



International Public Sector Accounting Standard 17 Property, Plant and Equipment
IPSASB Basis for Conclusions

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Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 17.

Revision of IPSAS 16 as a result of the IASB's General Improvements Project 2003

Background

- BC1. The IPSASB's IFRS Convergence Program is an important element in the IPSASB's work program. The IPSASB policy is to converge the accrual basis IPSASs with IFRSs issued by the IASB where appropriate for public sector entities.
- BC2. Accrual basis IPSASs that are converged with IFRSs maintain the requirements, structure, and text of the IFRSs, unless there is a public sector-specific reason for a departure. Departure from the equivalent IFRS occurs when requirements or terminology in the IFRS are not appropriate for the public sector, or when inclusion of additional commentary or examples is necessary to illustrate certain requirements in the public sector context. Differences between IPSASs and their equivalent IFRSs are identified in the *Comparison with IFRS* included in each IPSAS.
- BC3. In May 2002, the IASB issued an exposure draft of proposed amendments to 13 International Accounting Standards (IASs)¹ as part of its General Improvements Project. The objectives of the IASB's General Improvements Project were "to reduce or eliminate alternatives, redundancies and conflicts within the Standards, to deal with some convergence issues and to make other improvements." The final IASs were issued in December 2003.

IPSAS 16, issued in December 2001, was based on IAS 40 (2000), *Investment Property*, which was reissued in December 2003. In late 2003, IPSAS 17 was reissued as a result of the IASB's General Improvements Project 2003

Background

- BC4. The IPSASB's IFRS Convergence Program is an important element in the IPSASB's work program. The IPSASB's policy is to converge the accrual basis IPSASs with IFRSs issued by the IASB where appropriate for public sector entities.
- BC5. Accrual basis IPSASs that are converged with IFRSs maintain the requirements, structure, and text of the IFRSs, unless there is a public sector-specific reason for a departure. Departure from the equivalent IFRS occurs when requirements or terminology in the IFRS are not appropriate for the public sector, or when inclusion of additional commentary or examples is necessary to illustrate certain requirements in the public sector context. Differences between IPSASs and their equivalent IFRSs are identified in the *Comparison with IFRS* included in each IPSAS.
- BC6. In May 2002, the IASB issued an exposure draft of proposed amendments to 13 International Accounting Standards (IASs)² as part of its General Improvements Project. The objectives of the IASB's General Improvements Project were "to reduce or eliminate alternatives, redundancies and conflicts within the Standards, to deal with some convergence issues and to make other improvements." The final IASs were issued in December 2003.
- BC7. IPSAS 17, issued in December 2001, was based on IAS 16 (Revised 1998), *Property, Plant, and Equipment*, which was reissued in December 2003. In late 2003, the IPSASB's predecessor, the Public Sector

¹ The International Accounting Standards (IASs) were issued by the IASB's predecessor, the International Accounting Standards Committee. The Standards issued by the IASB are entitled International Financial Reporting Standards (IFRSs). The IASB has defined IFRSs to consist of IFRSs, IASs, and Interpretations of the Standards. In some cases, the IASB has amended, rather than replaced, the IASs, in which case the old IAS number remains.

² The International Accounting Standards (IASs) were issued by the IASB's predecessor, the International Accounting Standards Committee. The Standards issued by the IASB are entitled International Financial Reporting Standards (IFRSs). The IASB has defined IFRSs to consist of IFRSs, IASs, and Interpretations of the Standards. In some cases, the IASB has amended, rather than replaced, the IASs, in which case the old IAS number remains.

Committee (PSC),³ actioned an IPSAS improvements project to converge, where appropriate, IPSASs with the improved IASs issued in December 2003.

- BC8. The IPSASB reviewed the improved IAS 16 and generally concurred with the IASB's reasons for revising the IAS and with the amendments made with the exception noted in paragraph BC6. (The IASB's Bases for Conclusions are not reproduced here. Subscribers to the IASB's Comprehensive Subscription Service can view the Bases for Conclusions on the IASB's website at <http://www.iasb.org>). In those cases where the IPSAS departs from its related IAS, this Basis for Conclusions explains the public sector-specific reasons for the departure.
- BC9. IAS 16, *Property, Plant and Equipment*, defines recoverable amount as "the higher of an asset's net selling price and its value in use." IPSAS 17 defines recoverable amount as "the higher of a cash-generating asset's fair value less costs to sell and its value in use." The definition in IPSAS 17 is the same as in IPSAS 26, *Impairment of Cash-Generating Assets*, but not IAS 16. The IPSASB is of the view that the definition in IPSAS 17 is appropriate because:
- (a) IPSAS 17 requires an entity to determine the recoverable service amount in accordance with IPSAS 21, *Impairment of Non-Cash-Generating Assets*.
 - (b) IPSAS 21 requires an entity to determine the recoverable amount in accordance with IPSAS 26.
- BC10. IAS 16 has been further amended as a consequence of IFRSs issued after December 2003. IPSAS 17 does not include the consequential amendments arising from IFRSs issued after December 2003. This is because the IPSASB has not yet reviewed and formed a view on the applicability of the requirements in those IFRSs to public sector entities.

Revision of IPSAS 17 as a result of the IASB's *Improvements to IFRSs* issued in 2008

- BC11. The IPSASB reviewed the revisions to IAS 16 included in the *Improvements to IFRSs* issued by the IASB in May 2008 and generally concurred with the IASB's reasons for revising the standard. The IPSASB concluded that there was no public sector specific reason for not adopting the amendments.

Revision of IPSAS 17 as a result of IASB's *Improvements to IFRSs* and *Narrow Scope Amendments* issued in May 2012, December 2013 and May 2014

- BC12. The IPSASB reviewed the revisions to IAS 16 included in the *Improvements to IFRSs* and *Clarification of Acceptable Methods of Depreciation and Amortisation* issued by the IASB in May 2012, December 2013 and May 2014 and generally concurred that there was no public sector specific reason for not adopting the amendments.

³ The PSC became the IPSASB when the IFAC Board changed the PSC's mandate to become an independent standard-setting board in November 2004.