IMPLEMENTING IPSAS: A GUIDE FOR TRAINERS

How to Use the Materials

2024 Edition

Contents

Implementing IPSAS: A Guide for Trainers

How to Use the Materials

Introduction

This guide on using the materials in the *Implementing IPSAS: A Guide for Trainers* provides tips and suggestions on how the materials can be used to deliver the training, both in person and online. The materials are designed to be used flexibly. The best approach to delivering the training will depend on the presenter's style; whether the training is being delivered in person, online or a mixture of the two; and the existing knowledge of the participants. Consequently, while this guide provides suggestions, it will be up to each presenter to determine their own approach to delivering training.

Course Coverage

The course provides an introduction to the full suite of IPSAS (with some minor omissions that are less relevant to most public sector entities). It is not intended to provide a detailed understanding of individual standards. In particular, more technically complex topics such as financial instruments and defined benefit plans are covered in outline, rather than detail.

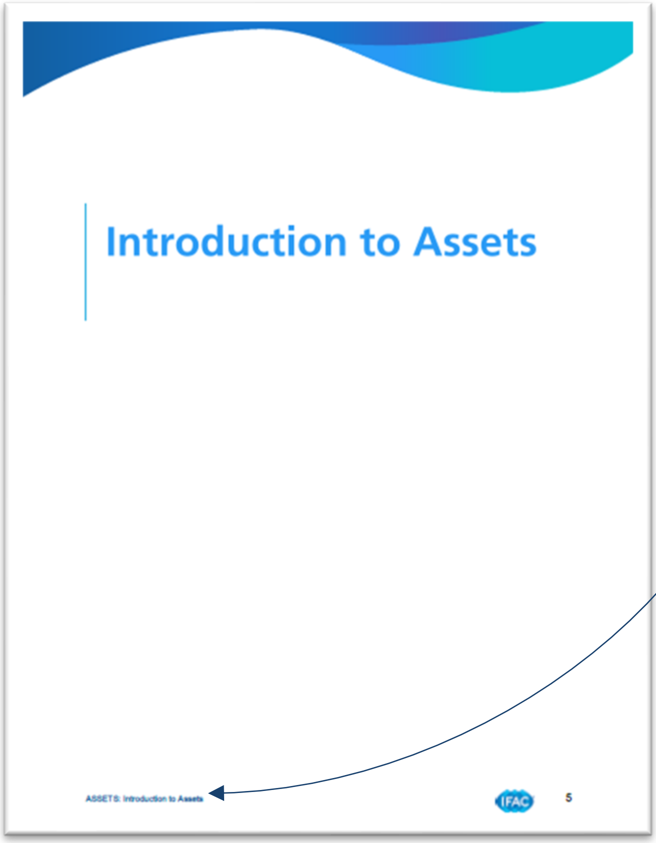
The course is designed to be capable of being delivered over five full days. Some standards that are less relevant to entities adopting accrual for the first time are covered in less detail to allow this to be possible (for example, there is limited coverage of internally generated intangible assets because of the difficulties entities face in recognizing such assets prior to adopting accrual accounting). Presenters may wish to tailor the content to suit their participants' needs. For example, if participants' organizations do not have service concession arrangements, it may be more helpful to participants to spend more time on other topics.

The course is modular. Consequently, it can be delivered in whatever manner suits the needs of the participants and the presenter's preferred approach. Topics are, as far as possible, stand alone, so that they can be delivered as individual sessions. In some cases, additional material from other topics may be needed for a full understanding of a topic. For example, impairment and borrowing costs are included as part of property, plant and equipment topic. If another topic, for example investment property, is being presented as a stand-alone session, presenters may want to consider adding the borrowing costs and impairment material to the investment property topic.

Topics are grouped into modules of related topics. However, presenters may choose to structure training differently depending on participants needs. As an example, the leases topic is included in the assets module, because many public sector entities are lessees. If participants' organizations are primarily lessors, it may be more helpful to present the leases topic as part of the liabilities module.

