

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Toronto, Canada

Meeting Date: June 23–26, 2015

Agenda Item 8

For:

Approval

Discussion

Information

Government Business Enterprises

Objective of Agenda Item

1. The objective of this agenda item is to review and approve the Exposure Draft (ED) 56, *The Applicability of IPSASs to Public Sector Entities*.

Materials Presented

- Agenda Item 8.1 Issues Paper, *Government Business Enterprises*
- Agenda Item 8.2 Exposure Draft (ED) 56, *The Applicability of IPSASs to Public Sector Entities*

Action Requested

2. The IPSASB is asked to:
 - (a) Review the Issues Paper and decide how the Matters for Consideration identified in the paper should be addressed in the Exposure Draft;
 - (b) Undertake a page-by-page review of the Exposure Draft and agree any amendments that are required; and
 - (c) Approve the ED for publication.

Issues Paper, Government Business Enterprises**Background**

1. The Consultation Paper (CP), *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*, was issued in August 2014, with a request for comments by December 31, 2014. The IPSASB received 28 responses to the CP.
2. At its March 2015 meeting, the IPSASB reviewed the responses to the CP. An overwhelming majority of the respondents supported the IPSASB's preliminary view that its policy on the public sector entities for which it is developing accounting standards should be communicated by providing the characteristics of public sector entities for which IPSASs are intended (Approach 1). Furthermore, most respondents supported using the IPSASB's current and developing literature to provide the characteristics of entities for which the IPSASB is developing standards and guidance (Option 1a), rather than characteristics drawn from Government Finance Statistics (GFS) (Option 1b).
3. Taking account of these responses and issues considered during development of the CP, the IPSASB decided that an Exposure Draft (ED) should be developed proposing the deletion of the definition of a Government Business Enterprise (GBE) from IPSASB's literature. The IPSASB also decided to use the IPSASB's current and developing literature to describe the characteristics of those entities for which International Public Sector Accounting Standards (IPSASs) are intended.
4. In order to address concerns from respondents to the CP, the IPSASB decided to revise the description of characteristics presented in Option 1a of the CP. These changes are reflected in the draft ED.
5. The IPSASB also directed staff to revise the *Basis for Conclusions* in IPSAS 1, *Presentation of Financial Statements*, to explain the IPSASB's reasons for deciding to delete the definition of a GBE.

Significant Issues

6. This Issues Paper asks the IPSASB to consider the following issues and then carry out a page-by-page review of the draft Exposure Draft (ED) 56, *The Applicability of IPSASs to Public Sector Entities*—Agenda Item 8.2.
7. The issues are:
 - 1) The title of ED 56;
 - 2) Revision to the *Preface to International Public Sector Accounting Standards (Preface)*;
 - 3) Deletion of black and grey letter references to GBEs in the scope sections of IPSASs and Recommended Practice Guidelines (RPGs);
 - 4) Deletion of the definition of a GBE and supporting grey letter text in paragraph 12 in IPSAS 1, *Presentation of Financial Statements*, and other revisions to IPSASs and RPGs; and,
 - 5) Exposure period for ED 56.

Issue 1: Title of ED

8. Staff's proposed title is in paragraph 6 above. This title differs from the title of the CP because there is no reference to Government Business Enterprises. Staff support the change of the title for two reasons.
9. First, the new title better reflects the purpose of the ED which is to communicate a positive description of the characteristics of public sector entities for which IPSASs are intended.
10. Second, the ED is a later phase in the development of this project. The initial focus of the project was on GBEs. As the project developed that focus changed and the project broadened to consider the more general applicability of IPSASs. Staff think it appropriate that the title reflects this changed focus and therefore do not think a reference to GBEs is necessary.

Matter for Consideration

1. The IPSASB is asked to confirm the title of ED 56, *The Applicability of IPSASs to Public Sector Entities*, or provide alternative directions.

Issue 2: Revision to the *Preface*

11. The IPSASB's due process does not require that a revision to the *Preface* be exposed for comment. Such a revision only needs to be approved by the IPSASB. Therefore, the proposed amendment to the *Preface* will not be part of ED 56. However, staff proposes that the relevant amended section of the *Preface* be provided in the *Executive Summary* of ED 56. Appendix A includes staff's proposed amendments to the *Preface* based on the IPSASB's directions at its March 2015 meeting.

Matter for Consideration

2. The IPSASB is asked to review and approve the draft revision to the *Preface*, provided in Appendix A.

Issue 3: Deletion of black and grey letter references to GBEs in the scope sections of IPSASs and RPGs

12. All IPSASs, except IPSAS 22, *Disclosure of Financial Information About the General Government Sector* and IPSAS 24, *Presentation of Budget Information in Financial Statements*, have the following paragraphs in their scope section:

This Standard applies to all public sector entities other than Government Business Enterprises.

The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.

13. All RPGs contain a paragraph stating that:

This RPG is applicable to all public sector entities other than Government Business Enterprises (GBEs).

14. Staff is of the view that the above paragraphs should be deleted as consequentials of the deletion of the definition on a GBE.

15. In IPSAS 22, *Disclosure of Financial Information about the General Government Sector* staff proposes to delete the reference to GBEs in paragraph 3, as follows:

Scope

...

3. Governments raise funds from taxes, transfers, and a range of nonmarket and market activities to fund their service delivery activities. They operate through a variety of entities to provide goods and services to their constituents. Some entities rely primarily on appropriations or allocations from taxes or other government revenues to fund their service delivery activities, but may also undertake additional revenue-generating activities, including commercial activities in some cases. Other entities may generate their funds primarily or substantially from commercial activities. ~~These include government business enterprises (GBEs) as defined in IPSAS 1, *Presentation of Financial Statements*.~~

16. In IPSAS 24, *Presentation of Budget Information in Financial Statements*, staff recommends that a revised paragraph 3 be retained, because of the need to indicate that the standard only applies to entities, which are required or elect to make their approved budget(s) publicly available.

Scope

...

3. **This Standard applies to public sector entities, other than Government Business Enterprises, with the characteristics described in paragraph 10 of the Preface to International Public Sector Accounting Standards, which are required or elect to make their approved budget(s) publicly available.**

Matter(s) for Consideration

3. The IPSASB is asked to approve staff's proposals:
- (a) To remove the black and grey letter references to GBEs in the scope sections of IPSASs and RPGs;
 - (b) To remove the reference to GBEs in paragraph 3 of IPSAS 22; and,
 - (c) To revise paragraph 3 of IPSAS 24;
- or, provide alternative directions.

Issue 4: Approach for Cash Basis IPSAS

17. IPSAS, *Financial Reporting under the Cash Basis of Accounting* (the Cash Basis IPSAS) is currently under revision by the IPSASB. The proposed changes to this IPSAS are presented in ED 56, but they will not be included in the published ED 56. They will be exposed in the ED that emerges from the IPSASB project to review the Cash Basis IPSAS. These proposed changes are provided in Agenda Item 8.2 so that the IPSASB can consider them at the same time as other GBE-related amendments, and ensure consistency.

Matter for Consideration

4. The IPSASB is asked to review and approve ED 56, *The Applicability of IPSASs to Public Sector Entities* and note that the changes to IPSAS, *Financial Reporting under the Cash Basis of Accounting*, will not be part of the published ED 56.

Issue 5: Exposure Period—Four months

18. The standard consultation period for EDs four months. Staff considers that four months is appropriate for a document of this size and complexity.

Matter for Consideration

5. The IPSASB is asked to confirm an exposure period of four months.

APPENDIX A

PROPOSED REVISION TO THE *PREFACE*

Paragraphs 3, 7 and 10 are amended (new text is underlined and deleted text is struck through).

PREFACE TO INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

Introduction

...

3. The IPSASB serves the public interest by developing and issuing, under its own authority, accounting standards and other publications for use by public sector entities ~~other than Government Business Enterprises (GBEs)~~ as described in paragraph 10.

...

7. IPSASs as the standards to be applied in the preparation of general purpose financial reports of public sector entities ~~other than GBEs~~ as described in paragraph 10.

Scope and Authority of International Public Sector Accounting Standards

...

