

**Meeting:** International Public Sector Accounting Standards Board

**Meeting Location:** Zurich, Switzerland

**Meeting Date:** September 12–15, 2023

# Agenda Item 9

For:

Approval

Discussion

Information

## DIFFERENTIAL REPORTING

<b>Project summary</b>	[To be determined after September 2023 decision on <a href="#">Agenda Item 9.2.1</a> ]	
<b>Project staff lead</b>	<ul style="list-style-type: none"> <li>Eileen Zhou, Principal</li> </ul>	
<b>Board sponsor</b>	<ul style="list-style-type: none"> <li>Claudia Beier, IPSASB Member</li> </ul>	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Project management</b>	<a href="#">Project Management Dashboard</a>	<a href="#">9.1.1</a>
	<a href="#">Instructions up to Previous Meeting</a>	<a href="#">9.1.2</a>
	<a href="#">Decisions up to Previous Meeting</a>	<a href="#">9.1.3</a>
<b>Decisions required at this meeting</b>	<a href="#">The Objective of the Differential Reporting Initiative</a>	<a href="#">9.2.1</a>
	<a href="#">Potential Output from the Differential Reporting Initiative</a>	<a href="#">9.2.2</a>

**DIFFERENTIAL REPORTING:  
 PROJECT MANAGEMENT DASHBOARD**

Topic	Past Meetings	Sept 2023
<b>Overall Project Management</b>		
Conduct research and scoping activities	✓	
Discuss findings from research and scoping activities	✓	
Determine direction/approach		
<ul style="list-style-type: none"> <li>Options to address the public need</li> </ul>	✓	
<ul style="list-style-type: none"> <li>Objective</li> </ul>		
<ul style="list-style-type: none"> <li>Output</li> </ul>		

Legend	
✓	Task Completed
	Planned IPSASB Discussion
	Page-by-page Review

**INSTRUCTIONS UP TO PREVIOUS MEETING**

Meeting	Instruction	Actioned
June 2023	1. Consider and propose the potential nature and output(s) from a non-standard setting approach to improve the accessibility and applicability of IPSAS.	1. See <a href="#">Agenda Item 9.2.1</a> and <a href="#">Agenda Item 9.2.2</a>

**DECISIONS UP TO PREVIOUS MEETING**

<b>Meeting</b>	<b>Decision</b>	<b>BC Reference</b>
June 2023	1. Providing other forms of guidance, in lieu of a standard-setting solution, could more appropriately and effectively address the need expressed by constituents, and it will take a final decision on the output of the project in September, specifically the form of non-standard-setting guidance, based on further staff analysis.	1. n/a
March 2022	1. The IPSASB decided, based on responses to the Mid-Period Work Program Consultation, to add the exploration of a differential reporting model to the work program starting with a research and scoping phase.	1. n/a

## The Objective of the Differential Reporting Initiative

### Question

1. Does the IPSASB agree with the proposed objective of its Differential Reporting initiative?

### Recommendation

2. Staff recommend that the objective be to facilitate the development of non-standard-setting guidance (specifically, practical support material) to help public sector entities better access, understand, and apply IPSAS.

### Background

3. The IPSASB added a project on differential reporting to its work program in March 2022, based on responses to the [2021 Mid-Period Work Program Consultation](#)<sup>1</sup>. Since then, the IPSASB and staff have actively engaged in research and scoping activities, and considered advice and feedback received to date. In June 2023 ([Agenda Item 14](#)), the IPSASB:
  - (a) Debated whether a standard-setting solution would be appropriate from a public interest perspective and would be consistent with the IPSASB's *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (Conceptual Framework); and
  - (b) Considered what alternative approach(es) and potential output(s) could more effectively and pragmatically address the expressed public need, while avoiding any potential technical or conceptual inconsistencies.
4. IPSASB members acknowledged that a standard-setting solution (i.e., the development of an international differential reporting model) may not be consistent with the Conceptual Framework, be technically feasible, nor appropriately reflect transactions (see additional details in [Appendix 1](#)). A majority of members also acknowledged that a standard-setting approach may not effectively address the public need. The IPSASB intends to consider other forms of support that could be developed to help entities better access, understand, and apply IPSAS. This paper reflects on how these deliberations, in the wider reform context, inform the objective of the Differential Reporting initiative.