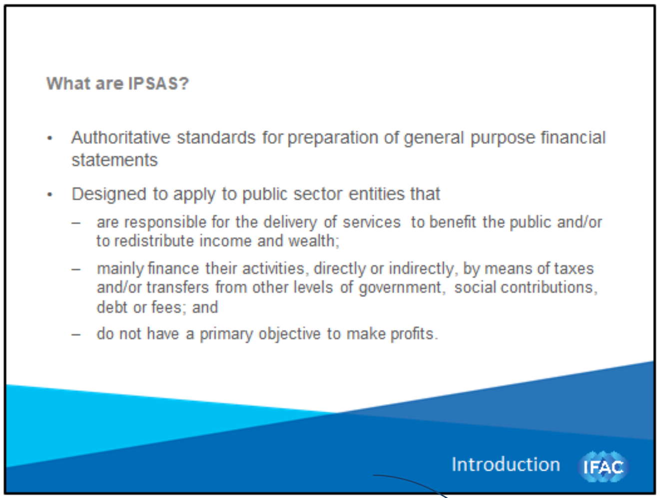
The course materials include one slide deck and one chapter of a module for each topic. The title of the topic is shown on the first slide of the slide deck.

In the module, the title of a topic is shown at the start of each topic, and in the footer of each page covering that topic.



Each slide is replicated in the relevant chapter of the module. The module then provides further detail to supplement the content on the slide. Where the slide contains text, the text is replicated in the module in a colored box. Where the slide contains a table or a diagram, the table or diagram is replicated in the module:

Slide includes text



The IPSASB's independence is safeguarded in a number of ways:

- Full transparency both in terms of due process for standard-setting, as well as public access to agenda materials, meetings, and a published basis for conclusions with each final standard;
- The involvement of observers in the standard- setting process;
- The requirement that IPSASB members, as well as nominating/employing organizations, commit to the board's independence, integrity and public interest mission; and
- The Public Interest Committee (PIC) provides oversight of the IPSASB to ensure due process is followed and that it is acting in the public interest.

The IPSASB has 18 members from a number of different countries (currently 17). Composition includes public sector preparers, ministry of finance officials, auditors, academics, and standard setters. Members can be nominated by governments, public sector entities, IFAC member bodies etc.

What are IPSAS?

- Authoritative standards for preparation of general-purpose financial statements
- Designed to apply to all public sector entities that:
  - are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth;
  - mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees; and
  - do not have a primary objective to make profits.

IPSAS stands for International Public Sector Accounting Standards®. IPSAS are developed by the International Public Sector Accounting Standards Board (IPSASB), an independent standard setting body established by the International Federation of Accountants (IFAC), specifically for public sector entities.

IPSAS are authoritative standards on accounting for and reporting economic transactions and events in general purpose financial statements of public sector entities.

IPSAS establish requirements on how particular economic transactions and events should be accounted for and reported in the general-purpose financial statements of public sector entities. General purpose financial statements are financial statements intended to meet the information needs of users who are unable to require the preparation of financial reports tailored to meet their specific information needs. They set the standards for recognition, measurement, presentation and disclosure of the elements that are presented on the face of the financial statements and the information that is disclosed in the notes to the financial statements.

Public sector entities include national, regional (for example, state, provincial, territorial) and local governments (for example, city, town) and their component entities (for example, departments, agencies, boards and commissions).