10. ~~“The IPSASs are designed to apply to the general purpose financial reports of all public sector entities other than GBEs. Public sector entities include national governments, regional (e.g., state, provincial, territorial) governments, local (e.g., city, town) governments and related governmental entities (e.g., agencies, boards, commissions and enterprises), unless otherwise stated. International organizations also apply IPSASs. The IPSASs do not apply to GBEs. GBEs apply International Financial Reporting Standards (IFRSs) which are issued by the International Accounting Standards Board (IASB). IPSASs include a definition of GBEs. public sector entities that:~~
 - (a) Are responsible for the delivery of services¹ to the public and/or to redistribute income and wealth;
 - (b) Finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of the investment; and,
 - (c) Do not have a primary objective to make profits.

¹ Services encompasses goods and services.

Exposure Draft 56
August 2015
Comments due: December 31, 2015

*Proposed International Public Sector Accounting
Standard and Recommended Practice Guideline*

The Applicability of IPSASs™ to Public Sector Entities

This document was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances.

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.

The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants® (IFAC®).

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REQUEST FOR COMMENTS

This Exposure Draft 56 (ED 56), *The Applicability of IPSASs to Public Sector Entities*, was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Exposure Draft (ED) may be modified in light of comments received before being issued in final form. **Comments are requested by December 31, 2015.**

Respondents are asked to submit their comments electronically through the IPSASB website, using the "[Submit a Comment](#)" link. Please submit comments in both a PDF and Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. This publication may be downloaded from the IPSASB website: www.ipsasb.org. The approved text is published in the English language.

Objective of the Exposure Draft

The objective of this ED is to remove the Government Business Enterprise (GBE) definition in IPSAS 1, *Presentation of Financial Statements* and propose consequential amendments in IPSASs and RPGs.

Guide for Respondents

The IPSASB welcomes comments on all the changes proposed to IPSASs and RPGs in ED 56. The ED highlights one specific matter for comment, which is provided below to facilitate your comments. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, including reasons for agreeing or disagreeing. If you disagree, please provide alternative proposals.

Specific Matter for Comment

The IPSASB proposes to remove all references to "Government Business Enterprise" from the IPSASB's pronouncements, so that the *Preface to International Public Sector Accounting Standards* will provide guidance on the applicability of IPSASs and RPGs.

Do you agree with the changes to IPSASs and RPGs proposed in this ED? If not, please provide your reasons.

Executive Summary

Currently *IPSAS 1, Presentation of Financial Statements*, includes a definition of a Government Business Enterprise (GBE). The scope section of each International Public Sector Accounting Standards (IPSAS) and Recommended Practice Guideline (RPG) specifically excludes GBEs and includes a reference to the *Preface to International Public Sector Accounting Standards (Preface)*, which states that GBEs apply International Financial Reporting Standards issued by the International Accounting Standards Board.

The International Public Sector Accounting Standards Board (IPSASB) is proposing a new approach to communicate its view of the entities to which IPSASs apply. That approach involves:

- Deleting the GBE definition in *IPSAS 1, Presentation of Financial Statements*;
- Amending the scope section of each IPSAS and RPG by removing the GBE exclusion; and
- Replacing the current paragraph 10 in the *Preface* with a revised paragraph providing the characteristics of public sector entities for which IPSASs are intended as follows:

The IPSASs are designed to apply to public sector entities that:

- (a) Are responsible for the delivery of services¹ to the public and/or to redistribute income and wealth;*
- (b) Finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of the investment; and,*
- (c) Do not have a primary objective to make profits.*

The paragraph about the applicability of each standard to all general purpose financial statements prepared and presented under the accrual basis of accounting in accordance with IPSASs will be retained in the scope section of each IPSAS.

A large majority of respondents to the Consultation Paper, *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*, supported this approach rather than retaining and improving the definition of GBEs. The IPSASB considers the proposal in this ED 56, *The Applicability of IPSASs to Public Sector Entities* (ED) is the most transparent way to communicate the types of public sector entities that it considers when developing IPSASs, using a high-level, principle-based approach that draws on *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*. By proposing this approach the IPSASB also acknowledges:

- The role of regulators in determining the accounting standards to be applied by different entities in their jurisdictions; and
- Constituents' concerns about differing interpretations of GBEs developing in practice.

The revisions to the *Preface*, which the IPSASB has already approved, are provided in this ED to inform constituents of the characteristics that the IPSASB will consider when developing IPSASs and RPGs. This information will facilitate constituents' consideration of the proposed amendments to IPSASs and RPGs in this ED.

¹ Services encompasses goods and services.

ED 56 THE APPLICABILITY OF IPSASs TO PUBLIC SECTOR ENTITIES

CONTENTS

	Page
Objective	7
IPSASs and RPGs Addressed.....	7
Amendments to IPSAS 1, <i>Presentation of Financial Statements</i>	8
Amendments to IPSAS 2, <i>Cash Flow Statements</i>	12
Amendments to IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	12
Amendments to IPSAS 4, <i>The Effects of Changes in Foreign Exchange Rates</i>	13
Amendments to IPSAS 5, <i>Borrowing Costs</i>	13
Amendments to IPSAS 9, <i>Revenue from Exchange Transactions</i>	14
Amendments to IPSAS 10, <i>Financial Reporting in Hyperinflationary Economies</i>	15
Amendments to IPSAS 11, <i>Construction Contracts</i>	15
Amendments to IPSAS 12, <i>Inventories</i>	17
Amendments to IPSAS 13, <i>Leases</i>	17
Amendments to IPSAS 14, <i>Events after the Reporting Date</i>	18
Amendments to IPSAS 16, <i>Investment Property</i>	18
Amendments to IPSAS 17, <i>Property, Plant, and Equipment</i>	19
Amendments to IPSAS 18, <i>Segment Reporting</i>	20
Amendments to IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	21
Amendments to IPSAS 20, <i>Related Party Disclosures</i>	22
Amendments to IPSAS 21, <i>Impairment of Non-Cash Generating Assets</i>	23
Amendments to IPSAS 22, <i>Disclosures of Financial Information about the General Government Sector</i>	24
Amendments to IPSAS 23, <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i>	25
Amendments to IPSAS 24, <i>Presentation of Budget Information in Financial Statements</i>	26
Amendments to IPSAS 25, <i>Employee Benefits</i>	27
Amendments to IPSAS 26, <i>Impairment of Cash-Generating Assets</i>	28
Amendments to IPSAS 27, <i>Agriculture</i>	30
Amendments to IPSAS 28, <i>Financial Instruments: Presentation</i>	30
Amendments to IPSAS 29, <i>Financial Instruments: Recognition and Measurement</i>	31
Amendments to IPSAS 30, <i>Financial Instruments: Disclosures</i>	32

Amendments to IPSAS 31, <i>Intangible Assets</i>	32
Amendments to IPSAS 32, <i>Service Concession Arrangements: Grantor</i>	33
Amendments to IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i>	34
Amendments to IPSAS 34, <i>Separate Financial Statements</i>	34
Amendments to IPSAS 35, <i>Consolidated Financial Statements</i>	35
Amendments to IPSAS 36, <i>Investments in Associates and Joint Ventures</i>	36
Amendments to IPSAS 37, <i>Joint Arrangements</i>	37
Amendments to IPSAS 38, <i>Disclosure of Interests in Other Entities</i>	37
Amendments to IPSAS, <i>Financial Reporting under the Cash Basis of Accounting</i>	38
Amendments to RPG 1, <i>Reporting on the Long-Term Sustainability of an Entity's Finances</i>	41
Amendments to RPG 2, <i>Financial Statement Discussion and Analysis</i>	41
Amendments to RPG 3, <i>Reporting Service Performance Information</i>	42

Objective

1. The objective of this ED is to remove the Government Business Enterprise (GBE) definition in IPSAS 1, *Presentation of Financial Statements* and propose consequential amendments in IPSASs and RPGs.

IPSASs and RPGs Addressed

2. This ED applies to all extant IPSASs and RPGs as of March 2015.

Amendments to IPSAS 1, *Presentation of Financial Statements*

Paragraphs 5, 6, 7 and 12 are deleted. Paragraph 153G is added. Paragraph 97 and Implementation Guidance are amended (new text is underlined and deleted text is struck through). The Basis for Conclusions includes new text, which is shown as underlined.