### Analysis

#### *Addressing the Public Sector User Need*

5. The transition to accrual accounting rarely occurs in isolation, but rather as part of the larger reform program to improve public financial management (PFM). As such, effective adoption and implementation of IPSAS involves collective action, and public sector entities seek and benefit from support with various aspects of their PFM journeys. Several organizations have worked both independently and together with IFAC and the IPSASB to develop tools and issued publications in the past decade to assist public sector entities. Examples include, but are not limited to, IFAC's

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<sup>1</sup> The intention was to explore the characteristics of less complex public sector entities, and the appropriate financial reporting approaches and guidance that could be applied by such entities. 'Less complex public sector entities' is not a defined term in IPSAS, and was used to describe entities that would be eligible to apply any potential differential reporting model.

[Pathways to Accrual](#)<sup>2</sup> and [Train the Trainer](#) materials, CIPFA's [Stepping Stones to Accrual Accounting](#), and ACCA's [Certificate](#) program and practical [toolkits](#).

6. Members agreed that this project/initiative should address the public need raised by constituents as effectively as possible. In June 2023, the IPSASB confirmed its understanding of the public need that originally prompted constituent interest in an international differential reporting model. Initial research and scoping activities and discussions have clarified the public need: public sector entities continue to face challenges in accessing, understanding, and applying full IPSAS, which are amplified by their resource and capacity limitations (summarized in [Appendix 1](#)). These challenges are likely to persist as the IPSAS Handbook continues to grow.<sup>3</sup>
7. Thus, there is a need for additional support navigating full IPSAS, and thereby understanding and applying the accounting requirements, which has not been sufficiently met by existing resources. Providing additional support navigating, understanding, and applying IPSAS:
  - (a) **Provides relief in response to the identified need** – which can help public sector entities more easily navigate IPSAS and identify which pieces of guidance apply to its transactions, thereby easing the burden of adopting and implementing IPSAS within their resource and capacity constraints, and overall supporting entities in generating accurate and comprehensive data for decision-making and effective public financial management;
  - (b) **Is consistent with the IPSASB's approach on past initiatives** – and is within its Strategic Objective as a standard-setter, as the IPSASB commits to raising awareness of IPSAS and the benefits of accrual adoption. The IPSASB has previously supported or endorsed initiatives by other organizations and IPSASB staff to develop non-standard-setting outputs. This approach and the outputs developed have garnered positive constituent feedback. Examples include IFAC's [Pathways to Accrual](#) and [COVID-19 Intervention Assessment Tool](#); and
  - (c) **Is a non-standard-setting initiative** – which is in line with IPSASB discussions in June 2023, where members noted that the accounting principles in IPSAS remain appropriate for all public sector entities, and that other support could be developed because a standard-setting solution may not have been appropriate (summarized in [Appendix 1](#)). A non-standard-setting approach more effectively addresses the public need in a timely manner.

### *Setting the Objective of the Differential Reporting Initiative*

8. The IPSASB unanimously agreed that there is a need for some form of support for public sector entities in applying IPSAS. Based on the above analysis, staff propose that the objective of the Differential Reporting initiative be:

*“... to facilitate the development of practical support material to help public sector entities better access, understand, and apply IPSAS.”*

### **Decision Required**

9. Does the IPSASB agree with the Staff [recommendation](#)?

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<sup>2</sup> IFAC's [Pathways to Accrual](#) provides additional detail on the wider reform context. This tool builds upon the IPSASB's publication *Study 14, Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities*.

<sup>3</sup> The current edition of the IPSAS Handbook comprises 3 Volumes and totals over 1600 pages of accounting guidance. The next edition will total over 2300 pages. This estimate includes the Conceptual Framework and IPSAS issued as of August 2023.

