be to paragraph 97C.</p> <p><i>Effective Date- paragraph 134/Transitional Provisions- paragraph 131A</i></p> <p>Given the IASB <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> requires prospective application, HoTARAC strongly recommends the IPSASB adopt prospective application and specify this under either "Effective Date" or "Transitional Provisions".</p> <p><i>Basis for Conclusions- BC10</i></p> <p>HoTARAC suggests the IPSASB update the reference to acknowledge the issue date (i.e. May 2014) for the IASB's <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>.</p>	<p>Agreement noted with proposed edits included.</p> <p>Proposed edits have been included in the final draft of the improvements 2014 standard.</p> <p>See Appendix A, for a mark-up of changes.</p>
007		<i>No comments noted.</i>	

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<b>R#</b>	<b>C #</b>	<b>RESPONDENT COMMENTS</b>	<b>STAFF COMMENTS</b>
008		<i>No comments noted.</i>	

## Agenda Item 11.3a

### Appendix A: Summary of Changes to *Improvements to IPSASs 2014*

The purpose of this appendix is to show the changes to the Improvements to IPSASs 2014 since the ED to show how respondents comments have been incorporated into the final pronouncement.

#### Amendments to IPSAS 1, Presentation of Financial Statements

Paragraphs 21, 53 and ~~53~~<sup>54</sup> are amended (new text is underlined and deleted text is struck through) and paragraphs 53A, ~~53B~~ and 153E are inserted.

**Commented [RS1]:** Proposed edits from respondents 002, 004, 006 and 008 have been included. Changes are noted in blue.

#### Components of Financial Statements

21. A complete set of financial statements comprises:

- (a) A statement of financial position;
- (b) A statement of financial performance;
- (c) A statement of changes in net assets/equity;
- (d) A cash flow statement;
- (e) When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements; and
- (f) Notes, comprising a summary of significant accounting policies and other explanatory notes, ~~and~~ and
- (g) Comparative information in respect of the preceding period as specified in paragraphs 53 and 53A of IPSAS 1.

#### Comparative information

##### Minimum comparative information

53. Except when an IPSAS permits or requires otherwise, an entity shall present comparative information ~~shall be disclosed~~ in respect of the previous preceding period for all amounts reported in the financial statements. An entity shall include ~~C~~comparative information ~~shall be included~~ for narrative and descriptive information ~~when if~~ it is relevant to an understanding of the current period's financial statements.

53A. An entity shall present, as a minimum, one statement of financial position with comparative information for the preceding period, one statement of financial performance with comparative information for the preceding period, one statement of cash flows with comparative information for the preceding period and one statement of changes in net assets/equity with comparative information for the preceding period, and related notes.

53B54. In some cases, narrative information provided in the financial statements for the previous preceding period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute, the outcome of which was uncertain at the last reporting

date ~~at the end of the preceding period and~~ is yet to be resolved. Users may benefit from the disclosure of information ~~(a)~~ that the uncertainty existed at the ~~last reporting date, end of the preceding period~~ and ~~(b)~~ from disclosure of information about the steps that have been taken during the period to resolve the uncertainty.

...

#### Effective Date

...

**153E.Paragraphs 21, 53 and 5354 were amended and paragraphparagraph 53A and 53B added by Improvements to IPSASs 2014 issued in MonthDecember 2014. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM-DD, YYYY-January 1, 2015. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM-DD, YYYYJanuary 1, 2015, it shall disclose that fact.**

#### Basis for Conclusions

...

#### Revision of IPSAS 1 as a result of IASB's Improvements to IFRSs issued May 2012

BC7. The IPSASB reviewed the revisions to IAS 1 included in the Improvements to IFRSs issued by the IASB in May 2012 and generally concurred that there was no public sector specific reason for not adopting a portion of the amendments. The IPSASB noted some of the amendments, impact IFRS 1 and IAS 34, for which equivalent standards do not exist in IPSASs and therefore a portion of the amendments have been excluded. Further, a portion of the amendments propose changes related to presenting a statement of financial position at the beginning of a preceding period for retrospective changes resulting from accounting policy changes, restatements and reclassifications. Presentation of an opening statement of financial position is currently not a concept included in IPSASs and introducing the proposed changes related to this portion of the proposed IASB amendments, is not considered minor and therefore these have been excluded. A further portion of the amendment related to presenting additional comparative information was not considered a minor change and has also been excluded.