Scope

...

~~5. This Standard applies to all public sector entities other than Government Business Enterprises.~~

~~6. The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in paragraph 7 below.~~

Definitions

7. The following terms are used in this Standard with the meanings specified:

...

~~**Government Business Enterprise means an entity that has all the following characteristics:**~~

~~(a) Is an entity with the power to contract in its own name;~~

~~(b) Has been assigned the financial and operational authority to carry on a business;~~

~~(c) Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;~~

~~(d) Is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and~~

~~(e) Is controlled by a public sector entity.~~

...

~~Government Business Enterprises~~

~~12. GBEs include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge. IPSAS 6 provides guidance on determining whether control exists for financial reporting purposes, and should be referred to in determining whether a GBE is controlled by another public sector entity.~~

97. In some cases, there may be a minority interest in the net assets/equity of the entity. For example, at the whole-of-government level, the economic entity may include a GBE public sector entity that has been partly privatized. Accordingly, there may be private shareholders who have a financial interest in the net assets/equity of the entity.

Effective Date

...

153G. Paragraphs 5, 6 and 12 were deleted and paragraphs 7 and 97 were amended by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 1.

...

Revision of IPSAS 1 as a result of the IPSASB's Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year

Background

BC13. IPSAS 1 included the following definition of a Government Business Enterprise (GBE):

Government Business Enterprise means an entity that has all the following characteristics:

- (a) Is an entity with the power to contract in its own name;*
- (b) Has been assigned the financial and operational authority to carry on a business;*
- (c) Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;*
- (d) Is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and*
- (e) Is controlled by a public sector entity.*

BC14. The purpose of the definition was to exclude commercially-oriented public sector entities that met the above definition of a GBE from the scope of IPSASs. However, feedback received by the IPSASB indicated that there is a wide range of entities being described as GBEs, some of which clearly do not meet the IPSASB definition of a GBE. There also appear to be different interpretations of components of the definition.

BC15. To address this problem, in August 2014 the IPSASB issued a Consultation Paper (CP), *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*. The CP proposed two main approaches to communicate its policy on the public sector entities for which it is developing accounting standards and on GBEs.

BC16. Approach 1 proposed (i) deleting the definition of a GBE; and (ii) providing a high-level description of the characteristics of public sector entities for which IPSASs are intended. This approach had two options: using the IPSASB's current and developing literature (Option 1a) or using Government Finance Statistics (GFS) reporting guidelines and explanatory guidance (Option 1b).

BC17. Approach 2 proposed retaining and modifying the definition of a GBE in IPSAS 1, *Presentation of Financial Statements* in order to resolve problems in its application, and proposed two options for the

definition's modification. Option 2a proposed clarifying the current definition of a GBE and Option 2b proposed narrowing the existing definition of a GBE.

BC18. The IPSASB expressed a unanimous Preliminary View (PV) in the CP that Approach 1 was most appropriate because it focuses on the characteristics of public sector entities for which IPSASs are intended. A majority of IPSASB members supported Option 1a because it is a high level, principles-based approach that draws on the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* and acknowledges the role of regulators and other relevant authorities in determining which entities should apply IPSASs.

BC19. There was strong support from respondents for Option 1a. In general, respondents supported Option 1a for the reasons stated in the previous paragraph. Some respondents also gave additional reasons for supporting Option 1a, including reservations on reliance on third-party literature and inconsistency with the IPSASB's own literature that Option 1b could cause.

BC20. Respondents' reasons for supporting other options included:

- A lack of resource capacity of regulators in less developed countries making it difficult to develop detailed criteria for reporting requirements;
- Different criteria used by different national regulators, which would reduce consistency between jurisdictions; and,
- The complexities of public sector entities compared with Private Sector Entities that demand a different approach to the determination of reporting requirements.

The IPSASB's decision

BC21. In August 2015, the IPSASB issued the Exposure Draft (ED) 56, *The Applicability of IPSASs to Public Sector Entities*. The ED reflected the IPSASB's decision to provide, in the *Preface to International Public Sector Accounting Standards*, a description of the characteristics of public sector entities for which IPSASs are intended, and to base the proposed description on the IPSASB's literature. The IPSASB further decided to delete the definition of a GBE from IPSAS 1 and delete all references to GBEs in IPSASs and RPGs. The IPSASB is of the view that this decision best serves the public interest because it removes a definition that has been ambiguous and difficult to implement, and describes the characteristics of public sector entities according to the IPSASB's literature.

BC22. The characteristics of public sector entities provided in the *Preface to International Public Sector Accounting Standards* reflect the characteristics of the public sector that the IPSASB has considered in the development of its *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*. The characteristics are described in the *Preface to the Conceptual Framework*.

BC23. Nevertheless, the IPSASB acknowledged that:

- (a) The role of regulators in considering the characteristics of public sector entities when deciding about the applicability of IPSASs in their jurisdiction may vary;
- (b) The consideration of alignment between IPSASs and Government Finance Statistics (GFS) reporting guidelines is an important issue;
- (c) The meaning of the term "public sector" needs to be addressed, with reference to the *Preface to the Conceptual Framework*;

- (d) Holding assets for service potential instead of assets held to generate cash is a distinctive characteristic in public sector entities for which IPSASs are intended.

The role of regulators

BC24. Many jurisdictions develop their own criteria to decide which entities should apply IPSASs. These criteria may vary for legal, economic or fiscal reasons. Therefore, the IPSASB is of the view that a principles-based approach is the appropriate approach to apply to IPSASs, because that approach allows flexibility to each jurisdiction.

Alignment between IPSASs and GFS reporting guidelines

BC25. The IPSASB has a policy of reducing unnecessary differences between IPSASs and GFS reporting guidelines, where appropriate. The IPSASB acknowledged that, on the issue discussed in this ED, the IPSASB had decided to develop the high-level principles of public sector characteristics in the revised Preface by reference to its own literature rather than GFS reporting guidelines. The reasons for this are given in paragraph BC19 i.e., the objectives of financial reporting are better served by developing characteristics that are based on the IPSASB's current and developing literature over which it has control.

The meaning of the term "public sector"

BC26. According to the Preface, the term "public sector" includes national and sub-national (regional, state/provincial, and local), governments and related governmental entities. It also includes international public sector organizations. The IPSASB acknowledges that the public sector may also include other entities that seek a return on equity to investors. Although IPSASs are not intended for application to the general purpose financial reports of this type of entities, when they are consolidated with a controlling entity that applies IPSASs these entities are required to conform to the accounting policies of the controlling entity. Therefore, the IPSASB is of the view that the term public sector is related to single and group entities as described in the Preface.

Assets held for service potential

BC27. The IPSASB is of the view that the description *are responsible for the delivery of services² to the public* provided in the Preface indicates that IPSASs are intended for public sector entities that hold assets primarily for service potential rather than the generation of cash flows.

Implementation Guidance

...

Public Sector Entity—Statement of Accounting Policies (Extract)

Reporting Entity

These financial statements are for a public sector entity (national government of Country A). The financial statements encompass the reporting entity as specified in the relevant legislation (Public Finance Act 20XX). This comprises

² Services encompasses goods and services.

- Central government ministries; and
- ~~Government Business Enterprises~~ Other public sector entities.

Amendments to IPSAS 2, *Cash Flow Statements*

Paragraphs 3, 4 and 16 are deleted. Paragraph 63D is added.

Scope

...

- ~~3. This Standard applies to all public sector entities other than Government Business Enterprises.~~
4. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Definitions

...

Government Business Enterprises

16. ~~GBEs include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge. IPSAS 6, *Consolidated and Separate Financial Statements*, provides guidance on determining whether control exists for financial reporting purposes, and should be referred to in determining whether a GBE is controlled by another public sector entity.~~

Effective Date

...

- 63D. Paragraphs 3, 4 and 16 were deleted by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*

Paragraphs 5 and 6 are deleted. Paragraph 59B is added.

Scope

...

5. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
6. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~

Effective Date

...

59B. Paragraphs 5 and 6 were deleted by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*

Paragraphs 6 and 7 are deleted. Paragraph 71B is added.

Scope

...

6. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
7. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~

Effective Date

...