## **Appendix 1 – Additional Background**

1. In June 2023, the IPSASB considered advice and feedback received to date. Members noted that:
  - (a) *A standard-setting solution may not be consistent with the Conceptual Framework nor technically feasible* – Providing differential recognition and/or measurement requirements may not be consistent with the Conceptual Framework. It may also be difficult (if not infeasible) to clearly identify eligible entities at the international level, which would be crucial to creating any potential international differential reporting model;
  - (b) *An international differential reporting model may not appropriately reflect transactions* – Specific entity characteristics does not necessarily indicate a need for different recognition, measurement, and/or disclosure requirements. If a public sector entity engages in complex transactions, it must apply appropriate accounting guidance to appropriately capture the economic substance of that transaction, and the accounting principles in the current suite of IPSAS remain appropriate for all public sector entities;
  - (c) *An international differential reporting model was unlikely to address the public need* – Entities face potentially significant challenges to adopting and implementing full IPSAS. Capacity and resource limitations can impede on an entity’s ability to understand and apply IPSAS, which originally prompted interest in relief from full IPSAS through development of an international differential reporting model. However, the development of a new or simplified accounting standard may not necessarily mitigate nor eliminate these challenges; and
  - (d) *Other support material could be developed that would enable public sector entities to better access, understand, and thereby apply IPSAS* – While some are able to overcome the challenges noted in paragraph 1(c) and achieve IPSAS compliance, many public sector entities could benefit from additional support.
2. These reflections were based on research and scoping activities conducted since Q3 2022 and is consistent with several other research publications reviewed by staff in Q3 2023. In particular, these publications highlighted that:
  - (a) Of the studied jurisdictions with differential reporting models, there is no consistent definition, description nor criteria to identify entities eligible to apply their respective differential reporting models across, and even within, jurisdictions; and
  - (b) Small and medium sized public sector entities typically face capacity and skill-based limitations, which further add to the technical challenges in applying judgment, materiality, and meeting accounting requirements. Full IPSAS adoption can be costly.

## Potential Output from the Differential Reporting Initiative

### Question

1. Does the IPSASB agree that the output of the initiative should be support material to help public sector entities better access, understand, and apply the accounting requirements in IPSAS?

### Recommendation

2. Staff recommend that the IPSASB endorse the development of support material, “*Navigating IPSAS*”, to help public sector entities with resource and capacity issues better access, understand, and apply IPSAS, using the approach summarized in paragraph 17.

### Background

3. In June 2023, the IPSASB considered advice and feedback received during its research and scoping activities to determine the direction of, and potential outputs from, this project/initiative. IPSASB members unanimously agreed that there is a need for some form of support for public sector entities applying IPSAS. The IPSASB asked staff to consider other forms of guidance or support to help entities better navigate, understand and apply IPSAS in a timely and cost-effective manner, and to propose the potential nature and output(s) for its consideration.
4. [Agenda Item 9.2.1](#) proposed the objective for the Differential Reporting initiative be to facilitate the development of practical support material to help public sector entities better access, understand, and apply IPSAS. This paper proposes the potential output to meet this objective.

### Analysis

#### *Key features of support material*

5. To help public sector entities better access, understand, and apply IPSAS, the support material should include information and questions that prompt entities to:
  - (a) **Reflect on the nature and types of transactions and balances;** to determine the items arising from its activities / transactions;
  - (b) **Apply the concept of materiality;** to determine whether the items are material (i.e., if omissions or misstatements of items could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements<sup>4</sup>);
  - (c) **Refer to the relevant IPSAS, or section(s) of specific IPSAS;** to identify and/or summarize guidance in the full IPSAS Handbook that is relevant to account for the entity’s transaction; and
  - (d) **Use other resources;** to support their overall adoption and implementation of IPSAS.
6. Staff considered various potential formats of support material (such as Q&As, tip sheets, summary sheets, checklists, interactive tools, etc.), and noted:
  - (a) **There are benefits and drawbacks to each format** – There are several proven formats (e.g., previously provided by staff of the IPSASB or other standard setters) that can be leveraged. Formats vary in *degree of impact* (in addressing the public need), *time to market* (to develop and deliver), and *demand on resources* (in particular, time and skilled personnel); and

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<sup>4</sup> IPSAS 1, paragraph 7.

