

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

**Meeting Location:** New York, USA

**Meeting Date:** March 12–15, 2024

# Agenda Item 5

**For:**

Approval

Discussion

Information

## IFRIC ALIGNMENT – NARROW SCOPE AMENDMENTS

<b>Project summary</b>	The objective of this narrow scope amendments project is to review IFRIC/SIC Interpretations issued but not yet considered by the IPSASB, to determine whether they are applicable and to be incorporated into IPSAS literature.	
<b>Project staff lead</b>	<ul style="list-style-type: none"> <li>Eileen Zhou, Principal</li> </ul>	
<b>Meeting objectives</b> <b>Project management</b>	<b>Topic</b>	<b>Agenda Item</b>
	<a href="#">Project Management Dashboard</a>	<a href="#">5.1.1</a>
	<a href="#">Instructions up to Previous Meeting</a>	<a href="#">5.1.2</a>
	<a href="#">Decisions up to Previous Meeting</a>	<a href="#">5.1.3</a>
<b>Decisions required at this meeting</b>	Project Management	
	<a href="#">Considering the IFRIC Analyses and Proposed Amendments</a>	<a href="#">5.2.1</a>
	Analysis of IFRIC/SIC Interpretations	
	<a href="#">Analyzing IFRIC 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities</a>	<a href="#">5.2.2</a>
	<a href="#">Analyzing IFRIC 5, Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</a>	<a href="#">5.2.3</a>
	<a href="#">Analyzing IFRIC 6, Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment</a>	<a href="#">5.2.4</a>
	<a href="#">Analyzing IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</a>	<a href="#">5.2.5</a>
	<a href="#">Analyzing IFRIC 21, Levies</a>	<a href="#">5.2.6</a>
	<a href="#">Analyzing SIC-7, Introduction of the Euro</a>	<a href="#">5.2.7</a>
	Formal Approval of Exposure Draft	
<a href="#">Approval of [Draft] Exposure Draft (ED) [XX], Amendments to Address IFRIC/SIC Interpretations</a>	<a href="#">5.2.8</a>	
<b>Other supporting items</b>	<a href="#">[Draft] ED [XX], Amendments to Address IFRIC/SIC Interpretations</a>	<a href="#">5.3.1</a>

**IFRIC ALIGNMENT – NARROW SCOPE AMENDMENTS:  
 PROJECT MANAGEMENT DASHBOARD**

Topic	Past Meeting	March 2024
<b>Overall Project Management</b>		
Confirm approach for the narrow scope amendments project	✓	
Consider each IFRIC/SIC Interpretation (analysis and potential drafting)		
<ul style="list-style-type: none"> <li>IFRIC 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i></li> </ul>		
<ul style="list-style-type: none"> <li>IFRIC 5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i></li> </ul>		
<ul style="list-style-type: none"> <li>IFRIC 6, <i>Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment</i></li> </ul>		
<ul style="list-style-type: none"> <li>IFRIC 7, <i>Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies</i></li> </ul>	 ✓	
<ul style="list-style-type: none"> <li>IFRIC 14, <i>IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i></li> </ul>		
<ul style="list-style-type: none"> <li>IFRIC 21, <i>Levies</i></li> </ul>		
<ul style="list-style-type: none"> <li>SIC-7, <i>Introduction of the Euro</i></li> </ul>		
Approve Exposure Draft (with Basis for Conclusions)		

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

**INSTRUCTIONS UP TO PREVIOUS MEETING**

<b>Meeting</b>	<b>Instruction</b>	<b>Actioned</b>
n/a	1. n/a	1. n/a

**DECISIONS UP TO PREVIOUS MEETING**

Meeting	Decision	BC Reference
December 2023	1. The existing <i>Improvements to IPSAS</i> analysis process can be used to determine whether each IFRIC or SIC Interpretation is applicable and appropriate for the public sector and thus should be incorporated into IPSAS.	1. n/a
December 2023	2. The guidance in <a href="#">December 2023 Agenda Item 10.2.2</a> , based on IFRIC 7, is applicable for the public sector and should be incorporated as an Appendix in IPSAS 10, <i>Financial Reporting in Hyperinflationary Economies</i> , to clarify how entities apply the accounting principles in IPSAS 10.	2. Drafted and reviewed by the IPSASB – see December 2023 Agenda Item 10.2.2, Appendix 1
September 2023	1. A narrow scope amendment project should be initiated to review the IFRICs/SICs issued but not yet considered by IPSASB, to determine their applicability and develop proposed guidance.	1. n/a

## Considering the IFRIC Analyses and Proposed Amendments

### Purpose

- To provide key information about this Agenda Item to support IPSASB members in their consideration, review, and decision-making related to this narrow-scope project.

### Background

- In September 2023, the IPSASB initiated a narrow scope amendments project of the IFRIC/SIC Interpretations<sup>1</sup> (Interpretations) issued but not yet considered by the IPSASB to determine their applicability to the public sector.
- In December 2023, the IPSASB agreed to leverage the existing *Improvements to IPSAS* analysis process to determine whether each Interpretation should be incorporated into IPSAS. This approach was applied to assess IFRIC 7, *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* in December. The IPSASB agreed that staff should use this same approach to analyze the remaining six Interpretations and recommend guidance to include in IPSAS (where appropriate).
- This Agenda Item presents the remaining analyses and proposed guidance for exposure as a standalone Exposure Draft (ED). This paper aims to support members in reviewing the papers in preparation for the meeting and to present the IPSASB Chair and staff’s planned approach to effectively use the plenary time at the March 2024 meeting.

### Summary of Staff’s Analysis and Proposed Amendments

- Overall, staff’s analysis and recommendations for this limited scope amendment project are:

IFRIC/SIC Interpretation	Analysis		Proposed Guidance	
	Agenda Item	Staff’s Recommendation	Amendments to <sup>2</sup>	ED section
<b>IFRIC 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i></b>	<a href="#">5.2.2</a>	<b>Yes</b> – Applicable and appropriate for the public sector	IPSAS 19 IPSAS 43 IPSAS 45	<b>Part 1</b>
<b>IFRIC 5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i></b>	<a href="#">5.2.3</a>	<b>Yes</b>	IPSAS 19	<b>Part 2</b>
<b>IFRIC 6, <i>Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment</i></b>	<a href="#">5.2.4</a>	<b>Yes</b>	IPSAS 19	<b>Part 3</b>

<sup>1</sup> IFRIC and SIC Interpretations are developed by the IFRS Interpretations Committee (formerly “International Financial Reporting Interpretations Committee” (IFRIC)) and the former Standing Interpretations Committee (SIC). The Interpretations Committee is an interpretive body of the IASB that responds to questions about the application of IFRS. Based on its discussions, the Interpretations Committee may issue Interpretations to provide guidance on the application of standards, with its Basis for Conclusions, to support entities in consistently applying IFRS accounting standards. Interpretations do not revise, replace, nor add to existing accounting principles.

<sup>2</sup> The table excluded titles for easier readability. IPSAS titles are: IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*; IPSAS 10, *Financial Reporting in Hyperinflationary Economies*; IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*; IPSAS 39, *Employee Benefits*; IPSAS 43, *Leases*; IPSAS 45, *Property, Plant, and Equipment*.

IFRIC/SIC Interpretation	Analysis		Proposed Guidance	
	Agenda Item	Staff's Recommendation	Amendments to <sup>2</sup>	ED section
<b>IFRIC 7</b> , <i>Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies</i>	<a href="#">Dec 2023 10.2.2</a>	<b>Yes</b> – the IPSASB reviewed analysis and approved amendments in December 2023	IPSAS 10	<b>Part 4</b>
<b>IFRIC 14</b> , <i>IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	<a href="#">5.2.5</a>	<b>Yes</b>	IPSAS 39	<b>Part 5</b>
<b>IFRIC 21</b> , <i>Levies</i>	<a href="#">5.2.6</a>	<b>Yes</b>	IPSAS 19	<b>Part 6</b>
<b>SIC-7</b> , <i>Introduction of the Euro</i>	<a href="#">5.2.7</a>	<b>Yes</b>	IPSAS 4	<b>Part 7</b>

This Part of the proposed ED requires IPSASB review  
 This Part of the proposed ED has already been reviewed by the IPSASB in December 2023

### Detailed Analysis of the Six Interpretations (Agenda Items [5.2.2–5.2.7](#))

#### *Prior to the meeting*

6. Each Interpretation addresses a specific application matter and aims to clarify the application of accounting principles in one or more Standards. Staff has therefore considered each Interpretation in individual papers to determine whether the guidance is applicable for the public sector, and if so, propose guidance to be incorporated into IPSAS (as amendments to IPSAS). For each of these six papers, IPSASB members are:

Asked to...	Encouraged to...
<ul style="list-style-type: none"> <li>• <b>Review the core paper</b>, which presents Staff's recommendation, supported by the agreed-upon 3-step analysis; and</li> <li>• <b>Review the proposed guidance</b>, based on that Interpretation (presented in the draft ED, in <a href="#">Agenda Item 5.3.1</a>).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Connect with staff</b> in advance to discuss any specific analyses or proposals presented in the Agenda Items; and</li> <li>• <b>Send staff</b> any editorial comments on the proposed guidance by email in advance.</li> </ul>

7. Each paper includes two Appendices. Members are not required to review these Appendices as they are for information purposes only:
- Appendix 1 – summarizes changes made by staff to adapt IFRIC/SIC guidance for the public sector where necessary, with staff's rationale; and
  - Appendix 2 – provides additional information to support staff's 3-step analysis, for reference purposes only.
8. Staff recommend that IPSASB members review Agenda Items in sequential order, as the proposed guidance in an Agenda Item may build on guidance in a preceding Agenda Item.

#### *During the meeting*

9. The analysis of each Interpretation will be considered individually in turn. For each Interpretation:

- (a) IPSASB members will be asked to:
    - (i) **Raise their hand** to indicate whether they agree with the recommendation to include the proposed draft guidance (based on that Interpretation) in the ED; and
    - (ii) **Provide their rationale** if they disagree.
  - (b) **If the majority of members agree** with the recommendation (i.e., support inclusion), the proposed draft guidance will be included in the ED, subject to any final editorial changes.
  - (c) **If the majority of members disagree** with the recommendation, the proposed draft guidance will not be included in the ED and the specific application matter will be referred to the proposed Application Panel for further consideration.
10. The process outlined in paragraph 9 determines the sets of guidance (based on each Interpretation) to be included in the ED. Once completed, the IPSASB Chair and Program and Technical Director will hold a formal vote on whether to approve the ED (subject to final changes such as exclusions based on paragraph 9(c) and any editorial comments). The vote (facilitated through [Agenda Item 5.2.8](#)) will be recorded in the IPSASB meeting minutes.

## **Analyzing IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities***

### **Question**

1. Does the IPSASB agree to incorporate the proposed guidance based on IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*?

### **Recommendation**

2. Staff recommend the IPSASB incorporate guidance based on IFRIC 1 into IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, as proposed in Part 1 of [Agenda Item 5.3.1](#), as it is applicable in the public sector and would provide greater clarity for public sector entities applying the guidance.

### **Background**

3. As summarized in [Agenda Item 5.2.1](#), the IPSASB decided to initiate a narrow scope amendments project to review IFRIC/SIC Interpretations<sup>3</sup> issued, but not yet considered by the IPSASB, to determine whether they are applicable and appropriate for the public sector. If so, guidance based on these IFRICs are to be incorporated into IPSAS (with any adaptations necessary) to clarify the application of existing accounting principles and overall help public sector entities apply IPSAS. This paper uses the approach agreed upon in December 2023 to analyze IFRIC 1.

### **Analysis**

*What is the nature of IFRIC 1?*

4. IFRIC 1 was issued in May 2004, effective for annual periods beginning on or after September 1, 2004. This Interpretation provides guidance on how to account for the effect of changes in the measurement of existing decommissioning, restoration, and similar liabilities<sup>4</sup>, that is **both**:
  - (a) Recognized as part of the cost of an item of property, plant and equipment (PP&E) in accordance with IAS 16, *Property, Plant and Equipment* or as part of the cost of a right-of-use asset in accordance with IFRS 16, *Leases*; and
  - (b) Recognized as a liability in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

IFRIC 1 is also accompanied by three Illustrative Examples (IEs).

5. The Interpretation specifically addresses how the following events would change the measurement of such a liability and its related asset. It overall supports consistent application and treatment of such changes in estimates with other changes in estimates (see [Appendix 2, Table 1](#) for additional details):
  - (a) If there is a change in the estimated outflow of resources required to settle the obligation, or in the current market-based discount rate, the entity should revise the measurement of:

---

<sup>3</sup> IFRIC and SIC Interpretations are developed by the IFRS Interpretations Committee (IFRIC) and the former Standing Interpretations Committee (SIC). Interpretations provide guidance, with its Basis for Conclusions, on the application of IFRS standards to support entities in consistently applying them. Interpretations do not revise, replace, nor add to existing accounting principles.