71B. Paragraphs 6 and 7 were deleted by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 5, *Borrowing Costs*

Paragraphs 2, 3 and 11 are deleted. Paragraph 42B is added.

Scope

...

2. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~

3. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Definitions

...

Government Business Enterprises

11. ~~GBEs include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge. IPSAS 6, *Consolidated and Separate Financial Statements*, provides guidance on determining whether control exists for financial reporting purposes, and should be referred to in determining whether a GBE is controlled by another public sector entity.~~

Effective Date

...

- 42B. Paragraphs 2, 3 and 11 were deleted by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 9, *Revenue from Exchange Transactions*

Paragraphs 2 and 3 are deleted. Paragraph 41A is added.

Scope

...

2. ~~**This Standard applies to all public sector entities other than Government Business Enterprises.**~~
3. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

- 41A. Paragraphs 2 and 3 were deleted by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged.

If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 10, *Financial Reporting in Hyperinflationary Economies*

Paragraphs 2 and 3 are deleted. Paragraph 38C is added.

Scope

...

2. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
3. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

- 38C. Paragraphs 2 and 3 were deleted by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 11, *Construction Contracts*

Paragraphs 2 and 3 are deleted. Paragraph 57A is added. Paragraphs 45, IG1, IG22 and IG26 are amended (deleted text struck through)

Scope

...

2. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
3. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Recognition of Expected Deficits

...

45. Public sector entities may enter into construction contracts that specify that the revenue intended to cover the construction costs will be provided by the other parties to the contract. This may occur where, for example:

- (a) Government departments and agencies that are largely dependent on appropriations or similar allocations of government revenue to fund their operations are also empowered to contract with ~~GBEs~~ or private sector entities for the construction of assets on a commercial or full cost recovery basis; or

Effective Date

...

57A. Paragraphs 2 and 3 were deleted and paragraph 45 was amended by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Implementation Guidance

This guidance accompanies, but is not part of, IPSAS 11.

Disclosure of Accounting Policies

IG1. The following are examples of accounting policy disclosures for a department that enters noncommercial construction contracts with other government agencies for full, partial, or no cost recovery from the other parties to the contract. The department is also empowered to enter into commercial construction contracts with private sector entities ~~and GBEs~~, and to enter full cost recovery construction contracts with certain state hospitals and state universities.

...

Contract Disclosures

Appropriation/Aid Funded Contracts and Full Cost Recovery Contracts

IG22. The Department of Works and Services was recently created as the entity to manage the construction of major buildings and roadworks for other government entities. It is funded predominantly by appropriation, but with the approval of the Minister is empowered to undertake construction projects financed by national or international aid agencies. It has its own construction capabilities and can also subcontract. With the approval of the Minister, the Department may also undertake construction work on a commercial basis for private sector entities ~~and GBEs~~ and on a full cost recovery basis for state hospitals and state run universities.

Commercial Contracts

IG26. The Division of National Construction Works has been established within the Department of Works and Services to undertake construction work on a commercial basis for ~~GBEs and~~ private sector entities at the direction, and with the approval, of the Minister. The Division has reached the end of its first year of operations. All its contract costs incurred have been paid for in cash, and all its progress billings and advances have been received in cash. Contract costs incurred for contracts B, C, and E include the cost of materials that have been purchased for the contract, but which have not been used in contract performance to date. For contracts B, C, and E, the customers have made advances to the contractor for work not yet performed.

Amendments to IPSAS 12, *Inventories*

Paragraphs 4 and 5 are deleted. Paragraph 51B added.

Scope

...

4. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
5. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

- 51B. Paragraphs 4 and 5 were deleted by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 13, *Leases*

Paragraphs 3 and 4 are deleted. Paragraph 85C added.

Scope

...

3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
4. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

- 85C. Paragraphs 3 and 4 were deleted by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 14, *Events after the Reporting Date*

Paragraphs 3 and 4 are deleted. Paragraph 32B is added. Paragraphs 15 and 21 are amended (new text is underlined and deleted text is struck through).

Scope

...

3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
4. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Dividends or Similar Distributions

...

15. Dividends may arise in the public sector when, for example, a public sector entity controls and consolidates the financial statements of a ~~GBE~~ public sector entity with quantifiable ownership interests that has outside ownership interests to whom it pays dividends. In addition, some public sector entities adopt a financial management framework, for example “purchaser provider” models, that require them to pay income distributions to their controlling entity, such as the central government.

...

21. ~~Some agencies, although not GBEs,~~ public sector entities as described in paragraph 10 of the Preface to International Public Sector Accounting Standards may be required to be fully or substantially self-funding, and to recover the cost of goods and services from users. For any such entity, deterioration in operating results and financial position after the reporting date may indicate a need to consider whether the going concern assumption is still appropriate.

Effective Date

...

- 32B. Paragraphs 3 and 4 were deleted and paragraphs 15 and 21 were amended by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 16, *Investment Property*

Paragraphs 3 and 4 are deleted. Paragraph 101B is added. Paragraph 9 is amended (deleted text is struck through).

Scope

...

3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
4. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~

Definitions

9. ~~There are a number of circumstances in which public sector entities may hold property to earn rental and for capital appreciation. For example, a public sector entity (other than a GBE) may be established to manage a government's property portfolio on a commercial basis. In this case, the property held by the entity, other than property held for resale in the ordinary course of operations, meets the definition of an investment property. Other public sector entities may also hold property for rentals or capital appreciation, and use the cash generated to finance their other (service delivery) activities. For example, a university or local government may own a building for the purpose of leasing on a commercial basis to external parties to generate funds, rather than to produce or supply goods and services. This property would also meet the definition of investment property. Other public sector entities may also hold property for rentals or capital appreciation, and use the cash generated to finance their other (service delivery) activities.~~

Effective Date

...

101B. Paragraphs 3 and 4 were deleted and paragraph 9 was amended by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

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

Paragraphs 3 and 4 are deleted. Paragraph 107F is added.

Scope

...

3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
4. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~

Effective Date

...

107F. Paragraphs 3 and 4 were deleted by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial

statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 18, Segment Reporting

Paragraphs 2 and 3 are deleted. Paragraph 76A is added. Paragraphs 16, 24, 38 and 41 are amended (new text is underlined and deleted text is struck through).

Scope

...

2. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
3. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

...

Reporting Structures

16. At the whole-of-government level, financial information is often aggregated and reported in a manner that reflects, for example:
 - (a) Major economic classifications of activities undertaken by general government, such as health, education, defense, and welfare (these may reflect the Government Finance Statistics (GFS) functional classifications of government), and major trading activities undertaken by ~~GBEs~~ public sector entities that do not have the characteristics described in paragraph 10 of the *Preface to International Public Sector Accounting Standards*, such as state-owned power stations, banks, and insurance entities; or

...

Reporting Structures not Appropriate

24. As noted above, in most cases the segments for which information is reported internally to the governing body and the most senior manager of the entity, for the purpose of evaluating the entity's past performance and for making decisions about the future allocation of resources, will reflect those identified in budget documentation and will also be adopted for external reporting purposes in accordance with the requirements of this Standard. However, in some cases an entity's internal reporting to the governing body and the senior manager may be structured to aggregate and report on a basis that distinguishes revenues, expenses, assets, and liabilities related to budget-dependent activities from those of trading activities, ~~or which distinguishes budget-dependent entities from GBEs.~~ Reporting segment information in the financial statements on the basis of only these segments is unlikely to meet the objectives specified for this Standard. This is because these segments are unlikely to provide information that is relevant to users about, for example, the performance of the entity in achieving its major operating objectives. IPSAS 22, *Disclosure of Financial Information about the General Government Sector*, includes requirements for governments that elect to disclose

financial information about the general government sector (GGS) as defined in statistical bases of reporting.

...

Segment Assets, Liabilities, Revenue, and Expense

...

