EXTERNAL REPORTING BOARD

Te Kāwai Ārahi Pūrongo Mōwaho

NZ ACCOUNTING STANDARDS BOARD

NZASB Exposure Draft 2018-5
PBE IPSAS 41 FINANCIAL INSTRUMENTS

AND

NZASB Exposure Draft 2018-6
EFFECTIVE DATE OF PBE IFRS 9

Invitation to Comment

November 2018

PO Box 11250
Manners St Central, Wellington 6142
New Zealand
http://www.xrb.govt.nz

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Information for respondents

Invitation to Comment

The New Zealand Accounting Standards Board (NZASB)[1] is seeking comments on the specific matters raised in this Invitation to Comment. We will consider all comments before finalising a new PBE Standard based on IPSAS 41 *Financial Instruments* and deferring the effective date of PBE IFRS 9 *Financial Instruments*.

If you want to comment, please supplement your opinions with detailed comments, whether supportive or critical of the proposals, as both supportive and critical comments are essential to a balanced view.

Comments are most useful if they indicate the specific paragraph to which they relate, contain a clear rationale and, where applicable, provide a suggestion for an alternative. Feel free to provide comments only for those questions, or issues that are relevant to you.

Submissions should be sent to:

Chief Executive
External Reporting Board
PO Box 11250
Manners St Central
Wellington 6142
New Zealand
Email: submissions@xrb.govt.nz
(please refer to *PBE Financial Instruments* in the subject line)

We would appreciate receiving a copy of your submission in electronic form (preferably Microsoft Word format) as that helps us to efficiently collate and analyse comments.

Please note in your submission on whose behalf the submission is being made (for example, own behalf, a group of people, or an entity).

The closing date for submissions is **28 February 2019.**

Publication of submissions, the Official Information Act and the Privacy Act

We intend publishing all submissions on the XRB website (xrb.govt.nz), unless the submission may be defamatory. If you have any objection to publication of your submission, we will not publish it on the internet. However, it will remain subject to the Official Information Act 1982 and, therefore, it may be released in part or in full. The Privacy Act 1993 also applies.

If you have an objection to the release of any information contained in your submission, we would appreciate you identifying the parts of your submission to be withheld, and the grounds under the Official Information Act 1982 for doing so (e.g. that it would be likely to unfairly prejudice the commercial position of the person providing the information).

[1] The NZASB is a sub-Board of the External Reporting Board (XRB Board) and is responsible for setting accounting standards.

List of abbreviations

The following abbreviations are used in this Invitation to Comment.

ED	Exposure Draft
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standard
IPSAS	International Public Sector Accounting Standard
IPSASB	International Public Sector Accounting Standards Board
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards
NZASB	New Zealand Accounting Standards Board, a sub-Board of the External Reporting Board
PBE	Public benefit entity
PBE IFRS	Public Benefit Entity International Financial Reporting Standard
PBE IPSAS	Public Benefit Entity International Public Sector Accounting Standard
RDR	Reduced Disclosure Regime

Questions for respondents

ED 2018-5 PBE IPSAS 41 *Financial Instruments*

1 Do you agree that the proposed requirements in ED 2018-5 are appropriate for a new PBE Standard? If you disagree, please explain why not and outline any alternative proposals.

2 Do you agree with the proposal to locate dividend and interest revenue requirements in PBE IPSAS 41 rather than PBE IPSAS 9? If not, please explain why not.

3 Do you agree with the proposed RDR concessions? If you disagree, please provide reasons and indicate what concessions you consider would be appropriate.

4 For entities moving from PBE IFRS 9, do you agree with the proposed transition provisions? If not, please explain why not and identify what you think would be more appropriate.

5 Do you agree with the proposed effective date for PBE IPSAS 41 (being 1 January 2022)? If not, please explain why not and identify what you think would be more appropriate.

6 Do you have any other comments on ED 2018-5?

ED 2018-6 *Effective Date of PBE IFRS 9*

7 Do you agree with the proposal to defer the effective date of PBE IFRS 9 to 1 January 2022 (so that PBE IFRS 9 does not become mandatorily effective before PBE IPSAS 41)?