- (b) **There is strong stakeholder demand for timely support** – All public sector entities, regardless of size, complexity of transactions, or other factors, face some degree of challenge in transitioning to and complying with accrual-based accounting. The shift from cash to accrual reporting is forecasted to continue growing over the next decade<sup>5</sup>; thus
- (c) **Achieving a solution that is pragmatic, timely, and effective requires a balanced approach** – It is difficult to provide practical support material with a short time to market and low resource requirement, but with a high degree of impact in addressing the public need.<sup>6</sup> High-quality effective support requires substantial investment of time and other resources. However, useful support can still be provided in a medium timeframe (1-2 years) with the right resources, which can then be expanded upon if well-received and as more resources become available.

*Proposed Output*

- 7. Based on the considerations above, staff are of the view that support material, “*Navigating IPSAS*”, would be a pragmatic output for the Differential Reporting initiative that effectively supports public sector entities in a timely manner:

<b>Navigating IPSAS</b>	
<b>Purpose</b>	The support material can help a public sector entity: <ul style="list-style-type: none"> <li><b>Consider its transactions</b> in the context of materiality;</li> <li><b>Identify relevant IPSAS</b> for common public sector transactions;</li> <li><b>Obtain a high-level understanding</b> of applicable accounting principles; and</li> <li><b>Find other helpful resources.</b></li> </ul>
<b>Content</b>	The format is versatile, as it can provide a <b>tailored mix</b> of prompting questions and relevant information.
<b>Time to market</b>	A first edition can reasonably be developed in <b>1-2 years</b> .
<b>Format</b>	A first edition can be in <b>PDF format</b> .

- 8. To achieve a user-friendly, timely, pragmatic solution as described in paragraph 6(c), staff recommend:
  - (a) Focusing on the common types of transactions (e.g., revenue, expenses, accounts receivable, property plant and equipment, etc.); and
  - (b) Providing key guidance on materiality, definitions/descriptions to help the entity determine whether it has that type of transaction, and high-level summaries of key recognition and measurement principles, to accompany the references to specific IPSAS.
- 9. *Navigating IPSAS* is not intended to replace use of the IPSAS Handbook, nor the necessary activities for an entity to transition to accrual accounting. Rather, the support material developed should support the entity’s understanding of IPSAS requirements and supplement/accompany other initiatives in the wider reform program as an entity works towards adoption and implementation of

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<sup>5</sup> As presented in [the International Public Financial Accountability Index: 2021 Status Report](#).

<sup>6</sup> Typically, materials with a high degree of impact typically requires a longer time to market and greater demand on resources, whereas prompt support (i.e., shorter time to market) are less resource intensive but offers a lower degree of sustainable impact.

IPSAS and more effective public financial management. The impact of the support material is maximized when it is used as part of the entity's overall IPSAS adoption and implementation journey.

10. Staff have illustrated the proposed support material in [Appendix 1](#). Please note, the Appendix is provided as a *mocked-up excerpt only* to help the IPSASB generally visualize the proposed output.