<sup>4</sup> An example is a liability for decommissioning a plant, rehabilitating environmental damage or removing equipment.

- (i) The liability, accordingly; and
  - (ii) The related asset based on the measurement model for subsequent measurement:
    - a. **If using the cost model**, changes to the liability are added to, or deducted from, the cost of the related asset. Ensure deductions do not exceed the carrying amount (and any excess is to be recognized in profit/loss) and consider whether there is an indication of impairment; or
    - b. **If using the revaluation model**, changes in the liability alter the revaluation surplus or deficit previously recognized on the related asset. Ensure deductions do not exceed the carrying amount (that would've been recognized under the cost model, and any excess into profit/loss) and consider whether there is an indication that revaluation is necessary.
  - (b) If there is an increase that reflects the passage of time (also referred to as the unwinding of the discount), the entity shall recognize the change in profit or loss as a finance cost.
6. The Interpretation also clarifies that the adjusted depreciable amount of the asset is depreciated over its useful life, and an entity should recognize all changes subsequent to the end of the useful life in profit or loss, regardless of the subsequent measurement model.

*Is the referenced guidance aligned with IPSAS?*

7. IFRIC 1 primarily references principles in these Standards, for which there are equivalent IPSAS:
- (a) IAS 37 – IPSAS 19 (issued 2002) is primarily drawn from IAS 37. The principles relevant to IFRIC 1 are aligned, with public sector terminology differences.
  - (b) IAS 16 – IPSAS 45, *Property, Plant, and Equipment* (issued 2023) is primarily drawn from IAS 16. The principles relevant to IFRIC 1 are aligned, with public sector measurement considerations.
  - (c) IFRS 16 – IPSAS 43, *Leases* (issued 2022) is primarily drawn from IFRS 16. The principles relevant to IFRIC 1 are aligned, with public sector measurement considerations.
  - (d) IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* – IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors* (revised 2006) is primarily drawn from IAS 8. The principles relevant to IFRIC 1 are aligned, with public sector terminology differences.

See [Appendix 2, Table 2](#) for a comparison of IFRS and IPSAS guidance, and additional detail.

*Is the Interpretation's guidance applicable to the public sector?*

8. Each IFRIC/SIC Interpretation is intended to address a specific application matter and aims to clarify application of existing guidance to avoid divergent accounting treatments. IFRIC 1 addresses accounting for specific changes in estimates of existing liabilities to dismantle, remove, and restore a PP&E asset (in the scope of IAS 16) or right-of-use asset (in the scope of IFRS 16). Given that estimation of such liabilities is inherently subjective, the Interpretations Committee acknowledged it

is likely that revisions to the initial estimate will be made based on changes in estimated resources required to settle the obligation and discount rates, as well as from the general passage of time.<sup>5</sup>

9. Public sector entities may also find themselves in similar situations and face challenges interpreting existing IPSAS to determine how such changes would impact accounting of that liability and the related asset. Thus, the guidance in IFRIC 1, including IEs, would also apply and be useful to the public sector. Incorporating IFRIC 1 guidance into IPSAS would help clarify application of existing accounting principles and thereby support consistent application and treatment of changes by IPSAS users, and support consistent accounting treatment as other changes in estimates.
10. Based on paragraphs 7 and 9, staff are of the view that guidance from IFRIC 1 is applicable in the public sector and appropriate to incorporate into IPSAS. This guidance and the accompanying illustrative examples would clarify how IPSAS users should apply existing accounting principles to account for such changes in estimates of existing liabilities to dismantle, remove, and restore the related PP&E or right-of-use asset.
11. Since IFRIC 1 interprets and refers to accounting principles in multiple standards, the IPSASB must consider the best location for this guidance in its own literature. The guidance in the Interpretation primarily relates to the measurement implications for the related asset. However, staff are of the view that:
  - (a) **Guidance based on IFRIC 1 should be incorporated into IPSAS 19 as “Appendix B”** (except effective date and transition guidance, which should be added to core text) because the initial “trigger” for these accounting considerations is the change in measurement of the liability in the scope of IAS 37 / IPSAS 19, which impacts accounting of the related asset; and
  - (b) **Signposts should be added to subsequent measurement guidance in IPSAS 43 and IPSAS 45** to direct IPSAS users to Appendix B of IPSAS 19. This ensures that users will benefit from the clarity provided by this new guidance when subsequently measuring any PP&E or right-of-use assets which included an estimate of costs of dismantling/removing/restoring.

#### *Draft Guidance to Incorporate into IPSAS*

12. Staff propose guidance to incorporate into IPSAS 19, IPSAS 43, and IPSAS 45 in Part 1 of [Agenda Item 5.3.1](#), and provide an overview of staff process and changes in [Appendix 1](#). This draft guidance:
  - (a) **Presents a draft Appendix B for IPSAS 19, using IFRIC 1 and its Illustrative Examples as a basis**, with modifications for the public sector and IPSAS context, and greater clarity;
  - (b) **Provides signposts from IPSAS 43 and IPSAS 45 to IPSAS 19** (per paragraph 11(b)), to clarify and support the understanding of the principles in the core text for the specific circumstance(s); and
  - (c) **Proposes additional Basis for Conclusions for IPSAS 19** which is intended to reflect the IPSASB’s decision(s) on this paper at its March 2024 meeting.

#### **Decision Required**

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

---

<sup>5</sup> See IFRIC 1, BC4-BC5.

## **Appendix 1 – Additional Guidance on Changes in Existing Decommissioning, Restoration and Similar Liabilities**

Members are *not* required to review this Appendix – it is for information purposes only.

### Proposed Guidance

Staff propose guidance in **Part 1 of [Agenda Item 5.3.1](#)** as amendments to:

- IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* based on IFRIC 1; and
- IPSAS 43, *Leases* and IPSAS 45, *Property, Plant, and Equipment* to provide clear signposts to direct IPSAS users to the new guidance in IPSAS 19, where it is relevant for subsequent measurement of assets that included an estimate of costs of dismantle/removal/restoration.

### Overview of Staff Process and Changes

Staff used the guidance in IFRIC 1 as a basis for proposed amendments to IPSAS 19. Staff also made the following key changes to reflect the public sector context and consistent with IPSAS, and to enhance specific elements of the guidance for greater clarity:

- (a) *Key changes for the public sector and IPSAS.* Revisions are consistent with those made in the development of other IPSAS. Staff also use “Appendix” instead of “Interpretation” when incorporating IFRIC guidance;
  - (i) IPSAS 19 uses different terminology in certain instances. Significant examples are “revenue” and “statement of financial performance” (IPSAS 19), instead of “income” and “income statement” (IAS 37).
  - (ii) IPSAS 43 and IPSAS 45 use “historical cost model” and “current value model”, whereas IFRS 16 and IAS 16 use “cost model” and “revaluation model”. The proposed Illustrative Examples (based on those in IFRIC 1) also assume that the plant is held primarily for its financial capacity.
  - (iii) IPSASB has made the numerous terminology changes in other IPSAS and its Conceptual Framework. Of particular note, IPSAS uses “economic benefits or service potential”, “reporting date”, “surplus or deficit”, “statement of financial performance”, and “opening accumulated surplus or deficit”. IFRS/IAS uses “economic benefits” “end of the reporting period”, “profit or loss”, “statement of comprehensive income”, and “opening balance of retained earnings”. The IPSASB has also used “net assets/equity”, whereas the IASB uses “equity” or “other comprehensive income”.

Staff also noted that:

- (b) *Enhancing the reference to IPSAS 43.* IFRIC 1 was amended to expand the scope of related assets to include right-of-use assets after the issuance of IFRS 16. However, some IFRIC guidance which would relate to both IAS 16 and IFRS 16 were not explicitly amended to incorporate IFRS 16, but the reference is implied. For clarity, staff propose to enhance the guidance, where appropriate, to provide clearer reference to IPSAS 43 equivalent guidance.
- (c) *Enhancing the corresponding reference to IPSAS 3.* Since application of IFRIC 1 would be a change in accounting policy for entities that already apply IFRS, the Interpretation directs entities to IAS 8 (to account for such changes retrospectively) and provides an Illustrative Example. However, the

Interpretations Committee's Basis for Conclusions also clarify that changes in accounting estimates of the assets and liabilities should be recognized prospectively. Staff propose to enhance the corresponding reference (paragraph 110B proposed below) to indicate both changes in accounting policies and in accounting estimates.

- (d) *Amendments to IPSAS 19 can be made in parallel with proposals in other Agenda Item(s).* The analyses in Agenda Items [5.2.2](#), [5.2.3](#), [5.2.4](#), and [5.2.6](#) result in proposed amendments to IPSAS 19. Thus, the proposed additional effective date, transition, and BC paragraphs, and amendment to the Comparison with IFRS/IAS table will reflect amendments from all four Agenda Items.

**Appendix 2 – Supporting Analysis**

Members are *not* required to review this Appendix – it is for information purposes only.

**Table 1 – Detailed Summary of the IFRIC Guidance**

The following table provides a detailed summary of the guidance in IFRIC 1 on accounting for the effects of three specific events which change the measurement of an existing decommissioning, restoration, or similar liability, and its related asset.

Event changing measurement	Accounting for change in measurement of the liability
<p>A <b>change in the estimated outflow of resources</b> embodying economic benefits (e.g., cash flows) <b>required</b> to settle the obligation.</p>	<p>Depends on the measurement model for the subsequent measurement of the related asset.</p> <p>If measured <u>using cost model</u>, changes in the liability are added to, deducted from, the cost of the related asset.</p> <ul style="list-style-type: none"> <li>- Deductions shall <i>not</i> exceed the carrying amount. Excess is recognized in profit or loss.</li> <li>- Additions shall prompt the entity to consider <i>whether</i> it indicates that the new carrying amount may not be fully recoverable, and if so, test for impairment in accordance with IAS 36, <i>Impairment of Assets</i>.</li> </ul> <p>If measured <u>using the revaluation model</u>, changes in the liability alter the revaluation surplus or deficit previously recognized on the related asset.</p>
<p>A <b>change in the current market-based discount rate</b> as defined in IAS 37.47 (including changes in the time value of money and the risks specific to the liability).</p>	<ul style="list-style-type: none"> <li>- Decreases in the liability shall <i>not</i> exceed the carrying amount that would have been recognized under the cost model. If it exceeds the carrying amount, the excess is recognized in profit or loss.</li> <li>- Consider if the change is an indication that the asset (and all assets in that class) may have to be revalued to ensure the carrying amount does not materially differ from the fair value.</li> <li>- Separately identify and disclose any changes in revaluation surplus arising from the change in liability in accordance with IAS 1, <i>Presentation of Financial Statements</i>.</li> </ul>
<p>An <b>increase</b> that reflects the <b>passage of time</b> (also referred to as the unwinding of the discount).</p>	<p>Recognize the change in profit or loss as a finance cost, as it occurs.</p> <p>Capitalization under IAS 23, <i>Borrowing Costs</i> is not permitted.</p>

**Table 2 – Table of Concordance: IFRS and IPSAS Guidance**

This Interpretation references accounting guidance in several IFRS/IAS. The following table provides information about equivalent or comparable paragraphs in IPSAS and is for reference purposes only.