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## Amendments to IPSAS 17, Property, Plant, and Equipment

Paragraphs 17, 50 and 72 are amended (new text is underlined and deleted text is struck through) and paragraphs 78A, 106A and 107E are inserted.

**Commented [RS2]:** Proposed edits from respondents 004 and 006 have been included. Changes are noted in blue.

### Recognition

...

17. ~~Spare items such as spare parts, stand-by equipment~~ and servicing equipment are recognized in accordance with this IPSAS ~~are usually carried as inventory and recognized in surplus or deficit as consumed. However, major spare parts and stand-by equipment qualify as property, plant, and equipment when they meet the definition of property, plant, and equipment. Otherwise, such items are classified as inventory, an entity expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant, and equipment, they are accounted for as property, plant, and equipment.~~

...

### Revaluation Model

...

50. When an item of property, plant, and equipment is revalued, ~~any accumulated depreciation~~ the carrying amount of that asset is adjusted to the revalued amount. ~~At the date of the revaluation, the asset~~ is treated in one of the following ways:
- (a) ~~Restated proportionately.~~ The gross carrying amount is adjusted in a manner that is consistent with the change in the gross carrying amount of the asset, so that revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or after revaluation equals its revalued amount. This method is often used when an asset is revalued by means of applying an index to its depreciated replacement cost.
  - (b) The accumulated depreciation is eliminated ~~against the gross carrying amount of the asset, and the net amount restated to the revalued amount of the asset. This method is often used for buildings.~~

The amount of the adjustment ~~arising on the restatement or elimination~~ of accumulated depreciation forms part of the increase or decrease in carrying amount that is accounted for in accordance with paragraphs 54 and 55.

...

### Depreciable Amount and Depreciation Period

...

72. The future economic benefits or service potential embodied in an item of property, plant, and equipment are consumed by the entity principally through the use of the asset. However, other factors

such as technical or commercial obsolescence and wear and tear while an asset remains idle often result in the diminution of the economic benefits or service potential that might have been obtained from the asset. Consequently, all the following factors are considered in determining the useful life of an asset:

- (a) Expected usage of the asset. Usage is assessed by reference to the asset's expected capacity or physical output.
- (b) Expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance program, and the care and maintenance of the asset while idle.
- (c) Technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset. Expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technical or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits or service potential embodied in the asset.

...

#### Depreciation method

...

78A. A depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits or service potential of the asset. For example, revenue is affected by other inputs and processes, selling activities and changes in sales volumes and prices. The price component of revenue may be affected by inflation, which has no bearing upon the way in which an asset is consumed.

...

#### Transitional Provisions

...

106A. Paragraph 50 was amended by *Improvements to IPSASs 2014* issued in [MonthDecember](#) 2014. An entity shall apply those amendments to all revaluations recognized in annual periods beginning on or after the date of initial application of that amendment and in the immediately preceding annual period.

...

#### Effective Date

...

107E. Paragraphs 17, 50 and 72 were amended and paragraphs 78A, 106A added by *Improvements to IPSASs 2014* issued in [MonthDecember](#) 2014. An entity shall apply those amendments prospectively for annual financial statements covering periods beginning on or after [MM-DD, YYYYJanuary 1, 2015](#). Earlier application is encouraged. If an entity applies the amendments for a period beginning before [MM-DD, YYYYJanuary 1, 2015](#), it shall disclose that fact.

**Basis for Conclusions**

...

**[Revision of IPSAS 17 as a result of IASB's \*Improvements to IFRSs and Narrow Scope Amendments\* issued in May 2012, December 2013 and May 2014](#)**

**BC9.** The IPSASB reviewed the revisions to IAS 16 included in the [Improvements to IFRSs and Clarification of Acceptable Methods of Depreciation and Amortisation](#) issued by the IASB in [May 2012, December 2013 and May 2014](#) and generally concurred that there was no public sector specific reason for not adopting the amendments.