#### *Benefits of the Proposed Output*

11. The proposed support material offers several benefits:
  - (a) **It is a functional solution that achieves the objective of the Differential Reporting initiative** – It can provide useful and user-friendly support, with the features envisioned in paragraph 5. This output would improve accessibility to the IPSAS, thereby helping entities that face capacity and resource constraints to better understand and apply IPSAS;
  - (b) **It addresses the public need in a timely manner** – Focusing on common types of transactions and leveraging existing IPSASB work will enable a faster delivery timeline while helping entities identify the scope of standards that apply to their more prevalent transactions. This output provides a medium degree impact, and can be produced within a reasonable timeframe and demand on resources (as outlined in paragraph 6);
  - (c) **It is consistent with, and builds on, the IPSASB's existing and future work** – IPSAS is a transaction-based set of standards. This proposed output leverages the IPSASB's high-quality work (including but not limited to its Conceptual Framework and the suite of IPSAS, within in the context of materiality) and packages these materials in a more succinct and easier-to-use format. This output also supports the IPSASB's proposed future initiatives (such as the establishment of application panels or post-implementation reviews); and
  - (d) **It is scalable and versatile, offering synergies for future developments** – It can be presented in a variety of formats and is naturally scalable to add new sections and material. The first edition can be provided in a static PDF format and serve as a basis for future iterations which expand and improve on the first edition.

#### *Developing the Proposed Output, and IPSASB's Future Role*

12. Staff propose that the IPSASB delegate the development of support material to a strategic partner organization that ideally is well-versed in IPSAS. Delegation enables the IPSASB to focus on activities within its Strategic Objective, including the work that will be proposed in its upcoming 2024-2028 Strategy and Work Plan Consultation. This approach:
  - (a) **Has proven in the past to be effective** in creating high-quality support material to serve the needs of public sector entities, and has garnered positive feedback<sup>7</sup>;
  - (b) **Can positively influence the expected time to market and access to committed resources**; and
  - (c) **Can be organized by IPSASB staff (on behalf of the IPSASB)**, who will seek and engage a strategic partner organization to execute the envisioned support material.

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<sup>7</sup> Examples include, but is not limited to, IFAC's [Pathways to Accrual](#) and [Train the Trainer](#) materials, and [COVID-19 Intervention Assessment Tool](#).

13. Staff acknowledge that this is a prominent matter for the IPSASB and its constituents. Staff propose that the IPSASB establish a User/Preparer Panel comprised of volunteers to remain engaged in the development work. The Panel may provide:
  - (a) Inputs into the design stage, by clarifying intended features and content of the material; and
  - (b) Quality assurance during the testing stage, to help refine the support material, and confirm its functionality and accuracy.
14. Subsequent to its decisions at this meeting, the IPSASB can communicate to constituents its intended approach and output for the Differential Reporting initiative to address the public need.

*Future Review and Additional Support*

15. The support material is the proposed output, under a balanced approach, to provide public sector entities with user-friendly, pragmatic support in a timely manner. It also serves as a basis for future synergies and development. As noted in paragraph 11(d), this support material is scalable and can be presented in a variety of formats. This offers versatility and opportunities to enhance the support material and/or develop additional materials.
16. In the future, the Panel, IPSASB staff, or a strategic partner organization can assess whether the support material achieves the objective and effectively supports public sector entities as intended. This review can also help identify areas of improvement. If the support material is well-received, the IPSASB can consider endorsing the development of additional material for *Navigating IPSAS* (e.g., to cover more complex transactions) based on areas of constituent interest, or more dynamic and sustainable solutions that are more time and resource intensive.

*Summary*

17. Based on the above analysis, staff recommend that the IPSASB:
  - (a) Endorse the development of support material, "*Navigating IPSAS*", by a strategic partner organization, to help public sector entities better access, understand, and apply the accounting requirements in IPSAS;
  - (b) Empower IPSASB staff to source the strategic partner organization to take on this work, and establish a User/Preparer Panel to provide inputs and feedback into the development of the support material; and
  - (c) Communicate to constituents the intended approach and proposed output.

**Decision Required**

18. Does the IPSASB agree with the Staff [recommendation](#)?

## **Appendix 1 – Illustrative Excerpt of the Proposed Support Material**

*The following mock-up is provided as an excerpt to help the IPSASB better envision the proposed output of the Differential Reporting initiative. The drafted content below is **for ILLUSTRATIVE purposes only** and is **not intended for discussion**.*

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### **Section A: Overview**

[This section can summarize the intention of the support material, to help entities in applying IPSAS to common types of transactions.]