8 Do you agree with the proposal to limit the ability of entities to early adopt PBE IFRS 9 once PBE IPSAS 41 has been issued (a six-month period is proposed)?

9 Do you have any other comments on ED 2018-6?

1. Introduction

1.1 Background

1. The International Public Sector Accounting Standards Board (IPSASB) recently issued IPSAS 41 *Financial Instruments*. IPSAS 41 updates the requirements in IPSAS for the recognition and measurement of financial instruments and substantially aligns those requirements with the more recent requirements in IFRS 9 *Financial Instruments*.

2. In accordance with the Accounting Standards Framework, the NZASB is proposing to issue a PBE Standard based on IPSAS 41 which would be applicable to Tier 1 and Tier 2 PBEs. The NZASB considers that the requirements in IPSAS 41 will lead to higher quality financial reporting and, in some cases, improve the cost-benefit aspects of accounting for financial instruments. The benefits of the proposed PBE IPSAS 41 *Financial Instruments* include:

    (a) substantial alignment of PBE Standards with the most recent IPSAS;

    (b) substantial alignment of PBE Standards with NZ IFRS (which helps to minimise mixed group issues); and

    (c) the availability of new and improved hedge accounting requirements.

3. The impact of the proposed new standard will depend on which standard an entity is currently applying. Unusually, there are currently two PBE Standards dealing with the recognition and measurement of financial instruments, being PBE IPSAS 29 *Financial Instruments: Recognition and Measurement* and PBE IFRS 9 *Financial Instruments*. Many Tier 1 and 2 PBEs will still be applying PBE IPSAS 29. Some PBEs, including those that belong to mixed groups (which comprise both for-profit entities and PBEs) may have early adopted PBE IFRS 9.

4. The NZASB issued PBE IFRS 9 in January 2017 as an interim measure to mitigate the effect on mixed groups of differences between NZ IFRS and PBE Standards. The NZASB had been actively monitoring the IPSASB's work programme and was aware of the IPSASB's plans to develop a new standard dealing with the recognition and measurement of financial instruments but considered that the mixed group issues caused by differences between the two suites of standards required a more immediate solution. The NZASB therefore undertook a limited scope project to develop PBE IFRS 9, with the intention of applying the *PBE Policy Approach* to IPSAS 41 once that standard was issued.

5. This Invitation to Comment contains information for both entities that are currently applying PBE IPSAS 29 and entities that have early adopted PBE IFRS 9.

1.2 Purpose of this Invitation to Comment

6. The purpose of this Invitation to Comment is to seek comments on the proposals to:

    (a) issue a PBE Standard based on IPSAS 41 which would supersede most of the requirements in PBE IPSAS 29. The hedge accounting requirements in PBE IPSAS 29 would continue to be available for application;

    (b) withdraw PBE IFRS 9 once PBE IPSAS 41 becomes effective. The NZASB is therefore proposing to limit the ability of entities to early adopt PBE IFRS 9 after PBE IPSAS 41 is issued; and

    (c) defer the effective date of PBE IFRS 9 (so that it does not become effective before PBE IPSAS 41 becomes effective).

1.3 Timeline and next steps

7. Submissions on ED 2018-5 and ED 2016-6 are due by **28 February 2019**. Information on how to make submissions is provided on page 4 of this Invitation to Comment.

8. After the consultation period ends, we will consider the submissions received and, subject to the comments in those submissions, expect to finalise and issue the new standard, PBE IPSAS 41, and an amending standard, *Effective Date of PBE IFRS 9*, by mid-2019.

2. Overview of Invitation to Comment and EDs

2.1 Summary

10. This Invitation to Comment seeks feedback on NZASB ED 2018-5 PBE IPSAS 41 *Financial Instruments* and ED 2018-6 *Effective Date of PBE IFRS 9.* It identifies issues on which we are particularly keen to receive your comments. The Invitation to Comment is organised as follows.