## Amendments to IPSAS 28, Financial Instruments: Presentation

Paragraphs 40, 42 and 44 are amended (new text is underlined and deleted text is struck through) and paragraphs 40A and 61A are inserted.

**Commented [RS3]:** Proposed edits from respondents 004 and 006 have been included. Changes are noted in blue.

### Interest, dividends, losses and gains (see also paragraph AG62)

40. Interest, dividends, losses and gains relating to a financial instrument or a component that is a financial liability shall be recognized as revenue or expense in surplus or deficit. Distributions to holders of an equity instrument shall be recognized ~~debited by the entity directly to~~ in net assets/equity, ~~net of any related income tax benefit~~. Transaction costs incurred on transactions in net assets/equity shall be accounted for as a deduction from net assets/equity, ~~net of any related income tax benefit~~.

40A. Income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with the relevant international or national accounting standard dealing with income taxes.

...

42. An entity typically incurs various costs in issuing or acquiring its own equity instruments. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity ~~(net of any related income tax benefit)~~ to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognized as an expense.

...

44. The amount of transaction costs accounted for as a deduction from equity in the period is disclosed separately ~~under~~ in accordance with IAS/IPSAS 1.

### Effective Date

...

61A. Paragraphs 40, 42 and 44 were amended and ~~paragraph~~ paragraph 40A ~~and 61A~~ added by Improvements to IPSASs 2014 issued in MonthDecember 2014. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM-DD-YYYY-January 1, 2015. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM-DD-YYYY-January 1, 2015, it shall disclose that fact.

### Basis for Conclusions

...

#### Revision of IPSAS 28 as a result of IASB's Improvements to IFRSs issued in May 2012

BC27. The IPSASB reviewed the Amendments/ ~~revisions~~ to IAS 32 included in the Improvements to IFRSs issued by the IASB in May ~~2012~~ 2012 and generally concurred that there was no public sector specific reason for not adopting the amendments.

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## Amendments to IPSAS 31, *Intangible Assets*

Paragraph 79, 91 and 97 are amended (new text is underlined and deleted text is struck through) and paragraphs 97A, 97B, 97C, 131A, and 134 are inserted.

**Commented [RS4]:** Proposed edits from respondents 004 and 006 have been included. Changes are noted in blue.

### Revaluation Model

...

79. ~~If~~When an intangible asset is revalued, ~~any accumulated amortization~~ the carrying amount of that asset is adjusted to the revalued amount. ~~At the date of the revaluation, the asset is either treated in one of the following ways:~~

- (a) ~~Restated proportionately~~ The gross carrying amount is adjusted in a manner that is consistent with the change in the gross carrying amount of the asset so that revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated amortization at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses after revaluation equals its revalued amount; or
- (b) ~~The accumulated amortization is eliminated against the gross carrying amount of the asset, and the net amount restated to the revalued amount of the asset.~~

The amount of the adjustment of accumulated amortization forms part of the increase or decrease in the carrying amount that is accounted for in accordance with paragraphs 84 and 85.

### Useful life

...

91. Given the history of rapid changes in technology, computer software and many other intangible assets are susceptible to technological obsolescence. Therefore, it is likely will often be the case that their useful life is short. Expected future reductions in the selling price of an item that was produced using an intangible asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits or service potential embodied in the asset.

...

### Amortization Period and Amortization Method

...

97. A variety of amortization methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method and the units of production method. The method used is selected on the basis of the expected pattern of consumption of the expected future economic benefits or service potential embodied in the asset and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits or service potential.

...

97A. There is a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate. The revenue generated by an activity that includes the use of an intangible asset typically reflects factors that are not directly linked to the consumption of the economic benefits or service potential embodied in the intangible asset. For example, revenue is affected by other inputs and processes, selling activities and changes in sales volumes and prices. The price component of revenue may be affected by inflation, which has no bearing upon the way in which an asset is consumed. This presumption can be overcome only in the limited circumstances:

(a) In which the intangible asset is expressed as a measure of revenue, as described in paragraph 98C97C; or

(b) When it can be demonstrated that revenue and the consumption of the economic benefits or service potential of the intangible asset are highly correlated.