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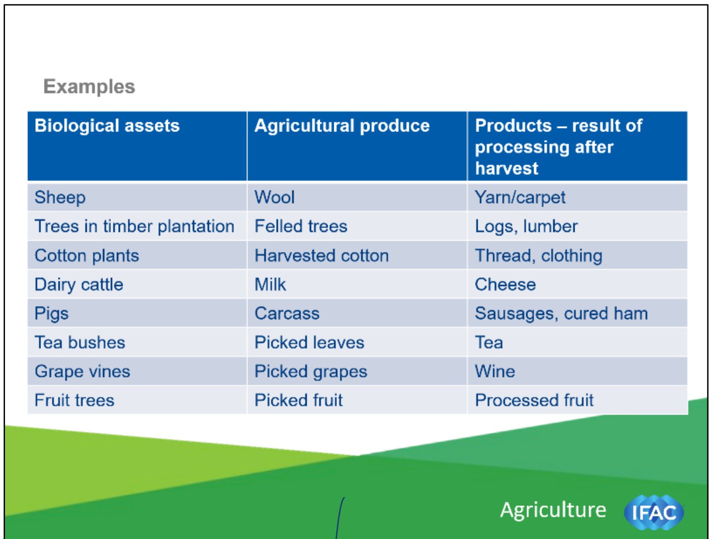
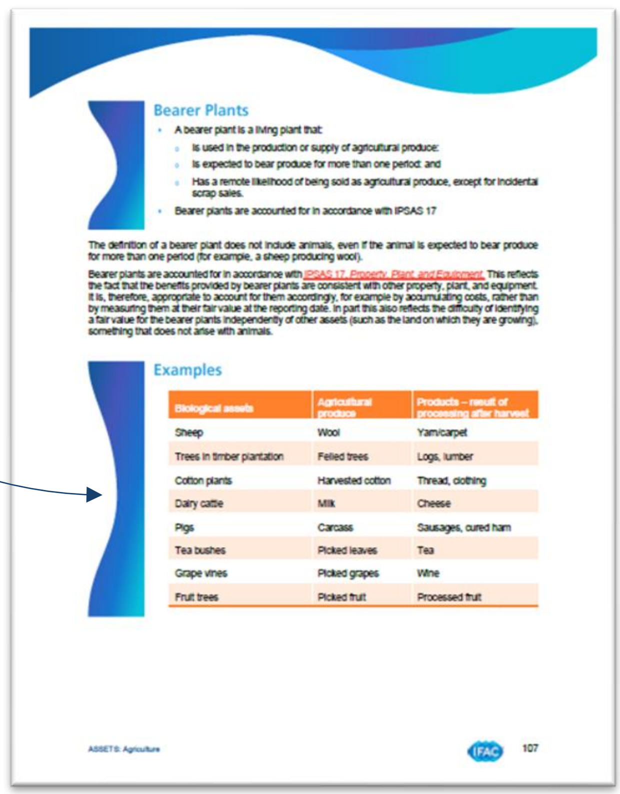


Examples

Biological assets	Agricultural produce	Products – result of processing after harvest
Sheep	Wool	Yarn/carpet
Trees in timber plantation	Felled trees	Logs, lumber
Cotton plants	Harvested cotton	Thread, clothing
Dairy cattle	Milk	Cheese
Pigs	Carcass	Sausages, cured ham
Tea bushes	Picked leaves	Tea
Grape vines	Picked grapes	Wine
Fruit trees	Picked fruit	Processed fruit



Bearer Plants

- A bearer plant is a living plant that:
  - Is used in the production or supply of agricultural produce;
  - Is expected to bear produce for more than one period; and
  - Has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.
- Bearer plants are accounted for in accordance with IPSAS 17

The definition of a bearer plant does not include animals, even if the animal is expected to bear produce for more than one period (for example, a sheep producing wool).