    (a) Approach to developing PBE IPSAS 41

    (b) Moving from PBE IPSAS 29 to PBE IPSAS 41

    (c) Moving from PBE IFRS 9 to PBE IPSAS 41

    (d) Effective date, superseding PBE IFRS 9 and other comments

2.2 Approach to developing PBE IPSAS 41

11. The proposed PBE IPSAS 41 is closely based on IPSAS 41 which, in turn, is closely based on IFRS 9. In accordance with its usual approach to developing a PBE Standard based on an IPSAS the NZASB has:

    (a) aligned terminology with that used in PBE Standards (for example, PBE Standards include the concept of other comprehensive revenue and expense);

    (b) ensured coherence within PBE Standards by considering the existence of New Zealand specific standards or requirements;

    (c) considered whether there is a need for any enhancements to make the standard more appropriate for PBEs in New Zealand. There are no specific NFP enhancements in the proposed standard, but some of the entities used as examples have been generalised; and

    (d) identified RDR concessions for Tier 2 PBEs (in respect of the new financial instrument disclosures in PBE IPSAS 30 *Financial Instruments: Disclosures*).

12. Two versions of ED 2018-5 are available on the XRB website: (i) the official version and (ii) a marked-up version. The marked-up version includes mark-ups, shading and comments to help constituents identify differences between the proposed requirements, the underlying requirements in IFRS 9 and PBE IFRS 9.

2.3 Moving from PBE IPSAS 29 to PBE IPSAS 41

13. This section focuses on the differences between the proposals in ED 2018-5 and PBE IPSAS 29. It is most relevant for those PBEs still applying PBE IPSAS 29.

Main differences between PBE IPSAS 29 and PBE IPSAS 41

14. The proposed PBE IPSAS 41 introduces new classification and measurement requirements for financial assets, new hedging requirements and new impairment requirements for financial assets. The new requirements are expected to lead to higher quality financial reporting and, in some cases, to improve the cost-benefit aspects of accounting for financial instruments. For example, the new hedging requirements are less restrictive than the requirements in PBE IPSAS 29 and allow an entity to better reflect the impact of its hedging activities on its financial performance.

15. The main differences are summarised in Table 1 below.

Table 1

<table>
<tr><th>PBE IPSAS 29</th><th>Proposed PBE IPSAS 41</th></tr>
<tr><td>Financial asset classifications
(classified based on a range of factors)
Fair value through surplus or deficit
Held-to-maturity investments
Loans and receivables
Available-for-sale financial assets</td><td>Financial asset classifications
(classified based on the entity’s management model and nature of the contractual cash flows)
Amortised cost
Fair value through other comprehensive revenue or expense (for certain debt instruments)
Fair value through other comprehensive revenue or expense (for certain equity instruments)
Fair value through surplus or deficit</td></tr>
<tr><td>Financial liability classifications
Amortised cost
Fair value through surplus or deficit</td><td>Financial liability classifications
Amortised cost
Fair value through surplus or deficit (if a liability is designated as this category, change in the entity’s own credit risk are presented in other comprehensive revenue and expense)</td></tr>
<tr><td>Impairment
Incurred loss model</td><td>Impairment
Expected credit loss model</td></tr>
<tr><td>Hedge accounting
More restrictive than IFRS 9
For example, PBE IPSAS 29 allows components of financial items to be hedged, but not components of non-financial items (except for foreign currency risk)</td><td>Hedge accounting
Based on IFRS 9 (and aligned more closely with risk management)
Allows more hedging instruments and hedged items to qualify for hedge accounting
NOTE: the hedge accounting requirements in PBE IPSAS 29 will continue to be available.[2]</td></tr>
</table>

16. The categories of financial assets in the proposed PBE IPSAS 41, and the requirements for classifying financial assets into those categories, are different to the categories of financial assets in PBE IPSAS 29. Entities adopting the proposed PBE IPSAS 41 will need to determine the appropriate classification of their financial assets. Entities will need to consider (i) what the management model is for various financial assets and (ii) whether those financial assets give rise to “cash flows that are solely payments of principal and interest on the principal amount outstanding.”