Topic/Section	IFRS/IAS	IPSAS (Note 1)		Comparison
	Guidance paragraph(s)	Guidance paragraph(s)	Paragraph amended by	Nature of IPSAS's differences, if any
<b>Provisions, Contingent Liabilities and Contingent Assets</b>	<b>IAS 37</b>	<b>IPSAS 19</b>		
Measurement, Best Estimate	36	44	-	<ul style="list-style-type: none"> <li>Public sector terminology (“at the <del>end of the reporting period date</del>”)</li> </ul>
Measurement, Present Value	45-47	53-56	-	<ul style="list-style-type: none"> <li>Additional reference to an Illustrative Example for increase in provision reflecting the passage of time</li> </ul>
Changes in Provisions	59-60	69-70	-	<ul style="list-style-type: none"> <li>Public sector terminology (“<del>end of the reporting period date</del>” ... “<del>borrowing cost interest expense</del>”)</li> <li>Public sector context (“outflow of resources embodying economic benefits <u>or service potential</u>”)</li> </ul>
Disclosures	84-85	97-98	-	<ul style="list-style-type: none"> <li>Public sector context (“outflow of resources embodying economic benefits <u>or service potential</u>”)</li> </ul>
<b>Property, Plant, and Equipment</b>	<b>IAS 16</b>	<b>IPSAS 45</b>		(Note 2)
Initial Measurement (i.e., at Recognition), Elements of Cost	16	14	-	<ul style="list-style-type: none"> <li>n/a</li> </ul>
Subsequent Measurement (i.e., after Recognition)	29-59	24-51	-	<ul style="list-style-type: none"> <li>Public sector terminology (e.g., IPSAS uses “<u>historical</u> cost model”)</li> <li>Additional measurement basis (current operational value under the “<del>revaluation</del> <u>current value</u> model”)</li> </ul>
Disclosures	76	73	-	<ul style="list-style-type: none"> <li>n/a</li> </ul>
<b>Leases</b>	<b>IFRS 16</b>	<b>IPSAS 43</b>		(Note 3)
Lessee: Initial Measurement	24	25	-	<ul style="list-style-type: none"> <li>n/a</li> </ul>

Lessee: Subsequent Measurement	29-35	30-36	IPSAS 45 IPSAS 46	<ul style="list-style-type: none"> <li>Public sector terminology and measurement clarifications (e.g., IPSAS uses “<u>historical</u> cost model”, <del>revaluation</del> <u>current value</u> model”)</li> </ul>
<b>Acc. Policies, Changes in Acc. Estimates and Errors</b>	<b>IAS 8</b>	<b>IPSAS 3</b>		
Definition, “Impracticable”	5	7	-	<ul style="list-style-type: none"> <li>n/a</li> </ul>
Changes in Accounting Policies	14-31	17-36	-	<ul style="list-style-type: none"> <li>Public sector terminology (“<del>retained earnings accumulated surpluses or deficits</del>” ... “<u>net assets/equity</u>” ... “<u>reliable faithfully representative</u>”)</li> <li>Deletion of guidance related to IAS 33, <i>Earnings per Share</i>, as it is not relevant for public sector</li> </ul>
Changes in Accounting Estimates	36-38	41-43	-	<ul style="list-style-type: none"> <li>Public sector terminology (“<del>profit or loss surplus or deficit</del>” ... “<u>net assets/equity</u>” ... “<del>a loss allowance for expected credit losses</del> <u>the estimate of the amount of bad debts</u>”)</li> </ul>
<b>Borrowing Costs</b>	<b>IAS 23</b>	<b>IPSAS 5</b>		
Borrowing costs eligible for capitalization	10-15	21-29	-	<ul style="list-style-type: none"> <li>Added reference to borrowing costs directly attributable to <u>acquisition and construction</u> of the qualifying asset, and added guidance related to controlling and controlled entities</li> </ul>
<b>Presentation of Financial Statements</b>	<b>IAS 1</b>	<b>IPSAS 1</b>		(Note 4)

**Note 1:** As of February 2024, the published suite of Standards (the 2022 IPSAS Handbook) does **not** (1) include pronouncements released since May 2022 (IPSAS 44 to IPSAS 49) **nor** (2) reflect any amendments made by those pronouncements to preceding IPSAS. For thoroughness, staff considered whether recent pronouncements amended any pieces of guidance that are relevant to this specific IFRIC in this analysis.

**Note 2:** There are minor differences between IPSAS 45 and IAS 16. For example, IPSAS 45 presents measurement guidance under different subheadings (Initial Measurement and Subsequent Measurement) and includes some terminology differences to reflect public sector differences and the revised measurement Framework presented in IPSAS 46, *Measurement* and the updated Chapter 7 of the IPSASB’s *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (The “Conceptual Framework”).

**Note 3:** The scope of IFRIC 1 was revised in 2016 to apply to right-of-use assets recognized in accordance with IFRS 16 (which only arise under lessee accounting). The Basis for Conclusions (BCs) in IFRIC 1 did not include any explicit discussion on the application of IFRS 16 principles. However, BC192 in IFRS 16 implies that the IASB considered IFRIC 1 to be appropriate for remeasuring any right-of-use assets with decommissioning, restoration, and similar liabilities, and this supported its rationale for proposing consistent accounting treatment for the effects of changes in future lease payments. Thus, staff's view is that IFRIC 1 is intended to refer to guidance on a lessee's initial measurement and subsequent measurement, similar to the referred sections in IAS 16. The only noted difference between guidance relevant for this IFRIC in IAS 16/ IPSAS 45 vs. IFRS 16/IPSAS 43 is that the latter did not explicitly include disclosure requirements related to estimated costs of dismantling, removing, or restoring assets.

**Note 4:** IFRIC 1 references IAS 1 disclosure requirements, specifically: "disclosure in the statement of comprehensive income of each component of other comprehensive income or expense". IPSAS 1, IPSASB's equivalent of IAS 1, was initially developed by drawing primarily from IAS 1 but does not reflect revisions or amendments to IAS 1 since 2006. While this has resulted in some divergence in guidance, staff's view is that IAS 1 and IPSAS 1 both overall provide the same requirement that is relevant for this IFRIC: entities must present and disclose information separately, with components and subclassifications where appropriate, if doing so allows for material information to be faithfully represented and relevant for financial statement users.

## **Analyzing IFRIC 5, *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds***

### **Question**

1. Does the IPSASB agree to incorporate the proposed guidance based on IFRIC 5, *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*?

### **Recommendation**

2. Staff recommend the guidance based on IFRIC 5 into IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* be included in IPSAS, as proposed in Part 2 of [Agenda Item 5.3.1](#), as it is applicable in the public sector and helps to clarify how to apply the related guidance.

### **Background**

3. As summarized in [Agenda Item 5.2.1](#), the IPSASB decided to initiate a narrow scope amendments project to review IFRIC/SIC Interpretations<sup>6</sup> issued, but not yet considered by the IPSASB, to determine whether they are applicable and appropriate for the public sector. If so, guidance based on these IFRICs are to be incorporated into IPSAS (with any adaptations necessary) to clarify the application of existing accounting principles and overall help public sector entities apply IPSAS. This paper uses the approach agreed upon in December 2023 to analyze IFRIC 5.

### **Analysis**

*What is the nature of IFRIC 5?*

4. IFRIC 5 was issued in December 2004, effective for annual periods beginning on or after January 1, 2006. This Interpretation provides accounting guidance for contributors of decommissioning, restoration, and environmental rehabilitation funds<sup>7</sup> (i.e., “decommissioning funds”) that have **both** of the following features:
  - (a) The assets are administered separately (either by being held in a separate legal entity or as segregated assets within another entity); and
  - (b) A contributor’s right to access the assets is restricted.
5. The Interpretation specifically answers two questions (see [Appendix 2, Table 1](#) for additional details):
  - (a) How should a contributor account for its interest in a fund? – IFRIC 5 clarifies that the contributor’s accounting is based on:

---

<sup>6</sup> IFRIC and SIC Interpretations are developed by the IFRS Interpretations Committee (IFRIC) and the former Standing Interpretations Committee (SIC). Interpretations provide guidance, with its Basis for Conclusions, on the application of IFRS standards to support entities in consistently applying them. Interpretations do not revise, replace, nor add to existing accounting principles.

<sup>7</sup> The purpose of decommissioning funds is to segregate assets to fund some or all of the costs of decommissioning plant or certain equipment, or in undertaking environmental rehabilitation. Contributions to such funds may be made by one or more contributors, and may be voluntary or required by regulation or law. Such funds are generally separately administered by independent trustees who invest contributions in debt and/or equity investments to help pay the contributors’ decommissioning cost obligations, and the contributors may face access restrictions to any surplus of assets of the fund over those used to meet eligible decommissioning costs.

- (i) *Whether it is liable to pay decommissioning costs if the fund fails to pay:* If yes, recognize the obligation as a liability, and recognize its interest in the fund separately; and
  - (ii) *Whether it has control, joint control, or significant influence, over the fund* (by reference to other IFRS/IAS): If yes, account for its interest in the fund using the applicable Standard. If not, recognize the right to receive reimbursement from the fund in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and disclose it.
- (b) When a contributor has an obligation to make additional contributions, for example, in the event of the bankruptcy of another contributor, how should that obligation be accounted for? – IFRIC 5 clarifies that, in accordance with IAS 37, it is a contingent liability to be disclosed. The entity would only recognize a liability if it is probable that additional contributions will be made.
6. The Interpretation also clarifies that contributors are required to make disclosures in accordance with IAS 37, does not provide guidance on the accounting for residual interests in a fund that extends beyond a right to reimbursement when decommissioning is completed, or the fund is wound up.

*Is the referenced guidance aligned with IPSAS?*

7. IFRIC 5 primarily references guidance for the following Standards, for which there are equivalent IPSAS<sup>8</sup>:
- (a) IAS 37 – IPSAS 19 (issued 2002) is primarily drawn from IAS 37. The principles relevant to IFRIC 5 are aligned, with public sector terminology differences.
  - (b) IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* – IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors* (revised 2006) is primarily drawn from IAS 8. The principles relevant to IFRIC 5 are aligned, with public sector terminology differences.

See [Appendix 2, Table 2](#) for a comparison of IFRS and IPSAS guidance, and additional detail.

*Is the Interpretation's guidance applicable to the public sector?*

8. Each IFRIC/SIC Interpretation is intended to address a specific application matter and aims to clarify application of existing guidance to avoid divergent accounting treatments. IFRIC 5 specifically addresses how a contributor to a decommissioning fund should account for its obligation to pay decommissioning costs, and its related interest in that fund to mitigate the risk of divergent practices.
9. Public sector entities that are contributors to decommissioning funds may also find themselves in similar situations and face challenges interpreting existing IPSAS and determining how to account for its interest in that fund and any obligations to make additional contributions. This situation may become more relevant and prevalent as entities tackle new challenges as they embark on various ESG initiatives. Thus, the guidance in IFRIC 5 would also apply and be useful to the public sector. Incorporating IFRIC 5 guidance into IPSAS would help clarify application of existing accounting principles and thereby support consistent application and treatment by IPSAS users who contribute to decommissioning funds.

---

<sup>8</sup> IFRIC 5 also referred to a few other Standards in a scoping context. See [Appendix 2, Table 2](#) for more information.

10. Based on paragraphs 7 and 9, staff are of the view that guidance from IFRIC 5 is applicable in the public sector and appropriate to incorporate into IPSAS. This guidance would clarify how IPSAS users who are contributors to such decommissioning funds should apply existing accounting principles to account for its interest in that fund, and any obligations to make additional contributions.
11. IFRIC 5 primarily refers to and interprets IAS 37 accounting principles and directs users to other IFRS/IAS where appropriate. Thus, staff are of the view that:
  - (a) **Guidance based on IFRIC 5 should be incorporated into IPSAS 19 as “Appendix C”<sup>9</sup>** (except effective date and transition guidance, which should be added to core text) because the accounting principles most relevant for a contributor in considering and accounting for its rights and obligations related to its decommissioning fund are in IPSAS 19.
  - (b) **Signposts to other Standards should be included, in line with those in IFRIC 5.** In cases where IPSAS 19 guidance will not be relevant, these signposts will direct IPSAS users to applicable Standards to ensure users apply those equivalent IPSAS, where appropriate.

#### *Draft Guidance to Incorporate into IPSAS*

12. Staff propose guidance to incorporate into IPSAS 19 in Part 2 of [Agenda Item 5.3.1](#), and provide an overview of staff process and changes in [Appendix 1](#). This draft guidance:
  - (a) **Presents a draft Appendix C for IPSAS 19, using IFRIC 5 as a basis**, with modifications for the public sector and IPSAS context, and greater clarity; and
  - (b) **Proposes additional Basis for Conclusions for IPSAS 19** which is intended to reflect the IPSASB’s decision(s) on this paper at its March 2024 meeting.

#### **Decision Required**

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

---

<sup>9</sup> This proposal assumes the IPSASB agrees to the staff recommendation in [Agenda Item 5.2.2](#) related to IFRIC 1.

## **Appendix 1 – Additional Guidance on Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**

Members are *not* required to review this Appendix – it is for information purposes only.

### Proposed Guidance

Staff propose guidance as amendments to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, in **Part 2 of [Agenda Item 5.3.1](#)**.

### Overview of Staff Process and Changes

Staff used the guidance in IFRIC 5 as a basis, and made the following key changes to reflect the public sector context and consistent with IPSAS, and to enhance specific elements of the guidance for greater clarity:

- (a) *Key changes for the public sector and IPSAS*. Revisions are consistent with those made in the development of other IPSAS. Staff also use “Appendix” instead of “Interpretation” when incorporating IFRIC guidance;
  - (i) IPSAS 19 uses different terminology in certain instances. Significant examples are “revenue” and “statement of financial performance” (IPSAS 19), instead of “income” and “income statement” (IAS 37).
  - (ii) IPSAS requires an entity to use fair value (FV) or current operational value (COV) depending on whether the entity uses the asset for financial or operational capacity. The Interpretation refers to FV of the net assets of the fund, and the IASB does not have COV. Thus, staff propose to use “current value”.
  - (iii) IPSASB has made the numerous terminology changes in other IPSAS and its Conceptual Framework. Of particular note, IPSAS uses “economic benefits or service potential”, “reporting date”, “surplus or deficit”, “statement of financial performance”, and “opening accumulated surplus or deficit”. IFRS/IAS uses “economic benefits”, “end of the reporting period”, “profit or loss”, “statement of comprehensive income”, and “opening balance of retained earnings”. The IPSASB has also used “net assets/equity”, whereas the IASB uses “equity” or “other comprehensive income”.