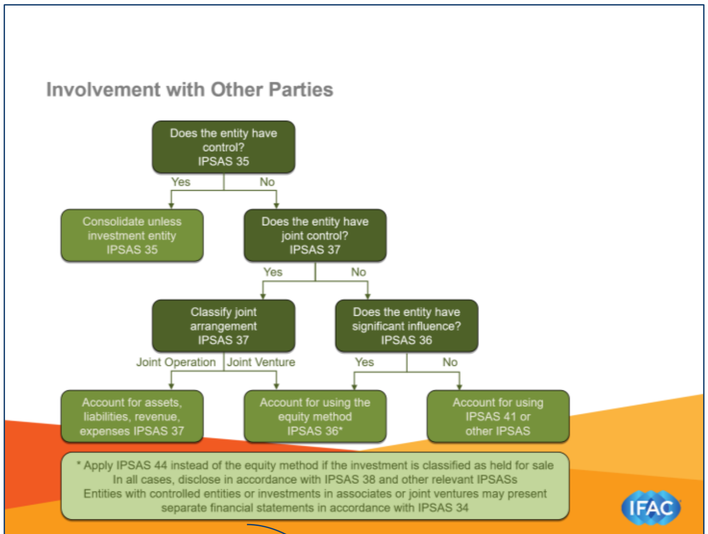
Bearer plants are accounted for in accordance with IPSAS 17, Property, Plant and Equipment. This reflects the fact that the benefits provided by bearer plants are consistent with other property, plant, and equipment. It is, therefore, appropriate to account for them accordingly, for example by accumulating costs, rather than by measuring them at their fair value at the reporting date. In part this also reflects the difficulty of identifying a fair value for the bearer plants independently of other assets (such as the land on which they are growing), something that does not arise with animals.

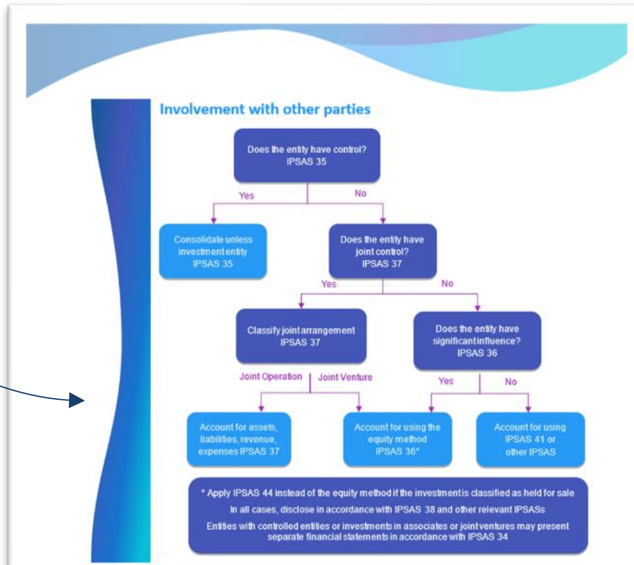
Examples

Biological assets	Agricultural produce	Products – result of processing after harvest
Sheep	Wool	Yarn/carpet
Trees in timber plantation	Felled trees	Logs, lumber
Cotton plants	Harvested cotton	Thread, clothing
Dairy cattle	Milk	Cheese
Pigs	Carcass	Sausages, cured ham
Tea bushes	Picked leaves	Tea
Grape vines	Picked grapes	Wine
Fruit trees	Picked fruit	Processed fruit

ASSETS: Agriculture 107

Slide includes diagram





Entity is a controlling entity

A controlling entity is an entity that controls one or more entities. IPSAS 35 requires controlling entities to present consolidated financial statements, with limited exceptions.

The first exception is where the controlling entity is an investment entity. An investment entity is an entity that:

a) Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
b) Has the purpose of investing funds solely for returns from capital appreciation, investment revenue, or both; and
c) Measures and evaluates the performance of substantially all of its investments on a fair value basis.

Investment entities are required to measure its investment in a controlled entity at fair value through surplus or deficit in accordance with IPSAS 41.

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Most topics include discussion questions or worked examples in the materials. These questions or examples are intended to be used for class or online discussion. The answer to the questions or worked examples are always included in the relevant modules and, where possible within the limits imposed by PowerPoint, within the slide notes.

Answer in Module

Concessionary Loans

- Loans received at below market terms
  - Portion of the loan that is repayable plus interest is an exchange transaction
  - Difference between the transaction price (loan proceeds) and the fair value of the loan on initial recognition is non-exchange revenue except to the extent that conditions result in a liability
  - As liability is reduced an equal amount of revenue recognized
- Accounted for as financial instrument

Concessionary loans are loans received by an entity at below market terms.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with IPSAS 29, *Financial Instruments: Recognition and Measurement* (or IPSAS 41, *Financial Instruments*).