17. The impairment requirements differ. Compared to an incurred loss model, an expected loss model will require entities to exercise more judgement about future events. This may require that entities change their systems and processes. For example, for certain financial assets entities would have to make a provision for potential credit losses over the next 12 months, and where credit risks are deemed to have increased significantly, the entity would have to record the lifetime expected credit loss.

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[2] This continued availability of previous hedge accounting requirements is consistent with NZ IFRS. The IASB took this approach pending further work on this topic.

Concessionary loans

18. Many of the proposed requirements for concessionary loans are similar to the existing requirements for concessionary loans. However, entities will need to work through the implications of the new classification and impairment requirements for such loans. For example, the proposed PBE IPSAS 41 contains guidance on distinguishing between concessionary loans and originated credit-impaired loans. If a concessionary loan is also originated credit-impaired, both the credit losses and the concessionary element are recognised as a concession.

Narrow-scope amendments

19. The proposed PBE IPSAS 41 (together with the amendments to other standards in Appendix D) incorporates a number of narrow scope amendments to IFRS Standards that were not included in PBE IPSAS 29 (see Table 2 below for examples). PBE IPSAS 30 *Financial Instruments: Disclosures* is one of the standards that is most affected by these narrow scope amendments. The NZASB has proposed RDR concessions in respect of a number of the new disclosure requirements – these have been aligned with the existing RDR concessions in NZ IFRS 7 *Financial Instruments: Disclosures*.

Dividends and interest

20. The proposed PBE IPSAS 41 includes dividend and interest revenue requirements. Currently requirements for dividend and interest revenue are located in PBE IPSAS 9 *Revenue from Exchange Transactions*. This proposal will better align PBE Standards and NZ IFRS. The inclusion of dividend and interest revenue requirements in PBE IPSAS 41 is also consistent with IPSAS 41. However, the IPSASB has not yet considered the requisite amendments to IPSAS 9. The NZASB has proposed amendments to PBE IPSAS 9 to avoid duplicating requirements (see Appendix D of ED 2018-5).

Transition

21. The proposed transition provisions for entities moving directly from PBE IPSAS 29 to PBE IPSAS 41 are based on those that were applicable to entities that moved directly from IAS 39 *Financial Instruments: Recognition and Measurement* to IFRS 9 (2014). Key points are as follows.
    (a) Retrospective application is generally required at the date of initial application (i.e. the beginning of the first period in which PBE IPSAS 41 is first applied). There are some exceptions to this, such as hedge accounting.
    (b) Restatement of prior periods is not generally required and the circumstances in which restatement is permitted are limited. Restatement of prior periods is permitted only if it is possible without the use of hindsight. If an entity does not restate prior periods it must recognise any difference between the carrying amounts in opening accumulated surplus or deficit (or another component of net assets/equity).
    (c) There are specific transition provisions for some assessments and designations.

2.4 Moving from PBE IFRS 9 to PBE IPSAS 41

22. This section of the Invitation to Comment focuses on how the proposed PBE IPSAS 41 differs from PBE IFRS 9. It is intended to assist early adopters of PBE IFRS 9 in considering the transition proposals. Others may wish to skip this section of the Invitation to Comment.

23. PBE IFRS 9 was the outcome of a limited scope project intended to address the most pressing issues that mixed groups would have faced due to differences between PBE IPSAS 29 and NZ IFRS 9. It also gave entities the opportunity of adopting the newer requirements, particularly the hedging requirements, in IFRS 9 if they wished. The NZASB's intention was to address the most important issues, and, at the same time, to avoid doing more than was necessary so as to give the IPSASB the opportunity to consider how best to respond to issues raised by its international constituents or requests for additional guidance.

24. There are two general differences between PBE IFRS 9 and the proposed PBE IPSAS 41.

(a) When developing PBE IFRS 9 the NZASB did not incorporate some the of the narrow scope amendments made to other IFRS Standards relating to financial instruments over recent years or recent interpretations. See Table 2 below for a list of additional narrow scope amendments and interpretations incorporated in the proposed PBE IPSAS 41 (and Appendix D *Amendments to other standards*).