Staff also noted that:

- (a) *The substantial guidance in Background and Scope is a useful introduction*. The Interpretations Committee intentionally included substantial introductory guidance in the Background and Scope sections, to acknowledge that there are many different types of decommissioning funds and clarify what the Interpretation is intended to address. Staff’s view is that, while verbose, it will still be useful in the public sector to provide similar clarity for users of IPSAS.
- (b) *Amendments to IPSAS 19 can be made in parallel with proposals in other Agenda Item(s)*. The analyses in Agenda Items [5.2.2](#), [5.2.3](#), [5.2.4](#), and [5.2.6](#) result in proposed amendments to IPSAS 19. Thus, the proposed additional effective date, transition, and BC paragraphs, and amendment to the Comparison with IFRS/IAS table will reflect amendments from all four Agenda Items.

**Appendix 2 – Supporting Analysis**

Members are not required to review this Appendix – it is for information purposes only.

**Table 1 – Detailed Summary of the IFRIC Guidance**

The following table provides a detailed summary of the guidance in IFRIC 5 on accounting *in the financial statements of a contributor* for interests arising from decommissioning funds, where the assets are administered separately and a contributor’s right to access the assets is restricted.

Contributor’s Considers	Assessment	Accounting Implication
(A) Accounting for an interest in a fund (and potential disclosure requirements)		
Is the contributor liable to pay decommissioning costs, even if the fund fails to pay?	Yes	<ul style="list-style-type: none"> <li>• <b>Recognize</b> the obligation to pay decommissioning costs as a liability; and</li> <li>• <b>Recognize</b> interest in the decommissioning fund separately.</li> </ul>
	No	<ul style="list-style-type: none"> <li>• The Interpretation does not provide explicit guidance. However, it is implied that under IAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i> that there is no liability recorded for those costs.</li> </ul>
Does the contributor have control or joint control of, or significant influence over, the fund?	Yes	<ul style="list-style-type: none"> <li>• <b>Account for</b> its interest in the fund in accordance with IFRS 10, <i>Consolidated Financial Statements</i>, IFRS 11, <i>Joint Arrangements</i> and IAS 28, <i>Investments in Associates and Joint Ventures</i>, accordingly.</li> </ul>
	No	<ul style="list-style-type: none"> <li>• <b>Recognize</b> the right to receive reimbursement from the fund as a reimbursement in accordance with IAS 37. This reimbursement is measured at the lower of:                             <ul style="list-style-type: none"> <li>(a) the amount of the decommissioning obligation recognized; and</li> <li>(b) the contributor’s share of the fair value of the net assets of the fund attributable to contributors.</li> </ul> </li> <li>• <b>Recognize</b> changes in the carrying value of the right to receive reimbursement (other than contributions to and payments from the fund) in profit or loss in the period in which these changes occur.</li> <li>• <b>Disclose</b> in accordance with IAS 37 paragraph 85(c).</li> </ul>
(B) Accounting for obligations to make additional contributions (and potential disclosure requirements)		
Does the contributor have an obligation to make potential additional contributions? (Note 1)	Yes	<ul style="list-style-type: none"> <li>• Is a contingent liability. <b>Recognize</b> a liability <u>only if</u> it is probable that additional contributions will be made, in accordance with IAS 37.</li> <li>• <b>Disclose</b> contingent liability in accordance with IAS 37 paragraph 86.</li> </ul>
	No	<ul style="list-style-type: none"> <li>• The Interpretation does not provide explicit guidance. However, it is implied that there would be no accounting implications.</li> </ul>

**Note 1:** For example, in the event of the bankruptcy of another contributor or if the value of the investment assets held by the fund decreases to an extent that they are insufficient to fulfil the fund’s reimbursement obligations.

**Table 2 – Table of Concordance: IFRS and IPSAS Guidance**

This Interpretation references accounting guidance in several IFRS/IAS. The following table provides information about equivalent or comparable paragraphs in IPSAS and is for reference purposes only.

Topic/Section	IFRS/IAS	IPSAS (Note 1)		Comparison
	Guidance paragraph(s)	Guidance paragraph(s)	Paragraph amended by	Nature of IPSAS's differences, if any
<b>Provisions, Contingent Liabilities and Contingent Assets</b>	<b>IAS 37</b>	<b>IPSAS 19</b>		
Contingent liabilities	27-30	35-38	-	<ul style="list-style-type: none"> <li>Public sector context (“outflow of resources embodying economic benefits <u>or service potential</u>”)</li> <li>Additional sentences to give examples</li> </ul>
Reimbursements	53-58	63-68	-	<ul style="list-style-type: none"> <li>Public sector terminology (“statement of <del>comprehensive income</del> <u>financial performance</u>”)</li> <li>Additional sentence to give an example</li> </ul>
Disclosure	85-86	98-100	-	<ul style="list-style-type: none"> <li>Public sector context (“economic benefits <u>or service potential</u>”)</li> <li>Public sector terminology (“<del>end of the reporting period</del> <u>date</u>”)</li> </ul>
<b>Accounting Policies, Changes in Accounting Estimates and Errors</b>	<b>IAS 8</b>	<b>IPSAS 3</b>		
Selection and application of accounting policies	7-12 (Note 2)	9-15	-	<ul style="list-style-type: none"> <li>Public sector terminology (“<del>reliable</del> <u>faithfully representative</u>” ... “<del>income</del> <u>revenue</u>”)</li> <li>Public sector context (“<u>accountability and</u> decision-making needs of users, references to the Qualitative Characteristics from the IPSASB’s Conceptual Framework)</li> <li>Additional sentence to give an example</li> </ul>

<b>Consolidated Financial Statements</b>	<b>IFRS 10</b>	<b>IPSAS 35</b>	(Note 3)
<b>Joint Arrangements</b>	<b>IFRS 11</b>	<b>IPSAS 37</b>	(Note 3)
<b>Investments in Associates and Joint Ventures</b>	<b>IAS 28</b>	<b>IPSAS 36</b>	(Note 3)
<b>Financial Instruments</b>	<b>IFRS 9</b>	<b>IPSAS 41</b>	(Note 4)

**Note 1:** As of February 2024, the published suite of Standards (the 2022 IPSAS Handbook) does **not** (1) include pronouncements released since May 2022 (IPSAS 44 to IPSAS 49) **nor** (2) reflect any amendments made by those pronouncements to preceding IPSAS. For thoroughness, staff considered whether recent pronouncements amended any pieces of guidance that are relevant to this specific IFRIC in this analysis.

**Note 2:** The Basis for Conclusions also considered this Standard as part of its scope consideration. While the scope of the Interpretation is set with intention, it does not prohibit its application to other situations by analogy, considering the hierarchy of criteria in these paragraphs of IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. See IFRIC 5, BC2-BC5 for further details. The equivalent paragraphs in IPSAS are aligned.

**Note 3:** When the contributor has control or joint control of, or significant influence over, the decommissioning fund, the Interpretation directs the contributor to apply IFRS 10, IFRS 11, or IAS 28 to account for its interest in the fund. Equivalent IPSAS exist, which are primarily drawn from the respective IFRS/IAS. Based on staff's comparison of the 6 Standards, there are no significant differences between the IFRS/IAS and IPSAS standards that would impact the understanding and application of this IFRIC.

**Note 4:** The scope of the Interpretation indicates that any residual interest in a fund that extends beyond a right to reimbursement, such as a contractual right to distributions once all the decommissioning has been completed or on winding up the fund, may be an equity instrument within the scope of IFRS 9. IPSAS 41 is the equivalent IPSAS, which is primarily drawn from IFRS 9. Based on staff's comparison, there are no significant differences between IFRS 9 and IPSAS 41 that would impact the understanding and application of this IFRIC.

## **Analyzing IFRIC 6, *Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment***

### **Question**

1. Does the IPSASB agree to incorporate the proposed guidance based on IFRIC 6, *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment*?

### **Recommendation**

2. Staff recommend the IPSASB incorporate guidance based on IFRIC 6 into IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, as proposed in Part 3 of [Agenda Item 5.3.1](#), as it is applicable in the public sector and would provide greater clarity for public sector entities applying the guidance.

### **Background**

3. As summarized in [Agenda Item 5.2.1](#), the IPSASB decided to initiate a narrow scope amendments project to review IFRIC/SIC Interpretations<sup>10</sup> issued, but not yet considered by the IPSASB, to determine whether they are applicable and appropriate for the public sector. If so, guidance based on these IFRICs are to be incorporated into IPSAS (with any adaptations necessary) to clarify the application of existing accounting principles and overall help public sector entities apply IPSAS. This paper uses the approach agreed upon in December 2023 to analyze IFRIC 6.

### **Analysis**

*What is the nature of IFRIC 6?*

4. IFRIC 6 was issued in September 2005, effective for annual periods beginning on or after December 1, 2005. This Interpretation provides guidance on the recognition, in the financial statements of producers, of liabilities for waste management under the European Union’s Directive on Waste Electrical and Electronic Equipment (WE&EE, or “e-waste”)<sup>11</sup> in respect of sales of historical household equipment. The Interpretation explicitly states that it does *not* address new waste nor historical waste from sources other than private households (for which the Interpretations Committee considered IAS 37 guidance to be sufficient).
5. The Interpretation specifically addresses, in the context of decommissioning WE&EE, what constitutes the obligating event for the recognition of a provision for waste management costs in accordance with IAS 37 paragraph 14(a). The Interpretation clarifies that:

---

<sup>10</sup> IFRIC and SIC Interpretations are developed by the IFRS Interpretations Committee (IFRIC) and the former Standing Interpretations Committee (SIC). Interpretations provide guidance, with its Basis for Conclusions, on the application of IFRS standards to support entities in consistently applying them. Interpretations do not revise, replace, nor add to existing accounting principles.

<sup>11</sup> WE&EE (e-waste) is one of the fastest growing waste streams, and includes a large range of devices such as mobile phones, computers, televisions, household appliances, lamps, medical devices, and photovoltaic panels. The EU’s Directive on WE&EE, a legislative act that began in 2003, regulates the collection, treatment, recovery and environmentally sound disposal of waste equipment. This has given rise to questions about when the liability for the decommissioning of WE&EE should be recognized. The European commission is currently evaluating the Directive, with intends to publish a final report in September 2024.

- (a) The obligating event is participation in the market during the measurement period, and not the manufacture or sale of electronic products;
- (b) The timing of the obligating event may be independent of when the entity performs waste management activities and incur related costs; and
- (c) There is no obligation unless and until a market share exists during the measurement period.<sup>12</sup>

*Is the referenced guidance aligned with IPSAS?*

- 6. IFRIC 6 primarily references guidance in the following Standards, for which there are equivalent IPSAS:
  - (a) IAS 37 – IPSAS 19 (issued 2002) is primarily drawn from IAS 37. The principles relevant to IFRIC 6 are aligned, with public sector terminology differences.
  - (b) IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* – IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors* (revised 2006) is primarily drawn from IAS 8. The principles relevant to IFRIC 6 are aligned, with public sector terminology differences.

See [Appendix 2](#) for a comparison of IFRS and IPSAS guidance, and additional detail.

*Is the Interpretation's guidance applicable to the public sector?*

- 7. Each IFRIC/SIC Interpretation is intended to address a specific application matter and aims to clarify application of existing guidance to avoid divergent accounting treatments. IFRIC 6 provides guidance on how to determine what constitutes the obligating event related to recognition of a provision for waste management costs, for which users may face challenges in interpreting and applying IFRS.
- 8. To determine whether the guidance is applicable to the public sector, staff consider whether that situation may also arise for public sector entities, for which IPSAS users may also benefit from the additional guidance. Staff considered whether public sector entities could exist that:
  - (a) **Produce Electrical and Electronic Equipment (EEE) for household use?** – The public sector can also be involved in EEE production for household use, particularly through the establishment and operations of state-owned enterprises<sup>13</sup>, or partial ownership in private sector companies. Involvement is expected to grow as e-waste continues to be a more prevalent source of pollution and pose major threats to the wellbeing of global constituents. Examples include the Viettel Group (in Vietnam, which produces 5G chips for use in telecommunications and other devices), and TCL Technology (in China, which manufactures and sells TVs, phones, routers, and household appliances);

---

<sup>12</sup> IFRIC 6 does not define “market share” or “measurement period” because the definition and measurement may vary substantially across jurisdictions, depending on applicable legislations. The EU provides tools, with instructions, to calculate the weight of EEE placed on the market of, and quantity of waste generated by, each Member State. The calculation tools are developed based on the same methodology, but are pre-populated with specific data from each Member State. [https://environment.ec.europa.eu/topics/waste-and-recycling/waste-electrical-and-electronic-equipment-weee/implementation-weee-directive\\_en](https://environment.ec.europa.eu/topics/waste-and-recycling/waste-electrical-and-electronic-equipment-weee/implementation-weee-directive_en)

<sup>13</sup> State-owned enterprises (SOEs) may also be referred to as public sector undertakings/enterprises, state-owned companies, publicly owned corporations, crown corporations, or other terms in different jurisdictions.