An entity considers whether any difference between the transaction price (loan proceeds) and the fair value of the loan on initial recognition (see IPSAS 29 or IPSAS 41) is non-exchange revenue that should be accounted for in accordance with IPSAS 23. Where an entity determines that the difference between the transaction price (loan proceeds) and the fair value of the loan on initial recognition is non-exchange revenue, an entity recognizes the difference as revenue except if a present obligation exists.

Where conditions imposed on the transferred assets result in a present obligation it is recognized as a liability. As the entity satisfies the present obligation, the liability is reduced and an equal amount of revenue is recognized.

Examples of concessionary loans granted by entities include loans to developing countries, small farms, student loans granted to qualifying students for university or college education and housing loans granted to low income families. Entities may receive concessionary loans, for example, from development agencies and other government entities.

Loan to Health Authority

Scenario:

A local health authority receives loan funding of CU5 million from an international development agency. The agreement stipulates that loan should be repaid over the 5 year period. Interest is paid annually in arrears, at a rate of 5% per annum on the outstanding balance of the loan. A market related rate of interest for a similar transaction is 10%. There are no conditions attached to the loan.

Is the loan a concessionary loan? Explain.

Answer:

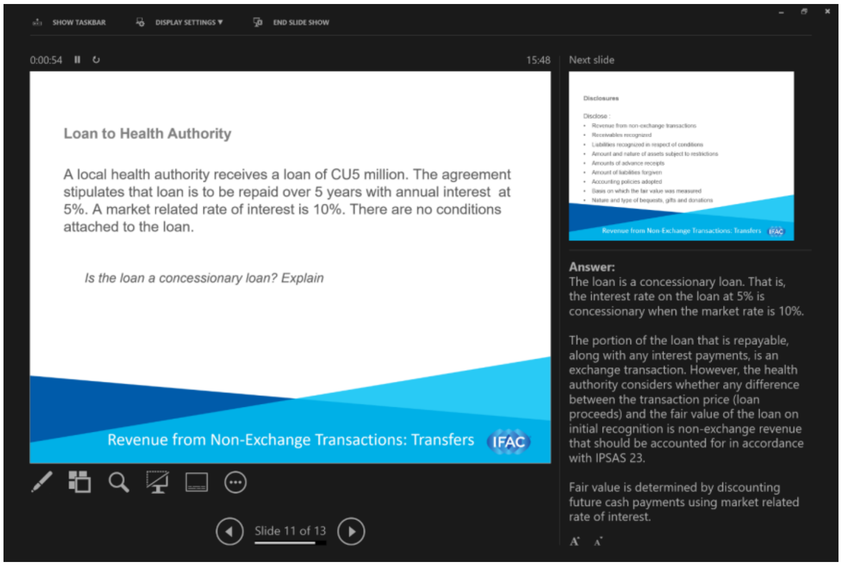
The loan is a concessionary loan. That is, the interest rate on the loan at 5% is concessionary when the market rate is 10%.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction. However, the health authority considers whether any difference between the transaction price (loan proceeds) and the fair value of the loan on initial recognition is non-exchange revenue that should be accounted for in accordance with IPSAS 23.

Fair value is determined by discounting future cash payments using market related rate of interest.

REVENUES: Revenue from Non-Exchange Transactions: Transfers 44

Answer in Slide Notes



Where it is not possible to include the answer in the slide notes (for example, where the answer is in the form of a table), a cross reference to the location of the answer in the module is provided in the slide notes.

Most topics also include review questions, with answers, in the modules. These are intended to further test participants' knowledge. Presenters may choose to use these as additional examples in their presentation, or may provide them (either as part of the module or separately) to participants for their own study.