(b) PBE IFRS 9 was not accompanied by non-integral illustrative examples or guidance.

Table 2 Additional narrow scope amendments and interpretations[3]

- *Classification of Rights Issues* (Amendment to IAS 32) (October 2009)
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (November 2009)
- *Improvements to IFRSs* (May 2010) – a few of these amendments were addressed in PBE IFRS 9 but the majority were not
- *Disclosures—Transfers of Financial Assets* (Amendments to IFRS 7) (October 2010)
- *Offsetting Financial Assets and Financial Liabilities* (Amendments to IAS 32) (December 2011)
- *Disclosures—Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7) (December 2011)
- *Annual Improvements to IFRSs 2012–2014 Cycle* (September 2014)
- *Prepayment Features with Negative Compensation* (Amendments to IFRS 9) (October 2017)
- *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28) (October 2017)

25. There are also more specific differences.

(a) This ED uses the term management model rather than business model.

(b) There are some differences between the requirements for initial measurement of certain receivables and the simplified approach to subsequent impairment of receivables in this ED and PBE IFRS 9.

(c) In addition to carrying forward the requirements to identify the concession associated with a concessionary loan, this ED contains guidance on distinguishing between

[3] Most of these narrow scope amendments were included in IPSAS 41 (and the amendments to other standards issued as part of IPSAS 41). The last two sets of amendments were not included in IPSAS 41 because they were issued part way through the IPSASB's project. The IPSASB has recently indicated that it also plans to pick up these two amendments. IPSASB ED 66 *Long-term Interests in Associates and Joint Ventures* (Amendments to IPSAS 36) and *Prepayment Features with Negative Compensation* (Amendments to IPSAS 41) was issued in August 2018.

concessionary loans and originated credit-impaired loans. If a concessionary loan is also originated credit-impaired, both the credit losses and the concessionary element are recognised as a concession.

(d) The proposed RDR concessions for the new and amended disclosures in PBE IPSAS 30 *Financial Instruments: Disclosures* are aligned with the existing RDR concessions in NZ IFRS 7 *Financial Instruments: Disclosures* whereas PBE IFRS 9 aligned them with other RDR proposals under consideration at that time.

26. In order to assist constituents interested in identifying the differences between the proposed PBE IPSAS 41 and PBE IFRS 9 we have made a marked-up copy of ED 2018-5 available on the XRB's website. The marked-up ED contains shading and some explanatory comments. For more detail about the differences between PBE IPSAS 41 and PBE IFRS 9 see Appendix 1 of this Invitation to Comment.

27. Because the majority of the requirements in the proposed PBE IPSAS 41 are identical or almost identical to the requirements in PBE IFRS 9, the NZASB has strived to minimise the amount of work required to transition between the two standards. The NZASB has therefore focused on the differences between the two standards and thought about whether these differences give rise to any transition issues. As a result, the NZASB is proposing that entities that have previously applied PBE IFRS 9:

(a) continue to classify, recognise and measure financial instruments in the same way – except as expressly permitted by the proposed PBE IPSAS 41 (for example, prepayments with negative compensation);

(b) apply specific transition provisions in respect of revised or new requirements that were not included in PBE IFRS 9, such as prepayments with negative compensation and offsetting;

(c) apply specific transition provisions in respect of new disclosures in PBE IPSAS 30 *Financial Instruments: Disclosures* (see the proposed amendments to PBE IPSAS 30, paragraphs 49H.1 and 49H.2); and

(d) have the option of picking up the new hedge accounting requirements in PBE IPSAS 41 on adoption of PBE IPSAS 41, even if they did not pick up the new hedge accounting requirements on adoption of PBE IFRS 9. However, any entities that picked up the new hedge accounting requirements on adoption of PBE IFRS 9 must apply the hedge accounting requirements in PBE IPSAS 41 to existing hedging relationships to which hedge accounting was applied under PBE IFRS 9.