- (b) **Are required under legislation to incur costs to decommission EEE** (i.e., e-waste management costs) – Governments around the world regularly sets regulations, legislation, and other binding requirements to achieve specific social, economic, and environmental goals. E-waste management is a major environmental issue and is closely related to the progress towards Sustainable Development Goals (SDGs)<sup>14</sup>. With the growing number of electronic household devices and increased prevalence of this issue, many jurisdictions (i.e., beyond the EU) have or will implement and enforce legislation regarding e-waste, or have signed on to existing treaties (such as the Basel and Bamako Conventions); and
- (c) **Need to determine the obligating event for recognition of a provision for those costs** – Public sector entities that produce EEE for household use and are required to incur costs to decommission EEE will need to account for their e-waste management obligations accordingly, including determining the point of initial recognition.
9. At its core, IFRIC 6 addresses when an entity that produces EEE for household use and is required under legislation to pay e-waste management costs should recognize a provision. Based on paragraphs 6 and 8, staff are of the view that guidance from IFRIC 6 is applicable in the public sector and appropriate to incorporate into IPSAS. This guidance would help clarify how public sector entities in similar situations should apply existing accounting principles to determine when to recognize a provision, and thereby support consistent application by such IPSAS users.
10. IFRIC 6 primarily refers to and interprets IAS 37. Thus, staff are of the view that:
- (a) **Guidance based on IFRIC 6 should be incorporated into IPSAS 19 as “Appendix D”<sup>15</sup>** (except effective date and transition guidance, which should be added to core text) because the accounting principles most relevant for a public sector entity involved in producing EEE for household use to recognize a provision for its obligation to incur e-waste costs are in IPSAS 19; and
- (b) **Signposts to, or from, other Standards are not necessary**, as the relevant accounting guidance is in IPSAS 19 only (except for the Transitional Provision reference).

### *Draft Guidance to Incorporate into IPSAS*

11. Staff propose guidance to incorporate into IPSAS 19 in Part 3 of [Agenda Item 5.3.1](#), and provide an overview of staff process and changes in [Appendix 1](#). This draft guidance:
- (a) **Presents a draft Appendix D for IPSAS 19, using IFRIC 6 as a basis**, with modifications for the public sector and IPSAS context, and greater clarity; and
- (b) **Proposes additional Basis for Conclusions for IPSAS 19** which is intended to reflect the IPSASB’s decision(s) on this paper at its March 2024 meeting.

---

<sup>14</sup> G. Poderati and H. Ji. “A study of the legislative tools to phase out e-waste in an ever-evolving digital world: environmentally sound initiatives and measures in China, the European Union, Ghana, India, Samoa, Singapore, and South Africa.” *CERIDAP, Interdisciplinary Research Center on Public Administration Law (University of Milan)*, Mar. 2023, <https://doi.org/10.13130/2723-9195/2023-3-11>.

<sup>15</sup> This proposal assumes the IPSASB agrees to the staff recommendation in Agenda Items [5.2.2](#) and [5.2.3](#), related to IFRIC 1 and IFRIC 5, respectively.

**Decision Required**

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

## **Appendix 1 – Additional Guidance on Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment**

Members are *not* required to review this Appendix – it is for information purposes only.

### Proposed Guidance

Staff propose guidance as amendments to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, in **Part 3 of [Agenda Item 5.3.1](#)**.

### Overview of Staff Process and Changes

Staff used the guidance in IFRIC 6 as a basis, and made the following key changes to reflect the public sector context and consistent with IPSAS, and to enhance specific elements of the guidance for greater clarity:

- (a) *Key changes for the public sector and IPSAS.* Revisions are consistent with those made in the development of other IPSAS. Staff also use “Appendix” instead of “Interpretation” when incorporating IFRIC guidance. IPSAS 19 uses different terminology in certain instances. Significant examples are “revenue” and “activities” (IPSAS 19), instead of “income” and “business” (IAS 37).

Staff also noted that:

- (b) *Some guidance should be re-ordered for better alignment with IPSASB’s standard Appendix format.* IFRIC 6 quotes specific accounting guidance (relating to identifying the past event) in its Background section but does not discuss its application until a later paragraph. Staff’s view is that when incorporating into IPSAS, references to relevant accounting guidance is better situated in the “Application of IPSAS” section, rather than “Background”, of the Appendix, to improve the flow of the Appendix and be consistent with IPSASB’s past practice. See paragraph D7 and D8 in Part 3.
- (c) *References to the regulations and legislations should be expanded.* As presented in the analysis paper, the EU Directive is one of many possible regulations and legislations that exist (now or in the future) and which obligate entities producing EEE for household use to incur costs to decommission e-waste. Thus, staff propose that guidance should broadly reference legally binding regulations and legislations, of which the EU Directive is one example. See paragraphs D1 and D2 in Part 3. This also necessitates the use of “jurisdiction” rather than “Member States”.
- (d) *Amendments to IPSAS 19 can be made in parallel with proposals in other Agenda Item(s).* The analyses in Agenda Items [5.2.2](#), [5.2.3](#), [5.2.4](#), and [5.2.6](#) result in proposed amendments to IPSAS 19. Thus, the proposed additional effective date, transition, and BC paragraphs, and amendment to the Comparison with IFRS/IAS table will reflect amendments from all four Agenda Items.

**Appendix 2 – Supporting Analysis**

Members are not required to review this Appendix – it is for information purposes only.

**Table of Concordance: IFRS and IPSAS Guidance**

This Interpretation references accounting guidance in several IFRS/IAS. The following table provides information about equivalent or comparable paragraphs in IPSAS and is for reference purposes only.

	IFRS/IAS	IPSAS (Note 1)		Comparison
Topic/Section	Guidance paragraph(s)	Guidance paragraph(s)	Paragraph amended by	Nature of IPSAS’s differences, if any
<b>Provisions, Contingent Liabilities and Contingent Assets</b>	<b>IAS 37</b>	<b>IPSAS 19</b>		
Definition, Constructive Obligation	10	18	-	• n/a
Recognition, Provisions	14 17-19 20-22	22 25-27 28-30	IPSAS 45	• Public sector terminology (“ <del>operate</del> <u>continue an entity’s ongoing activities</u> ” “ <del>business</del> <u>activities</u> ” ... “ <del>end of the reporting period date</del> ” ... “economic benefits <u>or service potential</u> ”)
<b>Acc. Policies, Changes in Acc. Estimates and Errors</b>	<b>IAS 8</b>	<b>IPSAS 3</b>		
Selection and application of accounting policies	7-12	9-15	-	<ul style="list-style-type: none"> <li>• Public sector terminology (“<del>reliable</del> <u>faithfully representative</u>” ... “<del>income</del> <u>revenue</u>”)</li> <li>• Public sector context (“<u>accountability and decision-making</u> needs of users, references to the Qualitative Characteristics from the IPSASB’s Conceptual Framework)</li> <li>• Additional sentence to give an example</li> </ul>

**Note 1:** As of February 2024, the published suite of Standards (the 2022 IPSAS Handbook) does **not** (1) include pronouncements released since May 2022 (IPSAS 44 to IPSAS 49) **nor** (2) reflect any amendments made by those pronouncements to preceding IPSAS. For thoroughness, staff considered whether recent pronouncements amended any pieces of guidance that are relevant to this specific IFRIC in this analysis.

## **Analyzing IFRIC 14, IAS 19—*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction***

### **Question**

1. Does the IPSASB agree to incorporate the proposed guidance based on IFRIC 14, *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*?

### **Recommendation**

2. Staff recommend the IPSASB incorporate guidance based on IFRIC 14 into IPSAS 39, *Employee Benefits*, as proposed in Part 5 of [Agenda Item 5.3.1](#), as it is applicable in the public sector and would provide greater clarity for public sector entities applying the guidance.

### **Background**

3. As summarized in [Agenda Item 5.2.1](#), the IPSASB decided to initiate a narrow scope amendments project to review IFRIC/SIC Interpretations<sup>16</sup> issued, but not yet considered by the IPSASB, to determine whether they are applicable and appropriate for the public sector. If so, guidance based on these IFRICs are to be incorporated into IPSAS (with any adaptations necessary) to clarify the application of existing accounting principles and overall help public sector entities apply IPSAS. This paper uses the approach agreed upon in December 2023 to analyze IFRIC 14.

### **Analysis**

*What is the nature of IFRIC 14?*

4. IFRIC 14 was first issued in July 2007, effective for annual periods beginning on or after 1 January 2008.<sup>17</sup> This Interpretation provides guidance related to post-employment defined benefits and other long-term employee defined benefits, considering limits on defined benefit assets and minimum funding requirements.<sup>18</sup> IFRIC 14 is accompanied by three Illustrative Examples (IEs).
5. The Interpretation specifically addresses the following (see [Appendix 2, Table 1](#) for details):
  - (a) *When refunds or reductions in future contributions should be regarded as available in accordance with the definition of the asset ceiling in paragraph 8 of IAS 19, Employee Benefits* – The economic benefit (which can come from a right to a refund and/or a reduction in future contributions) is “available” if it can be realized at some point during the life of the plan or when plan liabilities are settled. The entity should consider the plan’s terms and conditions and any statutory requirements in the plan’s jurisdiction.

---

<sup>16</sup> IFRIC and SIC Interpretations are developed by the IFRS Interpretations Committee (IFRIC) and the former Standing Interpretations Committee (SIC). Interpretations provide guidance, with its Basis for Conclusions, on the application of IFRS standards to support entities in consistently applying them. Interpretations do not revise, replace, nor add to existing accounting principles.

<sup>17</sup> IFRIC 14 was amended in November 2009 to resolve an unintended consequence from original guidance related to the treatment of prepayments of future contributions.

<sup>18</sup> Minimum funding requirements exist in many countries to improve the security of the post-employment benefit promise made to members of an employee benefit plan. Such requirements normally stipulate a minimum amount or level of contributions that must be made to a plan over a given period. For the purposes of IFRIC 14, minimum funding requirements are any requirements to fund a post-employment or other long-term defined benefit plan.

- (b) *How a minimum funding requirement might affect the availability of reductions in future contributions* – A minimum funding requirement impacts the entity's assessment of the amount economic benefit available. This also requires consideration of any prepaid amounts that reduce future minimum funding requirement contributions.
- (c) *When a minimum funding requirement might give rise to a liability* – A liability may occur when an entity is required to make contributions to cover any existing shortfall on the minimum funding basis.

*Is the referenced guidance aligned with IPSAS?*

- 6. IFRIC 14 primarily references guidance in these Standards, for which there are equivalent IPSAS:
  - (a) IAS 19 – IPSAS 39 (issued in 2016) is primarily drawn from IAS 19. The guidance relevant to IFRIC 14 is aligned, with terminology differences for the public sector relevance.
  - (b) IAS 1, *Presentation of Financial Statements* – IPSAS 1, *Presentation of Financial Statements* (revised 2006) was initially developed by drawing primarily from IAS 1 but does not reflect revisions or amendments to IAS 1 since 2006. While this has resulted in some divergence in guidance, there has not been significant change in the principles relevant to IFRIC 14.

See [Appendix 2, Table 2](#) for a comparison of IFRS and IPSAS guidance, and additional detail.

*Is the Interpretation's guidance applicable to the public sector?*

- 7. Each IFRIC/SIC Interpretation is intended to address a specific application matter and aims to clarify application of existing guidance to avoid divergent accounting treatments. IFRIC 14 addresses accounting for post-employment defined benefits and other long-term employee defined benefits considering limits on the defined benefit asset and any minimum funding requirements. This Interpretation has been beneficial in the private sector ecosystem to address questions from constituents, and provided useful clarity for users of IAS 19.
- 8. The IPSASB has acknowledged that there are likely many cases where entities participate in defined benefit plans (IPSAS 39, BC8) and considered the IAS 19 requirements to be appropriate for the public sector. Thus, it is likely that public sector entities may also face challenges interpreting existing IPSAS and understanding how limits on the defined benefit asset and minimum funding requirements may impact its accounting. Thus, the guidance in IFRIC 14, including IEs, would also apply and be useful to the public sector. Incorporating guidance based on IFRIC 14 into IPSAS would help clarify application of existing accounting principles and thereby support consistent application by IPSAS users.
- 9. Based on paragraphs 6 and 8, staff are of the view that guidance from IFRIC 14 is applicable in the public sector and appropriate to incorporate into IPSAS. This guidance and the accompanying illustrative examples would clarify how IPSAS users should apply existing accounting principles to account for their defined benefit plans.
- 10. IFRIC 14 primarily relates to and interprets IAS 19. Thus, staff are of the view that:
  - (a) **Guidance based on IFRIC 14 should be incorporated into IPSAS 39 as “Appendix AA”** (except effective date and transition guidance, which should be added to core text) because the relevant accounting principles are in IPSAS 39; and

- (b) **Signposts to, or from, other Standards are not necessary**, as the relevant accounting guidance is in IPSAS 39 only (except for the Transitional Provision reference).