97B. In choosing an appropriate amortization method in accordance with paragraph 97, an entity could determine the predominant limiting factor that is inherent in the intangible asset. For example, the contract that sets out the entity's rights over its use of an intangible asset might specify the entity's use of the intangible asset as a predetermined number of years (i.e., time), as a number of units produced or as a fixed total amount of revenue to be generated. Identification of such a predominant limiting factor could serve as the starting point for the identification of the appropriate basis of amortization, but another basis may be applied if it more closely reflects the expected pattern of consumption of economic benefits or service potential.

97C. In the circumstance in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold, the revenue to be generated can be an appropriate basis for amortization. For example, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged (for example, a contract could allow operation of the toll road until the cumulative amount of tolls generated from operating the road reaches CU100 million). In the case in which revenue has been established as the predominant limiting factor in the contract for the use of the intangible asset, the revenue that is to be generated might be an appropriate basis for amortizing the intangible asset, provided that the contract specifies a fixed total amount of revenue to be generated on which amortization is to be determined.

...

#### **Transitional Provisions**

...

131A. Paragraph 79 was amended by *Improvements to IPSASs 2014* issued in [MonthDecember](#) 2014. An entity shall apply ~~these amendments~~ [that amendment](#) to all revaluations recognized in annual periods beginning on or after the date of initial application of that amendment and in the immediately preceding annual period.

...

#### **Effective Date**

...

**134. Paragraphs 79, 91 and 97 were amended and paragraphs 97A, 97B, 97C and 131A added by Improvements to IPSASs 2014 issued in MonthDecember 2014. An entity shall apply those amendments prospectively for annual financial statements covering periods beginning on or after MM-DD, YYYYJanuary 1, 2015. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM-DD, YYYYJanuary 1, 2015, it shall disclose that fact.**

**Basis for Conclusions**

...

**Revision of IPSAS 31 as a result of IASB's Improvements to IFRSs and Narrow Scope Amendments issued in December 2013 May 2014**

BC10. The IPSASB reviewed the revisions to IAS 38 included in the Improvements to IFRSs and Clarification of Acceptable Methods of Depreciation and Amortisation issued by the IASB in December 2013 and May 2014 and generally concurred that there was no public sector specific reason for not adopting the amendments.

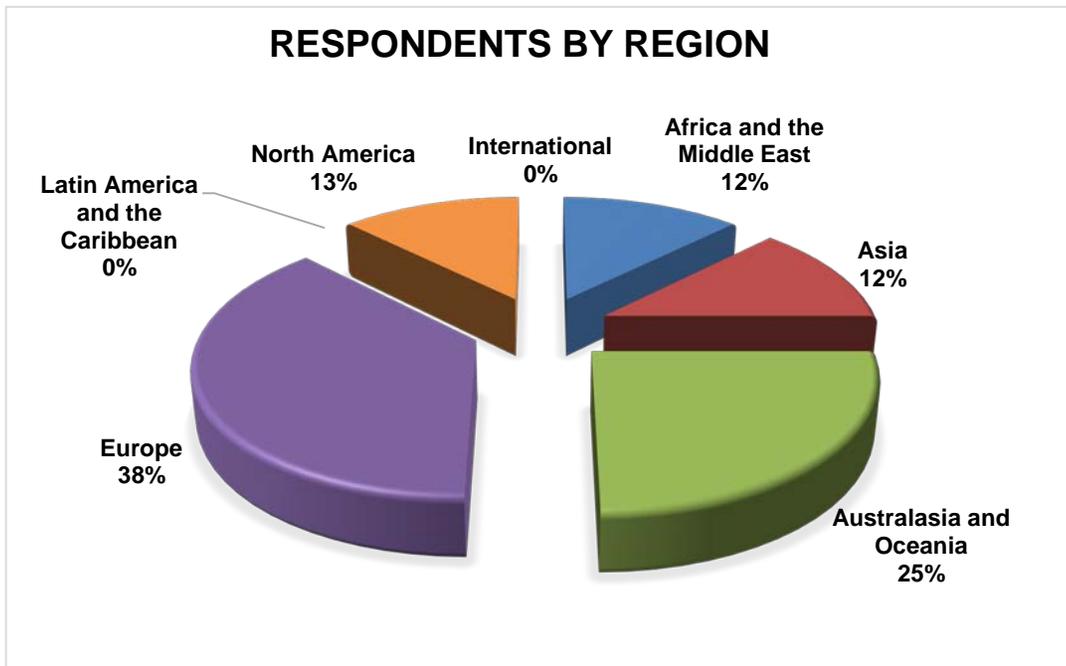
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**IMPROVEMENTS TO IPSASS 2014**