2.5 Effective date, superseding PBE IFRS 9 and other comments

28. The proposed effective date of PBE IPSAS 41 is 1 January 2022, with early adoption permitted.

29. Once it is issued, PBE IPSAS 41 will supersede most of PBE IPSAS 29 (apart from the hedging requirements) and all of PBE IFRS 9. The NZASB has issued an exposure draft of a short amending standard to deal with two issues associated with the withdrawal of PBE IFRS 9. ED 2018-6 *Effective Date of PBE IFRS 9* proposes:

(a) that once PBE IPSAS 41 has been issued, entities can early adopt PBE IFRS 9 for six months only. After that period entities wanting to early adopt the newer requirements would need to early adopt PBE IPSAS 41; and

(b) to defer the effective date of PBE IFRS 9 for a year – from 1 January 2021 until 1 January 2022. This is to prevent PBE IFRS 9 becoming mandatorily effective before PBE IPSAS 41.

30. We welcome feedback on other aspects of the EDs.

Appendix 1 Additional Information for Early Adopters of PBE IFRS 9

Table 3 provides additional information about a number of the shaded sections in the marked-up copy of ED 2018-5 PBE IPSAS 41 *Financial Instruments*. Changes that have been made throughout the proposed standard are generally mentioned only once. Judgement has been exercised in deciding which differences to include in this Table.

Table 3

Paragraph	Proposed PBE IPSAS 41	PBE IFRS 9
2(b)	The references to finance and operating lease receivables and lease liabilities in paragraph 2(b) reflect the wording in IFRS 9 paragraph 2.1(b) and IPSAS 41 paragraph 2(b).	The references to lease receivables and finance lease payables in PBE IFRS 9 paragraph 2.1(b) were based on the wording in PBE IPSAS 29 paragraph 29(b).
3	Paragraph 3 reflects the wording in IPSAS 41 paragraph 3 which, in turn, was based on IFRS 9 paragraph 2.2.	PBE IFRS 9 did not use paragraph 2.2 of IFRS 9.
9	The definition of a credit adjusted effective interest rate in paragraph 9 refers to paragraphs AG156–AG158 (equivalent to IFRS 9, paragraphs B5.4.1 to B5.4.3).	The definition of a credit adjusted effective interest rate in PBE IFRS 9 paragraph 2A.1 referred to PBE IPSAS 9 *Revenue from Exchange Transactions* rather than paragraphs B5.4.1 to B5.4.3 – PBE IFRS 9 did not use those paragraphs from IFRS 9.
9	Includes a definition of dividends or similar distributions.	Did not include definitions of dividends or similar distributions as a defined term.
9	The definition of an effective interest rate in paragraph 9 refers to paragraphs AG156- AG158 (equivalent to IFRS 9, paragraphs B5.4.1 to B5.4.3). Appendix D sets out proposed amendments to PBE IPSAS 9.	The definition of an effective interest rate in PBE IFRS 9 paragraph 2A.1 referred to PBE IPSAS 9 *Revenue from Exchange Transactions* rather than paragraphs B5.4.1 to B5.4.3 – PBE IFRS 9 did not use those paragraphs from IFRS 9.
9	The definition of a purchased or originated credit-impaired financial asset is based on that in IPSAS 41, which is shorter than that in IFRS 9.	The definition of a purchased or originated credit-impaired financial asset is the same as that in IFRS 9.
9	The definition of a reclassification date refers to a management model rather than a business model. This is a generic change throughout IPSAS 41.	Refers to a business model for managing financial assets.
45	The shaded words in paragraphs 45(c) and (d) are used in IFRS 9 and IPSAS 41	The shaded words were not used in PBE IFRS 9 paragraph 4.2.1.
58	Paragraph 58 is based on paragraph 58 of IPSAS 41, which, in turn, is based on IFRS 9 paragraph 5.1.1A.	PBE IFRS 9 did not use paragraph 5.1.1A.
60	Paragraph 60 establishes an option for the initial measurement of short-term receivables and payables.	PBE IFRS 9 included an equivalent option in paragraph B5.1A.12.