38. In some jurisdictions, a government or government entity may control a ~~GBE or other~~ public sector entity that operates on a commercial basis and is subject to income tax or income tax equivalents. These entities may be required to apply accounting standards such as IAS 12, Income Taxes, which prescribe the accounting treatment of income taxes or income tax equivalents. Such standards may require the recognition of income tax assets and liabilities in respect of income tax expenses, or income tax-equivalent expenses, which are recognized in the current period and are recoverable or repayable in future periods. These assets and liabilities are not included in segment assets or segment liabilities because they arise as a result of all the activities of the entity as a whole and the tax arrangements in place in respect of the entity. However, assets representing taxation revenue receivable that is controlled by a taxing authority will be included in segment assets of the authority if they can be directly attributed to that segment or allocated to it on a reliable basis.

...

41. The financial statements for the whole-of-government, and certain other controlling entities, will require the consolidation of a number of separate entities such as departments, agencies, and ~~GBEs~~ other public sector entities. In preparing these consolidated financial statements, transactions and balances between controlled entities will be eliminated in accordance with IPSAS 6, *Consolidated and Separate Financial Statements*. However, segment revenue, segment expense, segment assets, and segment liabilities are determined before balances and transactions between entities within the economic entity are eliminated as part of the consolidation process, except to the extent that such intra-economic entity balances and transactions are between entities within a single segment.

Effective Date

...

- 76A. Paragraphs 2 and 3 were deleted and paragraphs 16, 24, 38 and 41 were amended by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*

Paragraphs 2 and 3 are deleted. Paragraph 111B is added.

Scope

...

2. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~

- ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~

Effective Date

...

111B. Paragraphs 2 and 3 were deleted by the Exposure Draft 56, The Applicability of IPSASs to Public Sector Entities issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 20, Related Party Disclosures

Paragraphs 2 and 3 are deleted. Paragraph 42B is added. Implementation Guidance is amended (new text is underlined and deleted text is struck through).

Scope

...

- ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
- ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~

Effective Date

...

42B. Paragraphs 2 and 3 were deleted by the Exposure Draft 56, The Applicability of IPSASs to Public Sector Entities issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Implementation Guidance

This guidance accompanies, but is not part of, IPSAS 20.

Disclosure—Government X

The following disclosures are made in the financial statements of Government X.

Controlled Entities (Paragraph 25)

The Government controls the following reporting entities:

Government Departments and Agencies: Education, Welfare, Police, Post, Works and Services, Defense, Justice, Treasury/Finance, Department X, Agency XYZ (identify all departments and agencies).

~~Government Business Enterprises~~ Commercial Entities: Government Electricity Company, Government Telecommunications Agency Company (identify all ~~GBEs~~ commercial entities).

Disclosure—Government Agency XYZ

These disclosures are made in the financial statements of Government Agency XYZ, which is a separate reporting entity.

Controlled Entities (Paragraph 25)

The Agency is controlled by Department X. Department X is controlled by Government X.

The Agency controls the Administration Services Unit, which is a ~~government business enterprise (GBE)~~ commercial entity.

Amendments to IPSAS 21, *Impairment of Non-Cash Generating Assets*

Paragraphs 3, 4 and 15 and BC21 are deleted. Paragraph 82D is added. Paragraphs 6, 20 and 21 are amended (new text is underlined and deleted text is struck through).

Scope

...

~~3. This Standard applies to all public sector entities other than Government Business Enterprises.~~

~~4. The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

...

6. This Standard excludes from its scope the impairment of assets that are dealt with in another IPSAS. ~~GBEs apply IAS 36, and therefore are not subject to the provisions of this Standard.~~ Public sector entities ~~other than GBEs applying IPSASs~~ apply IPSAS 26 to their cash-generating assets, and apply this Standard to their non-cash-generating assets. Paragraphs 6-13 explain the scope of the Standard in greater detail.

Definitions

...

Government Business Enterprises

~~15. GBEs include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge.~~

Cash-Generating Assets

...

20. In some cases, it may not be clear whether the primary objective of holding an asset is to generate a commercial return. In such cases, it is necessary to evaluate the significance of the cash flows. It may be difficult to determine whether the extent to which the asset generates cash flows is so significant that this Standard is applicable rather than IPSAS 26. Judgment is needed to determine which Standard to apply. An entity develops criteria so that it can exercise that judgment consistently in accordance with the definition of cash-generating assets and non-cash-generating assets, and with the related guidance in paragraphs 16–20. Paragraph 73A requires an entity to disclose the criteria used in making this judgment. However, given the overall objectives of most public sector entities, ~~other than GBEs~~, the presumption is that assets are non-cash-generating and, therefore, IPSAS 21 will apply.
21. Assets held by ~~GBEs~~ some public sector entities are cash-generating assets. ~~These public sector entities other than GBEs may~~ hold assets to generate a commercial return. For the purposes of this Standard, an asset held by a ~~non-GBE~~ public sector entity is classified as a cash-generating asset if the asset (or unit of which the asset is a part) is operated with the objective of generating a commercial return through the provision of goods and/or services to external parties.

Effective Date

...

- 82D. Paragraphs 3, 4 and 15 were deleted and paragraphs 20 and 21 were amended by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Basis for Conclusions

...

~~Impairment of Non-Cash-Generating Assets Held by GBEs~~

- ~~BC21. This Standard requires that the impairment of all assets held by GBEs be accounted for under IAS 36. GBEs are profit-oriented entities, and the assets employed by them are primarily cash-generating assets. The Preface to International Public Sector Accounting Standards makes it clear that GBEs are profit-oriented entities, and are therefore required to comply with IFRSs and IASs. Individual IPSASs make it explicit that IFRSs apply to GBEs. Accordingly, non-cash-generating assets are expected to be appropriately grouped with cash-generating assets of GBEs to form a cash-generating unit to be tested for impairment in accordance with IAS 36.~~

Amendments to IPSAS 22, *Disclosures of Financial Information about the General Government Sector*

Paragraph 16 is deleted. Paragraph 47B is added. Paragraphs 3 and 22 are amended (new text is underlined and deleted text is struck through).

Scope

...

3. Governments raise funds from taxes, transfers, and a range of nonmarket and market activities to fund their service delivery activities. They operate through a variety of entities to provide goods and services to their constituents. Some entities rely primarily on appropriations or allocations from taxes or other government revenues to fund their service delivery activities, but may also undertake additional revenue-generating activities, including commercial activities in some cases. Other entities may generate their funds primarily or substantially from commercial activities. ~~These include government business enterprises (GBEs) as defined in IPSAS 1, *Presentation of Financial Statements*.~~

Definitions

...

Government Business Enterprises

16. ~~GBEs include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge.~~

General Government Sector

...

Public Non-Financial Corporations Sector

...

22. ~~A GBE as defined in this Standard~~ Some public sector entities has have similar characteristics to a public corporation or public quasi-corporation, as defined in statistical bases of financial reporting. However, there may not be an identical mapping of ~~GBEs~~ these public sector entities and the PFC and PNFC sectors. For example, a ~~GBE public sector entity~~ that is not resident would not be classified as a PFC or a PNFC.

Effective Date

...

- 47B. Paragraphs 3 and 22 were amended and paragraph 22 was deleted by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*

Paragraphs 3 and 4 are deleted. Paragraph 124C is added.

Scope

...

3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
4. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

124C. Paragraphs 3 and 4 were deleted by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 24, *Presentation of Budget Information in Financial Statements*

Paragraphs 3 and 4 are deleted. Paragraph 54A is added. Paragraphs 46 and BC.10 are amended (new text is underlined and deleted text is struck through). Paragraphs 4 and 5 in Illustrative Examples are amended.

Scope

...

3. ~~This Standard applies to public sector entities, other than Government Business Enterprises, with the characteristics described in paragraph 10 of the *Preface to International Public Sector Accounting Standards*, which are required or elect to make their approved budget(s) publicly available.~~
4. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Note Disclosures of Budgetary Basis, Period and Scope

46. IPSASs require entities to prepare and present financial statements that consolidate all resources controlled by the entity. At the whole-of-government level, financial statements prepared in accordance with IPSASs will encompass budget-dependent entities and GBEs other public sector entities controlled by the government. However, as noted in paragraph 35, approved budgets prepared in accordance with statistical reporting models may not encompass operations of the government that are undertaken on a commercial or market basis. Consistent with the requirements of paragraph 31, budget and actual amounts will be presented on a comparable basis. Disclosure of the entities encompassed by the budget will enable users to identify the extent to which the entity's activities are subject to an approved budget, and how the budget entity differs from the entity reflected in the financial statements.