*Draft Guidance to Incorporate into IPSAS*

- 11. Staff propose guidance to incorporate into IPSAS 39 in Part 5 of [Agenda Item 5.3.1](#), and provide an overview of staff process and changes in [Appendix 1](#). This draft guidance:
  - (a) **Presents a draft Appendix AA for IPSAS 39, using IFRIC 14 and its Illustrative Examples as a basis**, with modifications for the public sector and IPSAS context, and greater clarity; and
  - (b) **Proposes additional Basis for Conclusions for IPSAS 39** which is intended to reflect the IPSASB’s decision(s) on this paper at its March 2024 meeting.

**Decision Required**

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

## **Appendix 1 – Additional Guidance on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**

Members are *not* required to review this Appendix – it is for information purposes only.

### Proposed Guidance

Staff propose guidance as amendments to IPSAS 39, *Employee Benefits*, in **Part 5 of [Agenda Item 5.3.1](#)**.

### Overview of Staff Process and Changes

Staff used the guidance in IFRIC 14 as a basis, and made the following key changes to reflect the public sector context and consistent with IPSAS, and to enhance specific elements of the guidance for greater clarity:

- (a) *Key changes for the public sector and IPSAS.* Revisions are consistent with those made in the development of other IPSAS. Staff also use “Appendix” instead of “Interpretation” when incorporating IFRIC guidance;
  - (i) IPSAS 39 uses different terminology in certain instances. Significant examples are “revenue”, “controlling” and “controlled entities” (IPSAS 39), instead of “income”, “parent” and “subsidiaries” (IAS 19).
  - (ii) IPSASB has made the numerous terminology changes in other IPSAS and its Conceptual Framework. Of particular note, IPSAS uses “economic benefits or service potential”, “reporting date”, “surplus or deficit”, and “accumulated surpluses or deficits”. IFRS/IAS uses “economic benefits” “end of the reporting period”, “profit or loss”, and “retained earnings”. The IPSASB has also used “net assets/equity”, whereas the IASB uses equity” or “other comprehensive income”.

Staff also noted that:

- (b) *Guidance in the Background section can be refined and reordered for clarity.* IFRIC 14 includes a paragraph to highlight amendments made by the IASB to remove unintended consequences related to accounting for prepayments, which would not need to be incorporated into IPSAS. Staff also note that minor re-ordering and revisions of certain paragraphs can improve the flow of guidance and be more consistent with IPSASB’s literature (e.g., aligning wording in paragraph AA9 with IPSAS 1.140).

**Appendix 2 – Supporting Analysis**

Members are not required to review this Appendix – it is for information purposes only.

**Table 1 – Detailed Summary of the IFRIC Guidance**

The following table provides a detailed summary of the guidance in IFRIC 14 on accounting for specific situations related to post-employment defined benefits and other long-term employee defined benefits.

Specific situation	Clarification on Application of Accounting Principles
<p>When refunds or reductions in future contributions (i.e., economic benefit) should be <b>regarded as available</b> in accordance with the definition of the asset ceiling in IAS 19.8</p>	<p><b>In general, the entity shall:</b></p> <ul style="list-style-type: none"> <li>○ Determine availability by considering the plan’s terms and conditions and any statutory requirements in jurisdiction;</li> <li>○ Consider an economic benefit as “available” if it can realize it (a) at some point during the life of the plan, or (b) when plan liabilities are settled (note: available economic benefit does <u>not</u> have to be realizable immediately at the end of the reporting period, and does <u>not</u> depend on how the entity intends to use the surplus);</li> <li>○ Determine the maximum economic benefit available from refunds, reductions in future contributions, or a combination of both (note: should <u>not</u> be recognized based on mutually exclusive assumptions); and</li> <li>○ Disclose information about key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment in the carrying amount of the net asset/liability.</li> </ul> <p><b>If the economic benefit is available as a refund:</b></p> <ul style="list-style-type: none"> <li>○ The entity recognizes an asset if it has an <u>unconditional</u> right to a refund.</li> <li>○ An unconditional right to a refund can exist regardless of the funding level at the end of each reporting period. It can be available (a) during the life of the plan irrespective of whether the plan liabilities are settled; (b) assuming the gradual settlement of plan liabilities over time until all plan members have left (gradual settlement, or run-off); or (c) assuming plan liabilities are fully settled in a single event (i.e., a plan wind-up).</li> <li>○ The entity measures the asset as the amount of surplus at the end of the reporting period (i.e., fair value of plan assets, less present value of the defined benefit obligation, less any associated costs (e.g., taxes)).                     <ul style="list-style-type: none"> <li>▪ If the refund is available at plan wind-up, the measurement shall include costs of settling the plan liabilities and making the refund;</li> <li>▪ If the refund amount is determined as the full amount or a proportion of the surplus (rather than a fixed amount), no adjustments should be made for the time value of money (because, as noted in IFRIC14.BC16 the present value of DBO and fair value of assets are already measured at present value basis and thus already take timing of future cash flows into account).</li> </ul> </li> </ul> <p><b>If the economic benefit is available as a reduction in future contributions:</b></p> <ul style="list-style-type: none"> <li>○ If there is no minimum funding requirement, the entity measures the asset as the entity’s future service cost over the shorter of the (1) expected life of plan and (2) expect life of entity.</li> <li>○ The future service cost excludes amounts borne by employees, and uses assumptions consistent with those used to determine the defined benefit obligation and with the situation that exists at the end of the reporting period.</li> </ul>

Specific situation	Clarification on Application of Accounting Principles
<p><b>How</b> a minimum funding requirement might <b>affect the availability</b> of reductions in future contributions</p>	<p>Minimum funding requirement may be to cover an existing shortfall for past service, and to fund future service.</p> <p><b>The economic benefit available as a reduction in future contributions is the sum of:</b></p> <p>(a) Any prepaid amounts (made before being required), that reduces future minimum funding requirement contributions for future service; and</p> <p>(b) The estimated future service cost in each period as presented above, less the estimated minimum funding requirement contributions that would be required for future service in those periods if there were no prepayments.</p> <ul style="list-style-type: none"> <li>- Use assumptions consistent with those used to determine the defined benefit obligation and with the situation that exists at the end of the reporting period.</li> <li>- Excess of future minimum funding requirement contributions over service costs in any given period should reduce the amount of economic benefit available from reduction in future contributions (to a max of zero).</li> </ul>
<p><b>When</b> a minimum funding requirement might <b>give rise to a liability</b></p>	<p><b>May occur when</b> an entity is required to make contributions to <b>cover any existing shortfall</b> on the minimum funding basis for services already received.</p> <p><b>The entity shall:</b></p> <ul style="list-style-type: none"> <li>o Determine whether contributions payable will be available as a refund or reduction in future contributions after they are paid into plan.</li> <li>o If they will not be available, recognize a liability when the obligation arises. Liability reduces net defined benefit asset, or increase net defined benefit liability so that no gain or loss is expected when contributions are paid.</li> </ul>

**Table 2 – Table of Concordance: IFRS and IPSAS Guidance**

This Interpretation references accounting guidance in several IFRS/IAS. The following table provides information about equivalent or comparable paragraphs in IPSAS and is for reference purposes only.

	IFRS/IAS	IPSAS (Note 1)		Comparison
Topic/Section	Guidance paragraph(s)	Guidance paragraph(s)	Paragraph amended by	Nature of IPSAS's differences, if any
<b>Employee Benefits</b>	<b>IAS 19</b>	<b>IPSAS 39</b>		
Definitions, Asset Ceiling	8	8	-	• n/a
Post-Employment Benefits—Defined Benefit Plans, Recognition and Measurement	56-65	58-67	-	• Public sector terminology (“ <del>profit or loss surplus or deficit</del> ” ... “ <del>other comprehensive income net assets/equity</del> ”)
<b>Presentation of Financial Statements</b>	<b>IAS 1</b>	<b>IPSAS 1</b>		(Note 2)
Key sources of estimation uncertainty	125-133	140-148	IPSAS 45 IPSAS 46	<ul style="list-style-type: none"> <li>• Public sector terminology (“<del>end of the reporting period date</del>”) and other minor editorial differences for greater public sector applicability</li> <li>• Addition of current operational value as a current value measurement basis and other editorials for consistency in measurement terminology</li> </ul>

**Note 1:** As of February 2024, the published suite of Standards (the 2022 IPSAS Handbook) does **not** (1) include pronouncements released since May 2022 (IPSAS 44 to IPSAS 49) **nor** (2) reflect any amendments made by those pronouncements to preceding IPSAS. For thoroughness, staff considered whether recent pronouncements amended any pieces of guidance that are relevant to this specific IFRIC in this analysis.

**Note 2:** IFRIC 14 refers to IAS 1 guidance related to the disclosure of information about the key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. IPSAS 1, IPSASB’s equivalent of IAS 1, was initially developed by drawing primarily from IAS 1 but does not reflect revisions or amendments to IAS 1 since 2006. While this has resulted in some divergence in guidance, there has not been significant change in guidance related to key sources of estimation uncertainty, and the noted disclosure requirement.

## Analyzing IFRIC 21, *Levies*

### Question

1. Does the IPSASB agree to incorporate the proposed guidance based on IFRIC 21, *Levies*?

### Recommendation

2. Staff recommend the IPSASB incorporate guidance based on IFRIC 21 into IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, as proposed in Part 6 of [Agenda Item 5.3.1](#), as it is applicable in the public sector and would provide greater clarity for public sector entities applying the guidance.

### Background

3. As summarized in [Agenda Item 5.2.1](#), the IPSASB decided to initiate a narrow scope amendments project to review IFRIC/SIC Interpretations<sup>19</sup> issued, but not yet considered by the IPSASB, to determine whether they are applicable and appropriate for the public sector. If so, guidance based on these IFRICs are to be incorporated into IPSAS (with any adaptations necessary) to clarify the application of existing accounting principles and overall help public sector entities apply IPSAS. This paper uses the approach agreed upon in December 2023 to analyze IFRIC 21.

### Analysis

*What is the nature of IFRIC 21?*

4. IFRIC 21 was issued in May 2013, effective for annual periods beginning on or after January 1, 2014. This Interpretation provides guidance on the accounting for a liability to pay a levy<sup>20</sup> imposed by a government, for levies that are accounted for in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and levies where the timing and amount of the levy is certain. IFRIC 21 is also accompanied by four Illustrative Examples (IEs) to illustrate how an entity should account for a liability to pay a levy in its financial statements.
5. The Interpretation specifically addresses the following six questions:
  - (a) *What is the obligating event that gives rise to the recognition of a liability to pay a levy?* – The activity that triggers payment of the levy, as identified by the relevant legislation.
  - (b) *Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?* – No, an entity does not have such a constructive obligation to pay a levy.

---

<sup>19</sup> IFRIC and SIC Interpretations are developed by the IFRS Interpretations Committee (IFRIC) and the former Standing Interpretations Committee (SIC). Interpretations provide guidance, with its Basis for Conclusions, on the application of IFRS standards to support entities in consistently applying them. Interpretations do not revise, replace, nor add to existing accounting principles.

<sup>20</sup> For the purposes of IFRIC 21, a levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e., laws and/or regulations) other than: (a) those outflows of resources that are within the scope of other Standards, and (b) fines or other penalties that are imposed for breaches of the legislation. There is no definition for “levy” in IPSAS. IPSAS 47, *Revenue* defines “other compulsory contributions and levies” from the government (recipient) perspective and is consistent with IFRIC 21’s description.

- (c) *Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?* – No, that is not implied.
  - (d) *Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?* – Both are possible. The liability is recognized progressively over time if the obligating event itself occurs over a period time.
  - (e) *What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?* – The same recognition principles apply when there is a minimum threshold requirement. The obligating event that triggers recognition of the liability is the reaching of the minimum threshold.
  - (f) *Are the principles for recognizing in the annual financial statements and in the interim financial report a liability to pay a levy the same?* – The same recognition principles apply.
6. The Interpretation clarifies that an entity should recognize a liability to pay a levy at the end of the reporting period if there is a present obligation to pay the levy. If the entity has prepaid a levy for which it does not yet have a present obligation to pay, the entity shall recognize an asset.