Paragraph	Proposed PBE IPSAS 41	PBE IFRS 9
66–68	PBE IPSAS 41 deals with fair value measurement in paragraphs 66–68.	PBE IFRS 9 Section 5.1A *Fair value measurement considerations* included three paragraphs which were based on requirements in PBE IPSAS 29.
87, 88	Paragraph 87 mandates the measurement of the loss allowance for receivables within the scope of PBE IPSAS 9 and PBE IPSAS 23. Paragraph 87 reflects the requirements of IPSAS 41. These requirements differ from IFRS 9 paragraph 5.5.15 because IFRS 9 refers to IFRS 15 *Revenue from Contracts with Customers.*	PBE IFRS 9 paragraph 5.5.15 dealt with receivables within the scope of PBE IPSAS 9 and PBE IPSAS 23 separately and permitted an entity to make an accounting policy choice in respect of each of these categories of receivables.
89	Paragraph 89 introduces a practical expedient exempting short-term receivables from originated credit impaired guidance. Paragraph 89 reflects the requirements in IPSAS 41.	–
102	Paragraph 102 establishes requirements for the recognition of dividends and similar distributions. Appendix D proposes to amend PBE IPSAS 9 to remove the previous requirements.	PBE IFRS 9 did not use paragraph 5.7.1A of IFRS 9. Dividend recognition requirements continued to be located in PBE IPSAS 9.
107	Paragraph 107 refers to the dividend recognition requirements in paragraph 102.	PBE IFRS 9 paragraph 5.7.6 referred to the dividend recognition requirements in PBE IPSAS 9.
126	Paragraph 126(b) is based on IPSAS 41 paragraph 126(b). It uses slightly different wording than PBE IFRS 9 paragraph 6.3.5(b) when referring to controlled investment entities.	
149	Paragraph 149 is based on IPSAS 41 paragraph 149. The example in the final sentence refers to revenue *or expenses*.	PBE IFRS 9 paragraph 6.6.4 referred to revenue.
157.3 to 157.6	Paragraphs 157.3 to 157.6 establish transition requirements for entities that have previously applied PBE IFRS 9.	– Paragraphs 7.1.2 to 7.1.4 of IFRS 9 were not used.
AG7	Paragraph AG7 refers to an interbank offered rate rather than LIBOR. This is a generic change throughout IPSAS 41 (and is consistent with IPSAS 29/PBE IPSAS 29). LIBOR is still used in some examples.	PBE IFRS 9 referred to LIBOR.
AG33	Paragraph AG33 establishes requirements in respect of financial liabilities arising from the sale of future flows arising from a sovereign right.	There were no equivalent requirements in PBE IFRS 9.

Paragraph	Proposed PBE IPSAS 41	PBE IFRS 9
AG56	Example 4 has been modified to refer to a PBE and to refer to redemption needs. A number of other examples have also been changed to be more appropriate for PBEs.	Example 4 referred to liquidity needs.
AG63	Paragraph AG63 discusses characteristics of arrangements that do and do not give rise to contractual cash flows that are solely payments or principal and interest. It includes additional examples of terms that do not give rise to such cash flows. It refers to "a specific profitability or income threshold being reached by the borrower or lender, or the achievement (or otherwise) of specific financial or other ratios".	PBE IFRS 9 paragraph B4.1.7A reflected the text of IFRS 9 (which did not include the additional examples of terms in paragraph AG63).
AG73, AG74	Paragraph AG73(b) and AG74(b) incorporate the amendments set out in *Prepayment Features with Negative Compensation* (Amendments to IFRS 9). They therefore refer to "reasonable compensation" rather than "reasonable additional compensation."	PBE IFRS 9 paragraphs B4.1.11(b) and B4.1.12(b) referred to "reasonable additional compensation."
AG74.1	Paragraph AG74.1 incorporates the amendments set out in *Prepayment Features with Negative Compensation* (Amendments to IFRS 9).	–
AG106	Paragraph AG106(f) refers to variable lease payments.	PBE IFRS 9 paragraph B4.3.8(f) referred to contingent rentals.
AG111	Paragraph AG111 uses different examples to those in IFRS 9.	PBE IFRS 9 paragraph B4.4.1 used the same examples as IFRS 9.
AG114	The application guidance paragraphs on measurement are presented in a different order to that in PBE IFRS 9. There is an explanation in the marked-up copy of the ED.	
AG115	Paragraph AG115 refers to the fair value of a long-term loan or receivable being "measured as the present value of all future cash receipts discounted …"	PBE IFRS 9 paragraph B5.1.1 referred to the fair value of such receivables being estimated.
AG117	Paragraph AG117 which deals with the best estimate of the fair value of a financial instrument at initial recognition is based on paragraph B5.1.2A of IFRS 9.	In PBE IFRS 9 the best evidence of the fair value of a financial instrument at initial recognition was discussed in paragraphs B5.1A.8 and B5.1A.9, which were based on PBE IPSAS 29 paragraph AG108, and reflected pre-IFRS 13 guidance. Paragraph B5.1.2A was not used.
AG118	Paragraphs AG118 to AG127 deal with the measurement of concessionary loans. They are based on the guidance in IPSAS 29/PBE IPSAS 29, together with changes made to that guidance during the development of IPSAS 41.	PBE IFRS 9 paragraphs B5.1.2A to B5.2.1G were more closely based on the guidance in PBE IPSAS 29. Shading in the marked-up copy of ED 2018-5 indicates which paragraphs or phrases are new.