International Public Sector Accounting Standards™ (IPSAS™) is a single set of accruals-based standards for public sector entities. The adoption and implementation of IPSAS, currently presented in a 3-Volume Handbook, can be a complex process. This is because public sector entities face various challenges, due to resource and capacity limitations, in acquiring the necessary technical accounting knowledge and using professional judgment to navigate the Handbook, and to understand and apply IPSAS guidance to their transactions.

*Navigating IPSAS* is intended to help public sector entities more easily access and thus better understand and apply IPSAS, thereby easing the burden of adopting and implementing IPSAS. Entities can use this support material to navigate the IPSAS Handbook more easily and identify which pieces of guidance apply to common types of public sector transactions. The impact of the support material is maximized when it is used as part of the entity's overall IPSAS adoption and implementation journey.

This support material is not intended to replace use of the IPSAS Handbook, nor the necessary activities for an entity to transition to accrual accounting. Rather, the support material helps the entity's understanding of IPSAS requirements and supplement/accompany other initiatives in the broader PFM reform program. Public sector entities planning to implement accrual accounting, or those already on the pathway to accrual, are encouraged to also consider using other tools and issued publications, such as IFAC's [Pathways to Accrual](#) and [Train the Trainer](#) materials.

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### **Section B: Apply the Materiality Concept**

[This section can highlight the importance of materiality in the preparation of financial statements and share relevant excerpts from existing guidance.]

IPSAS present accounting requirements to prepare general purpose financial reports and provide better information for public sector financial management and decision making. These requirements are to be considered in the context of materiality, specifically, whether the omission or misstatement of items influence the decisions or assessments of users made on the basis of the financial statements.

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An entity should consider the concept of materiality as it uses *Navigating IPSAS*, particularly as it identifies and considers its transactions in Section C, to apply IPSAS.

For additional information, please see Chapter 3 of the IPSASB's *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (Conceptual Framework), IPSAS 1, *Presentation of*

*Financial Statements*, and the IPSASB Staff Q&A, *The Application of the Concept of Materiality in the Preparation of Financial Statements*.

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### Section C: Identify the Entity's Transactions

[This section can help entities identify what transaction it has entered into in the period, and either provide a reference to additional support in *Navigating IPSAS* (for common types of public sector transactions) or reference to the relevant IPSAS (for complex transactions).]

All public sector entities are inherently publicly accountable, as the primary objective of most entities is to deliver services to the public, and thus are accountable for the management and use of resources to its resource providers, and to its service recipients. However, public sector entities vary substantially within and across jurisdictions in terms of size, complexity, capacity, and other variables, and types of transactions it may engage in during a reporting period. To identify its transactions, an entity should consider various questions, including:

- What is its core objective or operations?
- Does it have a large volume of similar transactions, or a variety of significant transactions?
- What are its main sources of revenue?
- What are its primary types of expenditures?
- Does it hold certain assets for service potential or ability to generate cash flow?
- Does it have subsidiaries?

...

The majority of transactions are expected to be common and prevalent across entities and jurisdictions. *Navigating IPSAS* helps entities determine whether it has entered into these common types of transactions and provides high-level summaries of key recognition and measurement principles to account for such transactions.

In this section, an entity should consider whether it has entered into each type of transaction, based on the definition or description and, if so, whether the item is material (Section B). The entity can refer to the relevant Section D for a high-level summary of recognition and measurement principles, as well as references to key IPSAS guidance.

Statement of Financial Position		
Transaction	Key Definition(s) or Description(s)	If material, see Section
...	...	...
<b>Trade receivables</b>	A trade receivable is a financial asset which arises from a legally enforceable right to receive cash or another financial asset from another entity (such as through a revenue transaction).	D.XX
<b>Property, plant, and equipment</b>	Property, plant, and equipment are “ <i>tangible assets that:</i> (a) <i>Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and</i> (b) <i>Are expected to be used during more than one reporting period.</i> ” (IPSAS 45, paragraph 5)	D.XX