**Analysis of Respondents by Region, Function, and Language**

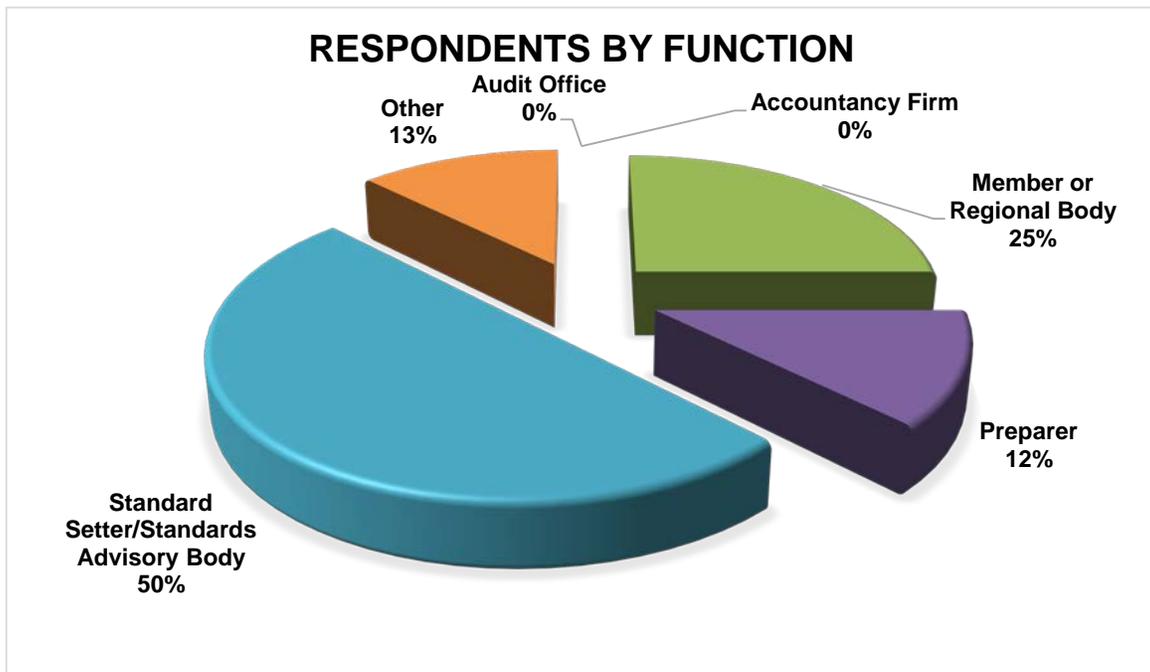
**Geographic Breakdown**

Region	Respondents	Total
Africa and the Middle East	02	1
Asia	08	1
Australasia and Oceania	06, 07	2
Europe	01, 03, 05,	3
Latin America and the Caribbean		0
North America	04	1
International		0
<b>Total</b>		<b>8</b>



### Functional Breakdown

Function	Respondents	Total
Accountancy Firm		0
Audit Office		0
Member or Regional Body	03, 08	2
Preparer	06	1
Standard Setter/Standards Advisory Body	02, 04, 05, 07	4
Other	01	1
<b>Total</b>		<b>8</b>



**Linguistic Breakdown:**

Language	Respondents	Total
English-Speaking	03, 06, 07	3
Non-English Speaking	01, 05, 08	3
Combination of English and Other	02, 04	2
<b>Total</b>		<b>8</b>