Effective Date

...

54A. Paragraphs 3 and 4 were deleted and paragraph 46 was amended by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Basis for Conclusions

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BC.10 The IPSASB considered whether it should require or encourage all public sector entities ~~other than GBEs~~ as described in paragraph 10 of the *Preface to International Public Sector Accounting Standards Board* to make publicly available their approved budgets and to comply with the requirements of this Standard. The IPSASB noted that the purpose of this Standard was not to specify whether approved budgets should be made publicly available, and agreed that it should not impose such requirements on entities or add to existing encouragements until it had further considered its role in respect of developing requirements for budget reporting. The IPSASB also noted that public sector entities that do not make publicly available their approved budgets are not prohibited from applying the requirements of this Standard if they choose to do so.

Illustrative Examples

...

Extract of Note Disclosures—for Government X

...

4. The budget and the accounting bases differ. The financial statements for the whole-of-government are prepared on the accrual basis, using a classification based on the nature of expenses in the statement of financial performance. The financial statements are consolidated statements that include all controlled entities, ~~including government business enterprises~~ for the fiscal period from January 1, 20XX to December 31, 20XX. The financial statements differ from the budget which is approved on the cash basis and which deals only with the general government sector ~~which excludes government business enterprises and certain other non-market government entities and activities.~~
5. The amounts in the financial statements were recast from the accrual basis to the cash basis, and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (~~GBEs~~) were made to express the actual amounts on a comparable basis to the final approved budget. The amount of these adjustments are identified in the following table.

Amendments to IPSAS 25, *Employee Benefits*

Paragraphs 8 and 9 are deleted. Paragraph 177B is added.

Scope

...

8. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
9. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~

Effective Date

...

177B. Paragraphs 8 and 9 were deleted by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 26, Impairment of Cash-Generating Assets

Paragraphs 3 and 4 are deleted. Paragraph 126E is added. Paragraphs 5, 18, BC.10, BC.11, BC.15 and introductory text in Implementation Guidance are amended (new text is underlined and deleted text is struck through).

Scope

...

3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
4. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~
5. ~~GBEs apply IAS 36, Impairment of Assets, and therefore are not subject to the provisions of this Standard.~~ Public sector entities, other than GBEs, applying IPSASs that hold non-cash-generating assets as defined in paragraph 13 apply IPSAS 21, Impairment of Non-Cash-Generating Assets, to such assets. Public sector entities, other than GBEs, applying IPSASs that hold cash-generating assets apply the requirements of this Standard.

...

Cash-Generating Assets

...

18. In some cases it may not be clear whether the primary objective of holding an asset is to generate a commercial return. In such cases it is necessary to evaluate the significance of the cash flows. It may be difficult to determine whether the extent to which the asset generates cash flows is so significant that this Standard is applicable, rather than IPSAS 21. Judgment is needed to determine which

Standard to apply. An entity develops criteria so that it can exercise that judgment consistently in accordance with the definition of cash-generating assets and non-cash-generating assets and with the related guidance in paragraphs 14–17. Paragraph 114 requires an entity to disclose the criteria used in making this judgment. However, given the ~~overall objectives~~ characteristics of most public sector entities ~~other than GBEs~~ as described in paragraph 10 of the *Preface to International Public Sector Accounting Standards*, the presumption is that assets are non-cash-generating in these circumstances and, therefore, IPSAS 21 will apply.

Effective Date

...

126E. Paragraphs 3 and 4 were deleted and paragraphs 5 and 18 were amended by the Exposure Draft *56, The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Basis for Conclusions

...

Indications of Impairment: Market Capitalization

BC10. The IPSASB considered whether the indications for impairment of cash-generating assets held by public sector entities – both external sources and internal sources of information – are similar to those in IAS 36. The IPSASB concluded that the indications in IAS 36 are relevant, except for the indication that the carrying amount of the net assets of the entity is more than its market capitalization. The IPSASB is of the view that very few public sector entities ~~that are not GBEs~~ as described in paragraph 10 of the *Preface to International Public Sector Accounting Standards* will issue equity instruments traded in deep markets, and that such an indication will therefore only be relevant on the consolidation of ~~GBEs~~ other types of public sector entities.

Fair Value less Costs to Sell and Forced Sales

BC.11 In commentary on the definition of “fair value less costs to sell,” IAS 36 states that “fair value less costs to sell does not reflect a forced sale,” but includes a qualification: “unless management is compelled to sell immediately.” IPSAS 26 does not include this qualification in paragraph 40 because there are very few circumstances in which public sector entities ~~that are not GBEs~~ as described in paragraph 10 of the *Preface to International Public Sector Accounting Standards* will be forced to sell immediately in order to remain a going concern.

Corporate Assets

BC.15 The primary purpose of public sector entities ~~that are not GBEs~~ as described in paragraph 10 of the *Preface to International Public Sector Accounting Standards* is not the generation of commercial returns. Therefore, the IPSASB considers that there will be very few occasions in which an asset shared between different activities (such as an administrative building) contributes service potential to CGUs without also contributing service potential to non-cash-generating activities. It was therefore decided that it is not necessary to define, and provide requirements for, corporate assets

in this Standard. Paragraph 96 refers entities to the relevant international and national accounting standard dealing with assets that do not generate cash flows independently of other assets and form part of more than one cash-generating unit, but do not contribute service potential to non-cash-generating activities.

Implementation Guidance

This guidance accompanies, but is not part of, IPSAS 26.

Most assets held by public sector entities are non-cash-generating assets, and accounting for their impairment should be undertaken in accordance with IPSAS 21.

In those circumstances when an asset held by a public sector entity is held with the objective of generating a commercial return, the provisions of this Standard should be followed. Most cash-generating assets will arise in business activities run by ~~government agencies that do not meet the definition of a GBE~~ public sector entities as described in paragraph 10 of the Preface to International Public Sector Accounting Standards. An example is a seed-producing unit run on a commercial basis that is part of an agricultural research entity.

For the purposes of all these examples, a public sector entity ~~that is not a GBE~~ as described in paragraph 10 of the Preface to International Public Sector Accounting Standards undertakes commercial activities.

Amendments to IPSAS 27, Agriculture

Paragraphs 7 and 8 are deleted. Paragraph 56A is added.

Scope

...

7. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
8. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~

Effective Date

...

- 56A. Paragraphs 7 and 8 were deleted by the Exposure Draft 56, The Applicability of IPSASs to Public Sector Entities issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 28, Financial Instruments: Presentation

Paragraphs 7 and 8 are deleted. Paragraph 60C is added. Paragraph BC25 is amended (new text is underlined and deleted text is struck through).

Scope

...

7. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
8. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~

Effective Date

...

- 60C. Paragraphs 7 and 8 were deleted by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Basis for Conclusions

...

Other

...

- BC25. The IPSASB considered that IFRIC 11 is not relevant for the types of instruments entered into in the public sector as it deals with share-based payment transactions. ~~While share-based payments may be common in Government Business Enterprises (GBE's), they do not occur frequently in entities that are not GBE's.~~ Share-based payments do not occur frequently in public sector entities as described in paragraph 10 of the *Preface to International Public Sector Accounting Standards*. As a result, the IPSASB has not included any principles from IFRIC 11 in IPSAS 28.

Amendments to IPSAS 29, *Financial Instruments: Recognition and Measurement*

Paragraphs 7 and 8 are deleted. Paragraph 125C is added.

Scope

...

7. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
8. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~

Effective Date

...

125C. Paragraphs 7 and 8 were deleted by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 30, *Financial Instruments: Disclosures*

Paragraphs 6 and 7 are deleted. Paragraph 52B is added.

Scope

...

6. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
7. ~~The Preface to *International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

52B. Paragraphs 6 and 7 were deleted by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 31, *Intangible Assets*

Paragraphs 4 and 5 are deleted. Paragraph 132D is added.

Scope

...

4. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
5. ~~The Preface to *International Public Sector Accounting Standards* issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

132D. Paragraphs 4 and 5 were deleted by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 32, *Service Concession Arrangements: Grantor*

Paragraphs 3 and 4 are deleted. Paragraph 36A is added. Paragraphs BC6 and BC34 are amended (new text is underlined and deleted text is struck through).