...	...	...
<b>Loans payable</b>	Loans payable are “ <i>financial liabilities, other than short-term trade payables on normal credit terms.</i> ” (IPSAS 30, paragraph 8)	D.XX
...	...	...
<b>Statement of Financial Performance</b>		
<b>Transaction</b>	<b>Key Definition(s) or Description(s)</b>	<b>Section</b>
...	...	...
<b>Revenue</b>	Revenue is “ <i>the gross inflow of economic benefits and service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.</i> ” (IPSAS 1, paragraph 7)	D.XX
...	...	...
<b>Transfer expenses</b>	A transfer expense is “ <i>an expense arising from a transaction, other than taxes, in which an entity provides a good, service, or other asset to another entity (which may be an individual) without directly receiving any good, service, or other asset in return.</i> ” (IPSAS 48, paragraph 6)	D.XX
...	...	...

Entities may also engage in more complex transactions, such as derivatives, forward contracts, and social benefits. Due to the complex nature of these transactions, *Navigating IPSAS* does not provide a high-level summary of the IPSAS accounting principles. An entity should refer to the full Standard to understand how to account for these transactions, and is encouraged to engage experts as needed (e.g., valuation specialists, actuaries, etc.).

Complex Transactions		
Transaction	Key Definition(s) or Description(s)	Refer to
...	...	...
<b>Derivatives</b>	<p>A derivative is “a <i>financial instrument or other contract within the scope of this Standard with all three of the following characteristics:</i></p> <p>(a) <i>Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).</i></p> <p>(b) <i>It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.</i></p> <p>(c) <i>It is settled at a future date.”</i></p> <p>(IPSAS 41, paragraph 9)</p>	IPSAS 41
<b>Social Benefits</b>	<p>Social benefits “<i>are cash transfers provided to:</i></p> <p>(a) <i>Specific individuals and/or households who meet eligibility criteria;</i></p> <p>(b) <i>Mitigate the effect of social risks; and</i></p> <p>(c) <i>Address the needs of society as a whole.”</i></p> <p>(IPSAS 42, paragraph 5)</p>	IPSAS 42
...	...	...

...

**Section D: Applying IPSAS to Common Types of Public Sector Transactions**

[This section can include a subsection for each common type of transaction. For each common type of transactions, the support material can

- 1) Reiterate the key definition(s) or description(s);
- 2) Provide a high-level summary of recognition and measurement principles; and
- 3) List the relevant IPSAS.

The following is a mock-up of subsections for Revenue and PP&E, to illustrate a potential format and content.]

...

<b>[Section D.XX] Revenue</b>			
<p>Revenue is “<i>the gross inflow of economic benefits and service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.</i>” (IPSAS 1, paragraph 7)</p> <p>An entity shall apply IPSAS 47, <i>Revenue</i> to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from revenue transactions. Public sector entities may have various types of revenue. The following table provides a high-level summary of the recognition and measurement principles in IPSAS 47 to account for major types of public sector revenue, and relevant IPSAS guidance.</p>			
<b>Consideration</b>	<b>Key Definition(s) or Description(s)</b>	<b>Recognition</b>	<b>Measurement</b>
<b>Does the entity receive tax revenue?</b>	Taxes are “ <i>economic benefits or service potential compulsorily paid or payable to the entity, in accordance with laws and/or regulations, established to provide revenue to the government. Taxes do not include fines, or other penalties imposed for breaches of laws and/or regulations.</i> ”	<p>Recognize tax revenue when or as an entity satisfies any obligations associated with the inflow (or right to inflow) of resources.</p> <p>Recognize any right or obligation that meet definition of an asset or liability, respectively.</p>	<p>Measure tax revenue at consideration received or receivable.</p> <p>Measure any assets from inflow (or right to an inflow) of resources at transaction consideration.</p> <p>Measure any liabilities at the best estimate of settlement amount.</p>
	IPSAS 47, paragraph 4	IPSAS 47, paragraphs 17-29, 36-44	IPSAS 47, paragraphs 30-35, 45-55