Paragraph	Proposed PBE IPSAS 41	PBE IFRS 9
AG128	Paragraphs AG128–AG130 contain additional guidance on accounting for equity instruments arising from non-exchange transactions.	–
AG156	Paragraphs AG156 to AG158 are based on IFRS 9 paragraphs B5.4.1 to B5.4.3 which deal with the effective interest method. Appendix D proposes to amend PBE IPSAS 9 to remove the previous effective interest requirements.	PBE IFRS 9 did not include these paragraphs. Some guidance on effective interest was located in PBE IPSAS 9 (for example, paragraph IG12).
AG181	Paragraph AG181(n) has fewer examples of changes in the payment status of borrowers than IFRS 9 paragraph B5.5.17(n).	PBE IFRS 9 paragraph AG181(n) included all of the examples in IFRS 9 paragraph B5.5.17(n).
App B	Appendix B – Hedges of a Net Investment in a Foreign Operation The non-integral example that accompanies IFRIC 16 has been incorporated in the illustrative examples that accompany PBE IPSAS 41 – see paragraphs IE148 to IE152.	Appendix C – Hedges of a net investment in a foreign operation PBE IFRS 9 did not include non-integral examples.
App C	Appendix C incorporates IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*.	–
App D	<u>Amendments to PBE IPSAS 9</u> The amendments to PBE IPSAS 9 propose to remove the dividend and interest revenue requirements from that standard. <u>Amendments to PBE IPSAS 28</u> The amendments: (a) amend paragraphs 9 (definition of a financial liability) and 14(b)(ii) to incorporate amendments relating to the classification of rights issues; and (b) add paragraphs AG63A–AG63F which clarify the meaning of 'currently has a legally enforceable right of set-off'.	PBE IFRS 9 did not include equivalent amendments.
App D	<u>Amendments to PBE IPSAS 30</u> The amendments: (a) add paragraphs 49A- 49H and AG31- AG41 which deal with transfers of financial assets; and (b) add paragraphs 17A to 17F and AG42- AG55, which deal with disclosure relating to offsetting financial assets and financial liabilities.	

Paragraph	Proposed PBE IPSAS 41	PBE IFRS 9
App D	Amendments to PBE IPSAS 36 The amendments clarify that an entity is required to apply PBE IPSAS 41 (including its impairment requirements) to long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture to which the equity method is not applied. There are specific transitional provisions for these requirements.	
IE and IG	Examples 1–18 are based on the illustrative examples that accompany, but which are not part of, IFRS 9. Examples 19–33 are based on equivalent illustrative examples in IPSAS 41. Some of these examples were originally in IPSAS 29/PBE IPSAS 29.	PBE IFRS 9 did not include illustrative examples or guidance.