

Exposure Draft: Public Sector Specific Financial Instruments: Amendments to IPSAS 41, Financial Instruments

This summary provides an overview of the IPSASB's Exposure Draft (ED) 69, *Public Sector Specific Financial Instruments: Amendments to IPSAS 41, Financial Instruments*.

Project objective:	This Exposure Draft (ED) proposes additional non-authoritative guidance in IPSAS 41, <i>Financial Instruments</i> , to clarify the requirements for classifying, recognizing and measuring public sector specific financial instruments.
The project stage:	The International Public Sector Accounting Standards Board® (IPSASB®) issued ED 69 in August 2019.
Next steps:	The IPSASB seeks feedback on ED 69 to guide it in developing amendments to the International Public Sector Accounting Standard® (IPSAS®) guidance on accounting for financial instruments.
Comment deadline:	ED 69 is open for public comment until December 31, 2019.
How to respond:	Respondents are asked to submit their comments electronically through the IPSASB website, using the " Submit a Comment " link on the ED page. Please submit comments in both a PDF <u>and</u> Word file. All comments will be a matter of public record and will be posted on the website.

Why the IPSASB Undertook this Project

The objective of ED 69 is to improve and clarify the IPSAS guidance for accounting for public sector specific financial instruments.

Objective: Improve Guidance

During the IPSASB's project to develop its financial instruments suite of standards, several monetary items unique to the public sector were identified. These monetary items were termed "public sector specific financial instruments" by the IPSASB.

The IPSASB undertook this project in order to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about public sector specific financial instruments.

Developing the Consultation Paper

The IPSASB released a Consultation Paper (CP) in July 2016. This CP considered the issues related to public sector specific financial instruments and possible approaches to accounting for them. The objective of the CP was to initiate a debate about:

- The types of instruments considered to be in scope of the project; and
- Approaches to recognition and measurement.

Developing Exposure Draft 69

ED 69's objective to improve financial information about public sector financial instruments remains consistent with the objective of the July 2016 CP. However, based on the clear feedback provided by respondents to the 2016 CP, ED 69 takes a practical approach to achieving this objective.

The CP respondents noted:

- The scope of the CP should be maintained; and
- When public sector financial instruments meet the definition of a financial asset or financial liability, they should be accounted for by applying existing principles.

ED 69 therefore focuses on expanding on existing principles when a public sector specific financial instrument is a financial asset or financial liability as defined in IPSAS.

Project Scope and Output

ED 69 enhances principles in the existing financial instruments guidance as a practical way of addressing stakeholder concerns.

IPSAS 41 Guidance Clarified

ED 69 proposes clarification of existing guidance for the four public sector instruments in scope of the project:

- Monetary gold;
- Currency in circulation;
- IMF quota subscriptions; and
- IMF Special Drawing Rights (SDRs).

Monetary gold

Monetary gold has similar characteristics to a financial asset. ED 69 proposes adding guidance in IPSAS 41 clarifying it is appropriate to account for monetary gold by applying the financial asset principles in certain circumstances.

Currency in circulation, IMF quota subscriptions and SDRs

Currency in circulation, IMF quota subscriptions and SDRs all meet the definition of a financial instrument. ED 69 proposes adding implementation guidance and an illustrative example to IPSAS 41 to support stakeholders accounting for these instruments.

Figure 1: Treatment of Public Sector Specific Financial Instruments in ED 69

<i>Instrument</i>	<i>Type of guidance</i>	<i>Treatment in ED 69</i>
Monetary Gold	Implementation Guidance	Amendment to IPSAS 41 (IG B.1.A)
Currency in Circulation	Implementation Guidance	Amendment to IPSAS 41 (IG B.1.1.1)
IMF Quota Subscription	Illustrative Example	Amendment to IPSAS 41 (IE 32)
Special Drawing Rights	Implementation Guidance	Amendment to IPSAS 41 (IG B.1.1.2)

Adding guidance in IPSAS 41 specifically addressing public sector specific financial instruments facilitates the preparation of financial reporting information that is relevant, faithfully representative and comparable for these important public sector transactions.

Next Steps

The deadline for comments is **December 31, 2019**.

During the comment period, IPSASB members are available to discuss the proposals with a wide range of parties.

How can I comment on the proposals?

The ED requests comments on the Specific Matter for Comment (SMC).

Respondents may provide comments and answers on the SMC. They are also welcome to comment on any other matter they think the IPSASB should consider in forming its views.

Respondents are asked to submit their comments electronically through the IPSASB website, using the “[Submit a Comment](#)” link. Please submit comments in both a PDF and Word file.

All comments will be considered a matter of public record and will be posted on the IPSASB website.

The IPSASB will consider all feedback and discuss responses at its public meetings after the comment period has ended.

Stay informed

The IPSASB’s website will indicate the meetings at which feedback on the ED will be discussed. The dates and locations of the 2020 meetings are at:

<http://www.ipsasb.org/meetings>

To stay up to date about the project, please visit:

<https://www.ipsasb.org/projects/public-sector-specific-financial-instruments>