<b>Does the entity receive revenue from a binding arrangement?</b>	<p>A binding arrangement is “<i>an arrangement that confers both rights and obligations, enforceable through legal or equivalent means, on the parties to the arrangement.</i>”</p> <p>A compliance obligation is “<i>an entity’s promise in a binding arrangement to either use resources internally for distinct goods or services or transfer distinct goods or services to a purchaser or third-party beneficiary.</i>”</p>	<p>Recognize revenue when or as it satisfies the compliance obligations in the binding arrangement associated with the inflow (or right to inflow) of resources.</p> <p>Recognize any right or obligation that meet definition of an asset or liability, respectively.</p> <p>Consider whether to recognize any costs of obtaining or fulfilling the binding arrangement.</p>	<p>Measure revenue at consideration received or receivable for the completed compliance obligation (with any necessary adjustments, such as variable consideration).</p> <p>Measure any assets from inflow (or right to an inflow) of resources at transaction consideration.</p> <p>Measure any liabilities at the best estimate of settlement amount.</p>
	IPSAS 47, paragraphs 4, 11-14, 68-77, AG10-31, AG43-56	IPSAS 47, paragraphs 56-105, 148-161	IPSAS 47, paragraphs 106-147
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**[Section D.XX] Property, Plant, and Equipment**

Property, plant, and equipment (PP&E) are “*tangible assets that:*

- (a) *Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and*
- (b) *Are expected to be used during more than one reporting period.”* (IPSAS 45, paragraph 5)

An entity shall apply IPSAS 45, *Property, Plant, and Equipment* to account for PP&E so that users of financial statements can discern information about an entity’s investment in its PP&E and the changes in such investments. There are many types of tangible assets that meet the definition of PP&E, classified based on similar nature or function in an entity’s operations. The following table provides a high-level summary of the recognition and measurement principles in IPSAS 45, and relevant IPSAS guidance.

Consideration	Key Definition(s) or Description(s)	Recognition	Measurement
<b>Does the entity have heritage assets?</b>	Heritage assets are PP&E that are rare or significant “ <i>in relation, but not limited to, their archeological, architectural, agricultural, artistic, cultural, environmental, historical, natural, scientific, or technological features.”</i>	Recognize the PP&E item if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the item can be measured reliably.  If the heritage PP&E cannot be measured reliably (and thus cannot be recognized), disclosures are required.  Derecognize the carrying amount of the PP&E item on disposal or when no future economic benefits or service potential is expected from its use or disposal.	Initially measure at its cost (if acquired through an exchange transaction) or at its deemed cost (if through a non-exchange transaction).  Subsequently measure based on an accounting policy choice, using either historical cost or current value models. The policy must be applied to the entire class of PP&E.  Each part of a PP&E item with a cost or value that is significant in relation to the total shall be depreciated separately, on a systematic basis over its useful life.  Determine whether the PP&E item is impaired and recognize or reverse impairment loss as necessary.
	IPSAS 45, paragraphs AG2-3	IPSAS 45, paragraphs 6-10, 62-68	IPSAS 45, paragraphs 11-61

<b>Does the entity have infrastructure assets?</b>	Infrastructure assets are PP&E that “ <i>comprise a number of assets that make up networks or systems that serve the community at large.</i> ”	Recognize the PP&E item if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the item can be measured reliably.  Derecognize the carrying amount of the PP&E item on disposal or when no future economic benefits or service potential is expected from its use or disposal.	Initially measure at its cost (if acquired through an exchange transaction) or at its deemed cost (if through a non-exchange transaction).  Subsequently measure based on an accounting policy choice, using either historical cost or current value models. The policy must be applied to the entire class of PP&E.  Each part of a PP&E item with a cost or value that is significant in relation to the total shall be depreciated separately, on a systematic basis over its useful life.  Determine whether the PP&E item is impaired and recognize or reverse impairment loss as necessary.
	IPSAS 45, paragraphs AG4-6	IPSAS 45, paragraphs 6-10, 62-68	IPSAS 45, paragraphs 11-61
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