Hints for Trainers

The topics can be presented live or online. If sessions are being presented online, presenters will need to consider how to use online features such as polls, chat, break-out rooms, etc. to engage with participants. Presenters will also need to consider whether to limit discussions to text only, or whether participants can be unmuted at points. This is likely to depend on various issues, for example group size.

The topics include discussion questions / worked examples where a class discussion would be appropriate. Where the training is being delivered online, these will be suitable points to use polls, chat break-out rooms etc. The slide notes also highlight other points where a class or online discussion may be helpful to participants.

Presenters will need to consider how to respond to other questions that participants wish to raise, particularly when delivering the training online. Sessions could incorporate specific Question and Answer slots, or participants could be permitted to raise their hand (electronically) to indicate they wish to discuss an issue. Different approaches make be needed for different group sizes; the facilities offered by the software being used may also be a factor in determining how to address participants' questions.

Presenters will need to consider how to use the modules (i.e., the manuals). Some possible different approaches are discussed below, but presenters will need to consider what will work best for them and their participants.

- For presenters with relatively limited experience of IPSAS, the modules could be used by the presenter to ensure they have sufficient understanding of IPSAS to deliver the training. This approach is likely to provide less detailed understanding than other approaches, but may be appropriate where the training is being used to provide an understanding of IPSAS ahead of more detailed training, or to a wider audience that only needs a broad overview of the requirements.
- For presenters with a greater understanding of IPSAS, or where the intention is to give participants a deeper knowledge of the standards, the modules could be shared with participants. In these circumstances, presenters should note that as the answers to the discussion questions are in the modules, it may be preferable to share them after the sessions have been delivered.
- The Review Questions included in the modules could be used as further discussion points with participants (face to face, or using polls/chat/break-out rooms online). If the modules are not being shared, presenters could consider including additional slides with the questions, or making the questions available as separate documents to be handed out / downloaded. Again, presenters should note that the answers to the review questions are in the modules.

Where possible, sessions should reflect the local context. The slide notes highlight areas where local examples could be added. This could be a list, or images could be used. The slide notes also highlight areas where, depending on the circumstances, a discussion of local issues may be appropriate. Depending on local circumstances, these may also provide an opportunity for one or more participants to share their experiences to date (for example, where one ministry has been piloting the adoption of one or more standards).

The second part of the module on first time adoption of accrual basis IPSAS is a series of discussion points around practical issues. Presenters may wish to consider whether to discuss these points as part of the first-time adoption topic, or after each technical topic. If the whole course is being presented over a short period, the former approach may be preferable; if topics are being presented individually, discussing practical implementation points after as part of the individual topics is likely to be more helpful.

Presenters should consider using examples that link to current issues. A significant current issue at the time of writing is the COVID-19 pandemic, and issues related to the pandemic are identified in the slide notes. Presenters should also consider whether other current (and potentially local) issues could be raised.

Approach to New IPSAS

The material covers all IPSASB pronouncements up to December 31, 2023. Consequently, a number of IPSAS dicussed in the material will not be effective until a future date. Entities that are adopting accrual IPSAS are encouraged to start work on implementing these IPSAS as soon as is practicable as, for most entities, it is likely that the new IPSAS will be effective by the time the process for adopting accrual IPSAS is complete.

Some of the IPSAS that have been issued recently cover topics not previously covered by IPSAS. This is the case for IPSAS 44, *Non-current Assets Held for Sale and Discontinued Operations*, IPSAS 48, *Transfer Expenses*, and IPSAS 49, *Retirement Benefit Plans*. All the material for these IPSAS is therefore additional to the material in the previous version of *Implementing IPSAS: A Guide for Trainers*.

Other IPSAS that have been issued recently will replace existing IPSAS. This is the case for IPSAS 43, *Leases*, (which will replace IPSAS 13, *Leases*), IPSAS 45, *Property, Plant, and Equipment*, (which will replace IPSAS 17, *Property, Plant, and Equipment*) and IPSAS 47, *Revenue*, (which will replace IPSAS 9, *Revenue from Exchange Transactions*, IPSAS 11, *Construction Contracts*, and IPSAS 23*, Revenue from Non-Exchange Transactions (Taxes and Transfers)*).