Scope

...

3. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
4. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

36A. Paragraphs 3 and 4 were deleted by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Basis for Conclusions

...

BC6. This Standard does not specify the accounting by operators, because it is addressed in IFRIC 12. In many cases the operator is a private sector entity, and IPSASs are not designed to apply to private sector entities. The operator or the grantor may also be a ~~Government Business Enterprise (GBE)~~ a public sector entity that does not have the characteristics described in paragraph 10 of the *Preface to International Public Sector Accounting Standards*. IPSASs are not designed to apply to ~~GBEs those entities.~~ ~~International Financial Reporting Standards (IFRSs) apply to private sector entities and GBEs.~~

..

BC34. The IPSASB concluded that the credit did not represent a direct increase in the grantor's net assets/equity because the credit is not one of the components of net assets/equity identified in paragraph BC33 for the reasons noted below:

...

- (d) A minority interest is defined as “that portion of the surplus or deficit and net assets/equity of a controlled entity attributable to net assets/equity interests that are not owned, directly or indirectly, through controlled entities, by the controlling entity.” A minority interest may arise, for example, when at the whole-of-government level, the economic entity includes a GBE public sector entity that has been partly privatized. Accordingly, there may be private shareholders who have a financial interest in the net assets/equity of the entity. The credit related to the recognition of a service concession asset does not meet this definition because operator does not have such a financial interest in the grantor.

Amendments to IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*

Paragraphs 7 and 8 are deleted. Paragraph 154A is added.

Scope

...

7. ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
8. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

154A. Paragraphs 7 and 8 were deleted by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 34, *Separate Financial Statements*

Paragraphs 4 and 5 are deleted. Paragraph 32A is added.

Scope

...

4. ~~This Standard applies to all public sector entities other than Government Business Enterprises (GBEs).~~
5. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that GBEs apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~

Effective Date

...

32A. Paragraphs 4 and 5 were deleted by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 35, *Consolidated Financial Statements*

Paragraphs 11 and 12 are deleted. Paragraph 79A is added. Paragraphs 8 and 13 are amended (new text is underlined and deleted text is struck through). Paragraph BC.8 in Basis for Conclusions is amended (deleted text is struck through)

Scope

...

8. A controlled entity is not excluded from consolidation because its activities are dissimilar to those of the other entities within the economic entity, ~~for example, the consolidation of Government Business Enterprises (GBEs) with entities in the budget sector.~~ Relevant information is provided by consolidating such controlled entities and disclosing additional information in the consolidated financial statements about the different activities of controlled entities. For example, the disclosures required by IPSAS 18, Segment Reporting, help to explain the significance of different activities within the economic entity.

...

Government Business Enterprises

11. ~~This Standard applies to all public sector entities other than GBEs.~~
12. ~~The *Preface to International Public Sector Accounting Standards* issued by the IPSASB explains that GBEs apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, *Presentation of Financial Statements*.~~
13. **Although GBEs public sector entities that do not have the characteristics identified in paragraph 10 of the *Preface to International Public Sector Accounting Standards* are not required to comply with this Standard in their own financial statements, the provisions of this Standard will apply where a public sector entity that is not a GBE has those characteristics has one or more controlled entities that are GBEs do not have those characteristics. In these circumstances, this Standard shall be applied in consolidating GBEs all public sector entities into the financial statements of the economic entity.**

Effective Date

...

79A. Paragraphs 11 and 12 were deleted and paragraphs 8 and 13 were amended by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD,

YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Basis for Conclusions

BC8. The IPSASB deliberated extensively on the issue of whether all controlled entities should be consolidated, having regard to users' needs. The IPSASB focused on the information provided by consolidated financial statements, whilst noting that users' information needs may also be met through other statements and reports such as (i) separate financial statements of both controlling and controlled entities; (ii) performance reports; and (iii) statistical reports. Although some of the IPSASB's discussions were relevant to any type of public sector entity that is a controlling entity, many of the matters considered were more pertinent at the whole of government level. The IPSASB considered views on the usefulness of consolidation in relation to the following types of controlled entities (whilst noting that these broad categories would not be universally applicable):

- (a) Departments and ministries;
- (b) Government agencies;
- (c) ~~Government Business Enterprises (GBE)~~ Commercial for-profit public sector entities;
- (d) Financial institutions (excluding government sponsored enterprises); and
- (e) Other investments (including intentional investments, incidental investments and investment entities). The term "incidental investments" was used to refer to interests acquired in the course of meeting another objective, such as preventing the collapse of a private sector entity.

BC10. The IPSASB noted arguments in support of requiring consolidation of all controlled entities of a government, including the following:

...

- (b) Identifying categories of entities which should not be consolidated could be difficult. Such attempts could lead to rules-based standards. For example, there could be difficulties in separately identifying entities rescued from financial distress on a consistent basis across jurisdictions and over time. Similar issues could arise in respect of any separate proposals for ~~GBEs~~ public sector entities that do not have the characteristics as described in paragraph 10 of the *Preface to International Public Sector Accounting Standards*. Although the term GBE is a defined term within IPSASs, the IPSASB noted that there are differences in the way this definition is being applied in practice in different jurisdictions. In addition to the issue of clearly identifying any group of entities for which different accounting requirements would be appropriate, the IPSASB noted that similar activities can be conducted by a variety of entity types both within and across jurisdictions. So, although proposals for different accounting treatments might lead to consistent treatment for a group of entities within a jurisdiction, it might not result in comparable accounting for similar activities.

Amendments to IPSAS 36, *Investments in Associates and Joint Ventures*

Paragraphs 6 and 7 are deleted. Paragraph 51A is added.

Scope

...

6. ~~This Standard applies to all public sector entities other than Government Business Enterprises (GBEs).~~
7. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that GBEs apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~

Effective Date

...

- 51A. Paragraphs 6 and 7 were deleted by the Exposure Draft 56, The Applicability of IPSASs to Public Sector Entities issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 37, Joint Arrangements

Paragraphs 5 and 6 are deleted. Paragraph 42A is added.

Scope

...

5. ~~This Standard applies to all public sector entities other than Government Business Enterprises (GBEs).~~
6. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that GBEs apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~

Effective Date

...

- 42A. Paragraphs 5 and 6 were deleted by the Exposure Draft 56, The Applicability of IPSASs to Public Sector Entities issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS 38, Disclosure of Interests in Other Entities

Paragraphs 5 and 6 are deleted. Paragraph 42A is added.

Scope

...

5. ~~This Standard applies to all public sector entities other than Government Business Enterprises (GBEs).~~
6. ~~The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that GBEs apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, Presentation of Financial Statements.~~

Effective Date

...

- 42A. Paragraphs 5 and 6 were deleted by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Amendments to IPSAS, *Financial Reporting under the Cash Basis of Accounting*

(The proposed amendments will not be in the published ED, but will be exposed in the subsequent ED arising from the Cash Basis Review.)

Paragraphs 1.1.5 and 1.1.6 are deleted, paragraphs 1.2, 1.6.12, 1.6.18, 1.9.40. and paragraphs 2, 5 and 13 of appendix 5 are amended (new text is underlined and deleted text is struck through). Paragraphs 1.8.1A and 1.9.47A are added.

1.1 Scope of the Requirements

...

- 1.1.5 ~~This Standard applies to all public sector entities other than Government Business Enterprises.~~
- 1.1.6 ~~The Preface to International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) explains that International Financial Reporting Standards (IFRSs) are designed to apply to the general purpose financial statements of all profit-oriented entities. Government Business Enterprises (GBEs) are defined in paragraph 1.2.1 below. They are profit-oriented entities. Accordingly, they are required to comply with IFRSs and International Accounting Standards (IASs).~~

1.2 The Cash Basis

Definitions

...

Government Business Enterprise means an entity that has all the following characteristics:

- ~~(a) Is an entity with the power to contract in its own name;~~**
- ~~(b) Has been assigned the financial and operational authority to carry on a business;~~**
- ~~(c) Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;~~**

- ~~(d) Is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and~~
- ~~(e) Is controlled by a public sector entity.~~

...