*Is the referenced guidance aligned with IPSAS?*

7. IFRIC 21 primarily references guidance in these Standards, for which there are equivalent IPSAS:
- (a) IAS 37 – IPSAS 19 (issued 2002) is primarily drawn from IAS 37. The principles relevant to IFRIC 21 are aligned, with terminology differences for the public sector relevance.
  - (b) IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* – IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors* (revised 2006) is primarily drawn from IAS 8. The principles relevant to IFRIC 21 are aligned, with public sector terminology differences.
  - (c) IAS 1, *Presentation of Financial Statements* – IPSAS 1, *Presentation of Financial Statements* (revised 2006) was initially developed by drawing primarily from IAS 1 but does not reflect revisions or amendments to IAS 1 since 2006. While this has resulted in some divergence in guidance, there has not been significant change in the principles relevant to IFRIC 21.

See [Appendix 2](#) for a comparison of IFRS and IPSAS guidance, and additional detail.

*Is the Interpretation's guidance applicable to the public sector?*

8. Each IFRIC/SIC Interpretation is intended to address a specific application matter and aims to clarify application of existing guidance to avoid divergent accounting treatments. IFRIC 21 addresses accounting for the obligation to pay such a levy, because there was diversity in practice.
9. The public sector includes national and sub-national governments, related governmental entities, and international public sector organizations.<sup>21</sup> Some public sector entities may also find themselves in similar situations and face challenges interpreting existing IPSAS and determining how to account for an obligation to pay such levies. Thus, the guidance in IFRIC 21 and its IEs, would also apply and be useful to the public sector. Incorporating IFRIC 21 guidance into IPSAS<sup>22</sup> would help clarify

---

<sup>21</sup> The IPSASB's *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*, Preface.

<sup>22</sup> Some adjustments are necessary, as some IFRIC 21 guidance is not relevant to IPSAS (assessed in [Appendix 2](#)).

application of existing accounting principles and thereby support consistent application and treatment of changes by IPSAS users.

10. Based on paragraphs 7 and 9, staff are of the view that guidance from IFRIC 21 is applicable in the public sector and appropriate to incorporate into IPSAS. This guidance and the accompanying illustrative examples would clarify how IPSAS users should apply existing accounting principles to account for a liability to pay a levy in the scope of IPSAS 19, and where the timing and amount is certain.
11. IFRIC 21 primarily refers to and interprets IAS 37. Thus, staff are of the view that:
  - (a) **Guidance based on IFRIC 21 should be incorporated into IPSAS 19 as “Appendix E”<sup>23</sup>** (except effective date and transition guidance, which should be added to core text) because the accounting principles most relevant for a public sector entity accounting for its obligation to pay such levies are in IPSAS 19; and
  - (b) **Signposts to, or from, other Standards are not necessary**, as the relevant accounting guidance is in IPSAS 19 only (except for the Transitional Provision reference).

#### *Draft Guidance to Incorporate into IPSAS*

12. Staff propose guidance to incorporate into IPSAS 19 in Part 6 of [Agenda Item 5.3.1](#), and provide an overview of staff process and changes in [Appendix 1](#). This draft guidance:
  - (a) **Presents a draft Appendix E for IPSAS 19, using IFRIC 21 and its Illustrative Examples as a basis**, with modifications for the public sector and IPSAS context, and greater clarity; and
  - (b) **Proposes additional Basis for Conclusions for IPSAS 19** which is intended to reflect the IPSASB’s decision(s) on this paper at its March 2024 meeting.

#### **Decision Required**

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

---

<sup>23</sup> This proposal assumes the IPSASB agrees to the staff recommendation in Agenda Items [5.2.2](#), [5.2.3](#), and [5.2.4](#) related to IFRIC 1, IFRIC 5, and IFRIC 6, respectively.

## **Appendix 1 – Additional Guidance on Levies**

Members are not required to review this Appendix – it is for information purposes only.

### Proposed Guidance

Staff propose guidance as amendments to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, in **Part 6 of [Agenda Item 5.3.1](#)**.

### Overview of Staff Process and Changes

Staff used the guidance in IFRIC 21 as a basis, and made the following key changes to reflect the public sector context and consistent with IPSAS, and to enhance specific elements of the guidance for greater clarity:

- (a) *Key changes for the public sector and IPSAS.* Revisions are consistent with those made in the development of other IPSAS. Staff also use “Appendix” instead of “Interpretation” when incorporating IFRIC guidance.
  - (i) IPSAS 19 uses different terminology in certain instances. Significant examples are “revenue” and “activities” (IPSAS 19), instead of “income” and “business” (IAS 37).
  - (ii) IPSASB has made the numerous terminology changes in other IPSAS and its Conceptual Framework. Of particular note, IPSAS uses “economic benefits or service potential”, and “reporting date”. IFRS/IAS uses “economic benefits” “end of the [annual] reporting period”.
- (b) *Removing references to interim financial reporting.* IFRIC 21 provides clarification that the principles for recognizing a liability to pay a levy in annual financial statements and in interim financial reports are the same. As presented in Appendix 1, IPSAS does not include an equivalent Standard for *Interim Financial Reporting* and does not refer to interim financial reports in its Standards. Thus, the proposed guidance below excludes IFRIC 21 guidance and Illustrative Example paragraphs related to interim financial reports.
- (c) *Removing the example reference to income taxes.* IFRIC 21 makes a reference to IAS 12 as a scope example (“...within the scope of other Standards, such as income taxes...”). Staff’s proposed guidance retains the scope reference to other IPSAS, but without the explicit income tax example.

Staff also noted that:

- (d) *Background guidance could be revised to better align with the IPSASB’s standard format.* IFRIC 21 explicitly refers to questions received from IASB constituents and presents certain scope/application guidance across multiple paragraphs. To better incorporate this guidance in the IPSASB’s literature, staff have proposed to summarize key elements of the Interpretation’s guidance in the “Introduction” section (below), with minor re-ordering. This would improve the overall flow and be consistent with IPSASB’s past practice.
- (e) *Amendments to IPSAS 19 can be made in parallel with proposals in other Agenda Item(s).* The analyses in Agenda Items [5.2.2](#), [5.2.3](#), [5.2.4](#), and [5.2.6](#) result in proposed amendments to IPSAS 19. Thus, the proposed additional effective date, transition, and BC paragraphs, and amendment to the Comparison with IFRS/IAS table will reflect amendments from all four Agenda Items.

## Appendix 2 – Supporting Analysis

Members are not required to review this Appendix – it is for information purposes only.

### Table of Concordance: IFRS and IPSAS Guidance

This Interpretation references accounting guidance in several IFRS/IAS. The following table provides information about equivalent or comparable paragraphs in IPSAS and is for reference purposes only.

	IFRS/IAS	IPSAS (Note 1)		Comparison
Topic/Section	Guidance paragraph(s)	Guidance paragraph(s)	Paragraph amended by	Nature of IPSAS's differences, if any
<b>Provisions, Contingent Liabilities and Contingent Assets</b>	<b>IAS 37</b>	<b>IPSAS 19</b>		
Definition, Provision	10	18	-	• n/a
Definition, Liability	10	(Note 2)	-	• Public sector context (“economic benefits <u>or service potential</u> ”)
Recognition, Provisions	14 17-19	22 25-27	IPSAS 45	• Public sector terminology (“ <del>operate</del> <u>continue an entity's ongoing activities</u> ” “ <del>business</del> <u>activities</u> ” ... “ <del>end of the reporting period</del> <u>date</u> ” ... “economic benefits <u>or service potential</u> ”)
<b>Accounting Policies, Changes in Accounting Estimates and Errors</b>	<b>IAS 8</b>	<b>IPSAS 3</b>		
Changes in Accounting Policies	14-31	17-36	-	• Public sector terminology (“ <del>retained earnings</del> <u>accumulated surpluses or deficits</u> ” ... “ <u>net assets/equity</u> ” ... “ <u>reliable faithfully representative</u> ”) • Deletion of guidance related to IAS 33, <i>Earnings per Share</i> , as it is not relevant for public sector
<b>Accounting for Government Grants and Disclosure of Government Assistance</b>	<b>IAS 20</b>	<b>n/a</b>		(Note 3, Note 4)
<b>Related Party Disclosures</b>	<b>IAS 24</b>	<b>IPSAS 20</b>		(Note 3)

<b>Income Taxes</b>	<b>IAS 12</b>	<b>n/a</b>		(Note 4)
<b>Interim Financial Reporting</b>	<b>IAS 34</b>	<b>n/a</b>		(Note 4)
<b>Presentation of Financial Statements</b>	<b>IAS 1</b>	<b>IPSAS 1</b>		(Note 5)
Going Concern	24-26	38-41	-	<ul style="list-style-type: none"> <li>Additional guidance on degree of consideration, for application in the public sector.</li> </ul>

**Note 1:** As of February 2024, the published suite of Standards (the 2022 IPSAS Handbook) does **not** (1) include pronouncements released since May 2022 (IPSAS 44 to IPSAS 49) **nor** (2) reflect any amendments made by those pronouncements to preceding IPSAS. For thoroughness, staff considered whether recent pronouncements amended any pieces of guidance that are relevant to this specific IFRIC in this analysis.

**Note 2:** The IASB presents the definition of a “liability” in IAS 37. However, the IPSASB does not present its definition of a “liability” in the equivalent IPSAS (19); rather, it presents the definition IPSAS 1, *Presentation of Financial Statements*, paragraph 7. Thus, the comparison compares the IAS 37 definition against the IPSAS 1 definition.

**Note 3:** The Interpretations Committee refers to these two standards for their definition of the term “government”: “*Government* refers to government, government agencies and similar bodies whether local, national or international.” IPSAS does not formally define ‘government’ but uses the term with the same meaning.

**Note 4:** There is no equivalent IPSAS for IAS 12 or IAS 34. There is also no equivalent IPSAS for IAS 20, which the IPSASB considered during its development of IPSAS 47, *Revenue* and decided not to incorporate into IPSAS literature.

**Note 5:** The Basis for Conclusions of IFRIC 21 reference IAS 1 guidance related to the going concern assumption. IPSAS 1, IPSASB’s equivalent of IAS 1, was initially developed by drawing primarily from IAS 1 but does not reflect revisions or amendments to IAS 1 since 2006. While this has resulted in some divergence in guidance, there has not been significant change in guidance related to going concern.

## **Analyzing SIC 7, *Introduction of the Euro***

### **Question**

1. Does the IPSASB agree to incorporate the proposed guidance based on SIC 7, *Introduction of the Euro*?

### **Recommendation**

2. Staff recommend the IPSASB incorporate guidance based on SIC 7 into IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*, as proposed in in Part 7 of [Agenda Item 5.3.1](#), as it is applicable in the public sector and would provide greater clarity for public sector entities applying the guidance.

### **Background**

3. As summarized in [Agenda Item 5.2.1](#), the IPSASB decided to initiate a narrow scope amendments project to review IFRIC/SIC Interpretations<sup>24</sup> issued, but not yet considered by the IPSASB, to determine whether they are applicable and appropriate for the public sector. If so, guidance based on these IFRICs are to be incorporated into IPSAS (with any adaptations necessary) to clarify the application of existing accounting principles and overall help public sector entities apply IPSAS. This paper uses the approach agreed upon in December 2023 to analyze SIC 7.

### **Analysis**

*What is the nature of SIC 7?*

4. SIC 7 was issued in May 1998, and was effective on June 1, 1998. The euro became a currency in its own right on January 1, 1999 as a result of the Economic and Monetary Union (EMU). This Interpretation provides guidance on how to account for the changeover from national currencies of participating Member States in the European Union to the euro, in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*.
5. The Interpretation clarifies that the IAS 21 requirements regarding the translation of foreign currency transactions and financial statements of foreign operations should be strictly applied to the changeover from a country's national currency to the euro when it joins the EMU. Specifically:
  - (a) Foreign currency monetary asset and liabilities shall continue to be translated into the functional currency at the closing rate. Any resultant exchange differences shall be recognized as income or expense immediately;
  - (b) Cumulative exchange differences relating to the translation of financial statements of foreign operations that are recognized in other comprehensive income shall be accumulated in equity. The amount is reclassified into profit or loss on disposal or partial disposal of the net investment in foreign operations; and
  - (c) Exchange differences from translations of liabilities denominated in participating currencies shall not be included in the carrying amount of related assets.

---

<sup>24</sup> IFRIC and SIC Interpretations are developed by the IFRS Interpretations Committee (IFRIC) and the former Standing Interpretations Committee (SIC). Interpretations provide guidance, with its Basis for Conclusions, on the application of IFRS standards to support entities in consistently applying them. Interpretations do not revise, replace, nor add to existing accounting principles.