Where the requirements in the new standards are significantly different to those in the existing standards, separate topics are included for both the new IPSAS and the existing IPSAS. This applies to IPSAS 43 and IPSAS 13 and to IPSAS 47, and IPSAS 9 and IPSAS 23.

Where the changes in the new standards are less significant and most requirements can be found in both the new and existing IPSAS, only one topic is included. However, boxes in the module explain any different treatments required by the existing standards. This applies to IPSAS 45 and IPSAS 17. This approach has also been taken with IPSAS 16, *Investment Property*, where the existing standard has been modified by consequential amendments, particularly in relation to leases, rather than a new standard being issued.

Finally, while IPSAS 46, *Measurement*, does not replace an existing IPSAS, it does bring together all the guidance on measurement in one standard, which means that some guidance previously covered in other IPSAS (and therefore other topics) is now covered in the *Measurement* topic.

Entities that have yet to adopt the existing IPSAS are advised to adopt the new IPSAS immediately, as this will avoid the need for subsequent accounting policy changes. Where participants are from such entities, it is recommended that the training include the sessions that relate to the new IPSAS.

Where participants are from organizations that have adopted, or are in the process of adopting, the existing IPSAS, presenters will need to consider including the sessions that relate to those IPSAS. Depending on the purpose of the training (which may include a requirement to discuss future requirements), such participants may also benefit from the sessions that relate to the new IPSAS, so that they are aware of the forthcoming changes.

The previous version of *Implementing IPSAS: A Guide for Trainers* included separate modules for IPSAS 41, *Financial Instruments*, and IPSAS 29, *Financial Instruments: Recognition and Measurement*. IPSAS 41 is now effective and IPSAS 29 has been withdrawn other than the hedging requirements that entities that have previously used may elect to continue to use after adopting IPSAS 41. As this situation will not be relevant to entities in the process of adopting IPSAS, only IPSAS 41 is covered in this version of *Implementing IPSAS: A Guide for Trainers*.

The IPSASB has also recently updated its *Conceptual Framework* and two Recommended Practice Guidelines. Because these documents are non-authoritative, the changes are effective immediately. Consequently, *Introduction to IPSAS* includes these amendments with no discussion of the earlier versions of the documents.

Other sources of information

A limited number of videos are provided as part of this material. The videos illustrate the presentation of specific topics as well as discussing how to use the materials. These videos – in full or excerpts – could be shown as part of the training.

For recent standards and Exposure Drafts, the IPSASB has issued At a Glance summaries and web casts. These could also be used as part of the training.

Other useful sources of information include:

- *Pathways to Accrual* (IFAC)
- *Stepping Stones to Accrual Accounting* (CIPFA)
- *Implementing Accrual Accounting in the Public Sector* (IMF)
- *Transition to Accrual Accounting* (IMF)
- *Getting Added Value out of Accruals Reforms* (OECD)
- *Is Cash Still King*? (ACCA/IFAC)
- *Public Sector Financial Accountability Index 2021* (IFAC/CIPFA)
- *Accrual Accounting is for the Public Sector* (Deloitte)
- *Implementing Accrual Accounting in the Public Sector–Understanding Your Technology Is Vital!* (IFAC)
- *Accruals in the Public Sector Are Here to Stay! Pursuing a Productive Debate* (IFAC)
- *COVID-19: Relevant IPSASB Accounting Guidance* (IPSASB)
- *COVID-19 Intervention Assessment Tool* (IFAC and the Zurich University of Applied Science (ZHAW))
- *Climate Change: Relevant IPSASB Guidance* (IPSASB)
- *Use of Accrual Information: Focusing on Fiscal Risk Identification and Assets and Liabilities Management* (Korea Institute of Public Finance) (This document is a series of case studies looking at how accrual information is being used by governments to better manage public finances)