1.6.12 For financial reporting purposes, the reporting entity (financial reporting entity) may consist of a number of controlled entities including government departments, agencies and ~~Government Business Enterprises (GBEs)~~ other public sector entities. Determining the scope of the financial reporting entity can be difficult due to the large number of potential entities. For this reason, financial reporting entities are often determined by legislation. In some cases, the financial reporting entity required by this Standard may differ from the reporting entity specified by legislation and additional disclosures may be necessary to satisfy the legislative reporting requirements.

...

1.6.18 The consolidated financial statements should only reflect transactions between the economic entity and other entities external to it. Accordingly, transactions between entities within the economic entity are eliminated to avoid double-counting. For example, a government department may sell a physical asset to another government department. Because the net cash effect on the whole-of-government reporting entity is zero, this transaction needs to be eliminated to avoid overstating the cash receipts and cash payments of the whole-of-government reporting entity. A government entity may hold funds with a public sector financial institution. These balances would be eliminated at the whole-of-government level because they represent balances within the economic entity. Similarly, a ~~GBE~~ public sector entity operating overseas may make a payment to a government department which remains in transit at the reporting date. In this case, failure to eliminate the transaction would result in understating the cash balance of the economic entity and overstating its cash payments.

1.8 Effective Date of Sections 1 to 7 of Part 1 and Transitional Provisions

Effective Date

...

1.8.1A Paragraphs 1.1.5 and 1.1.6 were deleted and paragraphs 1.2, 1.6.12 and 1.6.18 were amended by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

...

1.9.40 Paragraph 1.6.5 of this Standard requires controlling entities to prepare and present consolidated financial statements which encompass budget-dependent entities and ~~GBEs~~ other entities controlled by the government. However, as noted in paragraph 1.9.29, approved budgets prepared in accordance with statistical reporting models may not encompass operations of the government that are undertaken on a commercial or market basis. Consistent with the requirements of paragraph 1.9.25, budget and actual amounts will be presented on a comparable basis. Disclosure of the entities encompassed by the budget will enable users to identify the extent to which the

entity's activities are subject to an approved budget and how the budget entity differs from the entity reflected in the financial statements.

Effective Date of Section 1.9 of Part 1

...

1.9.47A Paragraphs 1.9.40 was amended by the Exposure Draft 56, *The Applicability of IPSASs to Public Sector Entities* issued in Month Year. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Appendix 5

Establishing Control of Another Entity for Financial Reporting Purposes

...

2. For the purposes of establishing control, the controlling entity needs to benefit from the activities of the other entity. For example, an entity may benefit from the activities of another entity in terms of a distribution of its surpluses (such as a dividend) and is exposed to the risk of a potential loss. In other cases, an entity may not obtain any financial benefits from the other entity but may benefit from its ability to direct the other entity to work with it to achieve its objectives. It may also be possible for an entity to derive both financial and non-financial benefits from the activities of another entity. For example, a ~~Government Business Enterprise (GBE)~~ public sector entity may provide a controlling entity with a dividend and also enable it to achieve some of its social policy objectives.

...

5. For example, a government department may have an ownership interest in a rail authority, which operates ~~as a GBE on a commercial for-profit basis~~. The rail authority is allowed to operate autonomously and does not rely on the government for funding but has raised capital through significant borrowings that are guaranteed by the government. The rail authority has not returned a dividend to government for several years. The government has the power to appoint and remove a majority of the members of the governing body of the rail authority. The government has never exercised the power to remove members of the governing body and would be reluctant to do so because of sensitivity in the electorate regarding the previous government's involvement in the operation of the rail network. In this case, the power to control is presently exercisable but under the existing relationship between the controlled entity and controlling entity, an event has not occurred to warrant the controlling entity exercising its powers over the controlled entity. Accordingly, control exists because the power to control is sufficient even though the controlling entity may choose not to exercise that power.

...

13. Sometimes a controlled entity is excluded from consolidation when its activities are dissimilar to those of other entities within the economic entity, for example, the consolidation of ~~GBEs~~ a government commercial entity that operates to generate a profit with entities in the budget sector. Exclusion on

these grounds is not justified because better information would be provided by consolidating such controlled entities and disclosing additional information in the consolidated financial statements about the different activities of controlled entities.

Amendments to RPG 1, *Reporting on the Long-Term Sustainability of an Entity's Finances*

Paragraph 5 is deleted and paragraphs 6 and BC10 are amended (new text is underlined and deleted text is struck through).

Scope

...

5. ~~This RPG is applicable to all public sector entities other than Government Business Enterprises (GBEs).~~
6. Although this RPG does not apply directly to ~~GBEs~~ public sector entities that do not have the characteristics described in paragraph 10 of the *Preface to International Public Sector Accounting Standards*, the future inflows and outflows related to ~~a GBE~~ those public sector entities, controlled by the reporting entity, over the specified time horizon of the projections are within the scope of this RPG.

Basis for Conclusions

...

Definitions

Long-Term Fiscal Sustainability

...

BC10. The IPSASB decided to retain the definition of long-term fiscal sustainability used in the Consultation Paper for ED 46 and subsequently for this RPG, except for widening the scope to reflect that it can apply to all public sector entities ~~(except Government Business Enterprises)~~ as described in paragraph 10 of the *Preface to International Public Sector Accounting Standards* rather than limiting it to governments. In coming to this conclusion the IPSASB noted the need for governments and public sector entities to both (a) provide services and meet obligations relating to entitlement programs and (b) meet financial obligations, principally debt servicing. The IPSASB also noted that many governments have sovereign powers to enact legislation for new taxation sources and to vary the levels of existing taxation, while acknowledging that in a global environment the ability to increase taxation might be practically constrained by a number of considerations. The IPSASB took the view that, provided an entity gives appropriate attention to the dimensions of long-term fiscal sustainability, as explained in paragraphs 27–40, users will be given adequate information about whether an entity can maintain existing service levels, meet obligations to the current and future beneficiaries of entitlement programs and meet financial obligations without increasing revenue from taxation and other sources or increasing borrowing.

Amendments to RPG 2, *Financial Statement Discussion and Analysis*

Paragraph 6 is deleted.

Scope

...

6. ~~This RPG is applicable to all public sector entities other than Government Business Enterprises (GBEs).~~

Amendments to RPG 3, Reporting Service Performance Information

Paragraph 3 is amended (new text is underlined and deleted text is struck through).

Scope

...

3. ~~This RPG is applicable to all public sector entities other than Government Business Enterprises (GBEs).~~ Although this RPG does not apply directly to ~~GBEs~~ public sector entities that do not have the characteristics described in paragraph 10 of the *Preface to International Public Sector Accounting Standards*, the services provided by ~~a GBE~~ these public sector entities controlled by the reporting entity are within the scope of this RPG.

Basis for Conclusions

...

- BC8. The IPSASB considered whether the RPG should apply to ~~Government Business Enterprises (GBEs)~~ public sector entities that do not have the characteristics described in paragraph 10 of the *Preface to International Public Sector Accounting Standards*. While acknowledging that ~~GBEs~~ those entities provide services and may report service performance information on those services the IPSASB decided that this RPG should apply to all public sector entities ~~other than GBEs as described in paragraph 10 of the *Preface to International Public Sector Accounting Standards*~~. This is consistent with the *Preface to International Public Sector Accounting Standards*, which states that the IPSASB develops accounting standards and other publications for use by public sector entities, other than GBEs. This exclusion from the scope should not be read as implying that the guidance could not be applied by ~~GBEs~~ public sector entities that do not have the characteristics described in paragraph 10 of the *Preface to International Public Sector Accounting Standards* or that there is any barrier to ~~GBEs~~ to them in applying this guidance.
- BC9. In reaching this conclusion the IPSASB noted that where a controlling entity reports service performance information according to the recommendations in this RPG it may provide information on services provided by one or more controlled ~~GBEs~~ entities that do not have the characteristics described in paragraph 10 of the *Preface to International Public Sector Accounting Standards*. Although ~~the GBEs'~~ their own reporting is not within the scope of this RPG, the IPSASB decided that the information reported by the controlling entity—about ~~the GBEs'~~ those services—needs to follow the RPG's requirements, if the controlling entity is to assert compliance with the RPG.

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(Back cover)

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