*Is the referenced guidance aligned with IPSAS?*

6. SIC 7 primarily references guidance in these Standards, for which there are equivalent IPSAS:
  - (a) IAS 21 – IPSAS 4 (revised 2008) is primarily drawn from IAS 21. The principles relevant to SIC 7 are aligned, with public sector terminology differences.
  - (b) IAS 10, *Events after the Reporting Period* – IPSAS 14, *Events after the Reporting Date* (revised 2006) is primarily drawn from IAS 10. The principles relevant to SIC 7 are aligned, with public sector terminology differences.
  - (c) IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* – IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors* (revised 2006) is primarily drawn from IAS 8. The principles relevant to SIC 7 are aligned, with public sector terminology differences.

See [Appendix 2](#) for a comparison of IFRS and IPSAS guidance, and additional detail.

*Is the Interpretation's guidance applicable to the public sector?*

7. Each IFRIC/SIC Interpretation is intended to address a specific application matter and aims to clarify application of existing guidance to avoid potential divergent accounting treatments. SIC 7 specifically addresses the application of IAS 21 for countries changing from their national currencies to the euro. Since its inception, participation in the EMU and adoption of the euro continue to grow and change, and as member states transition between the three states of implementation. In the past decade, three countries have joined the third stage of the EMU and adopted the euro (Latvia in 2014, Lithuania in 2015, and Croatia in 2023).
8. Public sector entities in participating countries who adopt the euro will find themselves in similar situations and face challenges interpreting existing IPSAS and determining how to account for the changeover to the euro. Thus, the guidance in SIC 7 would also apply and be useful to the public sector. Incorporating SIC 7 guidance into IPSAS would help clarify application of existing accounting principles and thereby support consistent application and treatment of changes by IPSAS users.
9. Based on paragraphs 6 and 8, staff are of the view that guidance from SIC 7 is applicable in the public sector and appropriate to incorporate into IPSAS. This guidance would clarify how IPSAS users should apply existing accounting principles to account for the changeover to the euro.
10. SIC 7 primarily refers to and interprets IAS 21. Thus, staff are of the view that:
  - (a) **Guidance based on SIC 7 should be incorporated into IPSAS 4 as “Appendix B”** (except effective date and transition guidance, which should be added to core text) because the accounting principles most relevant for a public sector entity accounting for its change to the euro are in IPSAS 4; and
  - (b) **Signposts to, or from, other Standards are not necessary**, as the relevant accounting guidance is in IPSAS 19 only (except for the Transitional Provision reference).

*Draft Guidance to Incorporate into IPSAS*

11. Staff propose guidance to incorporate into IPSAS 4 in Part 7 of [Agenda Item 5.3.1](#), and provides an overview of staff process and changes in [Appendix 1](#). This draft guidance:

- (a) **Presents a draft Appendix B for IPSAS 4, using SIC 7 as a basis**, with modifications for the public sector and IPSAS context, and greater clarity;
- (b) **Proposes additional Basis for Conclusions for IPSAS 4** which is intended to reflect the IPSASB’s decision(s) on this paper at its March 2024 meeting.

### Decision Required

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

## **Appendix 1 – Additional Guidance on Introduction of the Euro**

Members are *not* required to review this Appendix – it is for information purposes only.

### Proposed Guidance

Staff propose guidance as amendments to IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*, in **Part 7 of [Agenda Item 5.3.1](#)**.

### Overview of Staff Process and Changes

Staff used the guidance in SIC 7 as a basis, and made the following key changes to reflect the public sector context and consistent with IPSAS, and to enhance specific elements of the guidance for greater clarity:

- (a) *Key changes for the public sector and IPSAS.* Revisions are consistent with those made in the development of other IPSAS. Staff also use “Appendix” instead of “Interpretation” when incorporating IFRIC guidance;
- (i) IPSAS 4 uses different terminology in certain instances. Significant examples are “revenue”, “financial performance”, IPSAS 4), instead of “income”, “results” (IAS 37).
  - (ii) IPSASB has made the numerous terminology changes in other IPSAS and its Conceptual Framework. Of particular note, IPSAS uses “economic benefits or service potential”, “reporting date”, “surplus or deficit”, and “statement of financial performance”. IFRS/IAS uses “economic benefits” “end of the reporting period”, “profit or loss”, and “statement of comprehensive income”. The IPSASB has also used “net assets/equity”, whereas the IASB uses “other comprehensive income”.

Staff also noted that both IPSAS 4 and IAS 37 do not apply to hedge accounting for foreign currency items, and direct users to apply IPSAS 41 and IFRS 9, respectively. However, SIC 7 still includes accounting guidance related to exchange gain/losses related to hedges, without direct reference to IFRS 9. In order to be consistent with IPSAS 4 paragraph 31, staff propose to that comparable guidance direct an entity to IPSAS 41 instead (see paragraph B4(a) in Part 7).

**Appendix 2 – Supporting Analysis**

Members are not required to review this Appendix – it is for information purposes only.

**Table of Concordance: IFRS and IPSAS Guidance**

This Interpretation references accounting guidance in several IFRS/IAS. The following table provides information about equivalent or comparable paragraphs in IPSAS and is for reference purposes only.

	IFRS/IAS	IPSAS (Note 1)		Comparison
Topic/Section	Guidance paragraph(s)	Guidance paragraph(s)	Paragraph amended by	Nature of IPSAS’s differences, if any
<b>The Effects of Changes in Foreign Exchange Rates</b>	<b>IAS 21</b>	<b>IPSAS 4</b>		
Scope	5	5	-	• n/a
Definitions, foreign currency monetary items	8	10	-	• n/a
Reporting foreign currency transactions in the functional currency, Reporting at the ends of subsequent reporting periods	23-24	27-28	IPSAS 46	<ul style="list-style-type: none"> <li>• Public sector terminology (“<del>end of the reporting period date</del>”)</li> <li>• Addition of current operational value as a current value measurement basis</li> </ul>
Reporting foreign currency transactions in the functional currency, Recognition of exchange differences	28, 32	32, 37	-	<ul style="list-style-type: none"> <li>• Public sector terminology (“<del>profit or loss surplus or deficit</del>” ... “<del>subsidiary controlled entity</del>” ... “<del>other comprehensive income and reclassified from equity to profit or loss a separate component of net assets/equity and recognized in surplus or deficit</del>”)</li> </ul>
Use of presentation currency other than functional currency, translation to presentation currency	39	44	-	<ul style="list-style-type: none"> <li>• Public sector terminology (“<del>results financial performance</del>” ... “<del>income revenue</del>” ... “<del>statement presenting profit or loss and other comprehensive income of financial performance ... as a separate component of net assets/equity</del>”)</li> </ul>

Use of presentation currency other than functional currency, Disposal or partial disposal of a foreign operation	48	57	-	<ul style="list-style-type: none"> <li>Public sector terminology (“<del>other comprehensive income</del> and accumulated in a separate component of <u>net assets/equity</u>” ... “<del>profit or loss surplus or deficit</del>”)</li> </ul>
<b>Events after the Reporting Period / Date</b>	<b>IAS 10</b>	<b>IPSAS 14</b>		
Non-adjusting events after the reporting period	10	12	-	<ul style="list-style-type: none"> <li>n/a</li> </ul>
<b>Accounting Policies, Changes in Accounting Estimates and Errors</b>	<b>IAS 8</b>	<b>IPSAS 3</b>		
Changes in accounting policies	14-31	17-36	-	<ul style="list-style-type: none"> <li>Public sector terminology (“<del>retained earnings accumulated surpluses or deficits</del>” ... “<u>net assets/equity</u>” ... “<del>reliable faithfully representative</del>”)</li> <li>Deletion of guidance related to IAS 33, <i>Earnings per Share</i>, as it is not relevant for public sector</li> </ul>

**Note 1:** As of February 2024, the published suite of Standards (the 2022 IPSAS Handbook) does **not** (1) include pronouncements released since May 2022 (IPSAS 44 to IPSAS 49) **nor** (2) reflect any amendments made by those pronouncements to preceding IPSAS. For thoroughness, staff considered whether recent pronouncements amended any pieces of guidance that are relevant to this specific IFRIC in this analysis.

## **Approval of [draft] Exposure Draft (ED) [XX], *Amendments to Address IFRIC/SIC Interpretations***

### **Question**

1. Does the IPSASB agree to approve [draft] Exposure Draft (ED) [XX], *Amendments to Address IFRIC/SIC Interpretations* with a 60-day exposure period?

### **Recommendation**

2. Staff recommend the IPSASB:
  - (a) Approve ED [XX], *Amendments to Address IFRIC/SIC Interpretations* ([Agenda Item 5.3.1](#)), subject to any revisions proposed by the IPSASB, for exposure; and
  - (b) Expose the ED for a 60-day exposure period.

### **Background**

3. This narrow scope amendments project reviewed IFRIC/SIC Interpretations issued but not yet considered by the IPSASB to determine whether they are applicable and to be incorporated into IPSAS. The review has resulted in a high volume of proposed guidance, based on the Interpretations, to clarify accounting principles and their application to specific situations that may occur in the public sector. Exposing the proposed guidance as a separate standalone IPSAS would support constituents in considering and responding to the ED<sup>25</sup> and give prominence to the IPSASB's work to consider all IFRIC/SIC Interpretations issued to date before it begins new work under its 2024-2028 Strategy and Work Program.
4. This paper is intended to facilitate the formal voting process to approve the ED for exposure and help the IPSASB decide on its exposure period.

### **Analysis**

#### *ED Number and Title*

5. The ED number will be assigned based on the IPSASB's decisions at its March 2024 meeting on this Agenda Item and Agenda Item 6.
6. Staff propose the IPSASB use the title "*Amendments to Address IFRIC/SIC Interpretations*" to clearly reflect the substance of the proposed amendments in the ED.

#### *ED Structure and Content*

7. The structure of ED [XX], *Amendments to Address IFRIC/SIC Interpretations* was developed consistent with the IPSASB's past approach.

---

<sup>25</sup> The IPSASB is on track to approve and issue at least five EDs for constituent comment in the next few months. As of February 2024, the IPSASB may approve one ED in March 2024 (Other Arrangements Conveying Rights over Assets), three EDs in June 2024 (Natural Resources, Application of Current Operational Value, and Improvements to IPSAS 2024), and one ED in September 2024 (Climate-Related Disclosures). A majority of these EDs would be open for comment in the same months, which may pose a significant burden on constituents' resources. Exposing guidance proposed in this project in April will enable constituents to better balance resources in considering and responding to the numerous EDs anticipated in 2024.

8. The content of ED [XX], *Amendments to Address IFRIC/SIC Interpretations* is a compilation of proposed guidance based on the analysis in preceding agenda items:
- (a) Part 1 – based on analysis in [Agenda Item 5.2.2](#);
  - (b) Part 2 – based on analysis in [Agenda Item 5.2.3](#);
  - (c) Part 3 – based on analysis in [Agenda Item 5.2.4](#);
  - (d) Part 4 – reviewed by the IPSASB in December 2023 [Agenda Item 10.2.2](#) (with minor editorial changes to improve consistency of formatting and wording with other proposed amendments);
  - (e) Part 5 – based on analysis in [Agenda Item 5.2.5](#);
  - (f) Part 6 – based on analysis in [Agenda Item 5.2.6](#); and
  - (g) Part 7 – based on analysis in [Agenda Item 5.2.7](#).

#### *Exposure Period*

9. The IPSASB's [Due Process and Working Procedures](#) states that public exposure periods for draft international standards are ordinarily 120 days, but exposure periods for Improvements EDs are generally 60 days due to the consequential nature of changes.
10. As presented in December 2023, IFRIC/SIC Interpretations and IASB's Annual Improvements are similar in nature, and do not change any of the accounting principles. Both have previously been considered by the IPSASB and issued together as part of the annual *Improvements to IPSAS*. Thus, staff are of the view that using the same exposure period of 60 days would be appropriate.
11. Staff can analyze constituent responses to the ED in Q3, for IPSASB review in September 2024.

#### **Decision Required**

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

**Supporting Document – [draft] Exposure Draft (ED) [XX], *Amendments to Address IFRIC/SIC Interpretations***

1. The [draft] Exposure Draft (ED) [XX], *Amendments to Address IFRIC/SIC Interpretations* is posted separately for easier readability.
2. As noted in [Agenda Item 5.2.8](#), the content of the ED is a compilation of proposed guidance based on the analysis of the seven IFRIC/SIC Interpretations in the scope of this narrow scope amendments project. It also includes the standard Introduction and Overview sections, consistent with the IPSASB's format on Improvements to IPSAS EDs.
3. IPSASB members are encouraged to provide editorial comments to staff offline.