ICPAK
Uphold Public Interest

Preparation of financial statements under various IPSASs (Cash & Accrual) and IFRSs
IPSASs 17 & 24

Presentation by:

CPA Cliff Nyandoro
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IPSASs Overview

Why IPSASs?

The International Public Accounting Standards Board (IPSASB) develops accounting standards for public sector entities referred to as Public Sector Accounting Standards (IPSASs)

The IPSASB recognizes the significant benefits of achieving consistent and comparable financial information across jurisdictions.

The Board believes that the IPSASs will play a key role in enabling these benefits to be realized globally.

List of IPSASs

List of Accrual Basis IPSAS Issued

Accrual Based IPSASs			
IPSAS 1	Presentation of Financial Statements	IPSAS 17	Property, Plant, and Equipment
IPSAS 2	Cash Flow Statements	IPSAS 18	Segment Reporting
IPSAS 3	Accounting Policies, Changes in Accounting Estimates and Errors	IPSAS 19	Provisions, Contingent Liabilities and Contingent Assets
IPSAS 4	The Effects of Changes in Foreign Exchange Rates	IPSAS 20	Related Party Disclosures
IPSAS 5	Borrowing Costs	IPSAS 21	Impairment of Non-Cash-Generating Assets
IPSAS 6	Consolidated and Separate Financial Statements	IPSAS 22	Disclosure of Information About General Government Sector
IPSAS 7	Investments in Associates	IPSAS 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
IPSAS 8	Interests in Joint Ventures	IPSAS 24	Presentation of Budget Information in Financial Statements
IPSAS 9	Revenue from Exchange Transactions	IPSAS 25	Employee Benefits
IPSAS 10	Financial Reporting in Hyperinflationary Economies	IPSAS 26	Impairment of Cash-Generating Assets
IPSAS 11	Construction Contracts	IPSAS 27	Agriculture
IPSAS 12	Inventories	IPSAS 28	Financial Instruments: Presentation
IPSAS 13	Leases	IPSAS 29	Financial Instruments: Recognition and Measurement
IPSAS 14	Events after the Reporting Date	IPSAS 30	Financial Instruments: Disclosures
IPSAS 15	Financial Instruments: Disclosure and Presentation	IPSAS 31	Intangible Assets
IPSAS 16	Investment Property	IPSAS 32	Service Concession Arrangements: Grantor

Introduction to IPSASs Accrual

There is a close relationship between accrual basis International Public Sector Accounting Standards (IPSASs) and International Financial Reporting Standards (IFRSs).

This is due to the fact that accrual basis IPSASs are largely premised on the principles of IFRSs.

The requirements of those standards are largely applicable to the public sector, much the same way they are applicable to the private sector entities.

They also deal with public sector specific financial reporting issues that are not dealt with in IFRSs.

Introduction to IPSASs Accrual

The objective of drawing from IFRS is to ensure greater **comparability** between private and public sector reporting when accounting for similar types of transactions.

However:

IFRSs are developed primarily for **profit-oriented entities**; while IPSASs apply to public sector entities whose key mandate is to provide services for social good and public welfare.

The IPSASB encourages the adoption of IPSASs and the **harmonization** of national requirements with IPSASs.

Introduction to IPSASs Accrual

Accrual basis IPSAS are applicable to all public sector entities other than Government Business Enterprises (GBEs), which apply IFRS.

Currently, there are 31 accrual basis IPSAS (IPSAS 1 – 32, after withdrawal of IPSAS 15 in 2013).

The Public Sector Accounting Standard Board (PSASB) has prescribed accrual basis IPSAS for all MDAs who were previously reporting under IFRS.

It is expected that all MDAs in Kenya will transit to accrual basis IPSAS when the relevant financial data becomes available and reliable over time.

Introduction to IPSAS Cash

The requirements of this Standard apply to general purpose financial statements.

An entity whose financial statements comply with the requirements of this Standard should disclose that fact. ***Do not disclose if you have not fully complied.***

The Standard applies to all public sector entities other than Government Business Enterprises

Introduction to IPSAS Cash

Mandatory

•Consolidated Statement of Cash Receipts and Payments
•Statement of Comparison of Budget and Actual amounts
•Notes to financial statements
**Cash flow statement - For our current template.*

Voluntary

•Statement of Cash Assets and Fund Balances
•Notes to financial statements
•Statement of Outstanding Invoices (Liabilities) •Statement of Unjustified Advances and Loans •Non-financial assets disclosure notes •Statement of Contingent Liabilities

Further Introduction to IPSASs

Selected IPSASs

Introduction to IPSAS 24

IPSAS 24 applies to public sector entities, other than GBEs, that are required or elect to make publicly available their approved budget.

Original budget is the initial approved budget for the budget period. Approved budget means the expenditure authority derived from laws related to the anticipated revenue/receipt for the period.

Final budget is the original budget adjusted for all reserves, transfers, allocations, supplemental appropriations, and other authorized legislative, or similar authority, changes applicable to the budget period.

Effective Date:- Annual periods beginning on or after January 1, 2009.

Introduction to IPSAS 24

The need for IPSA24

Most governments prepare and issue as public documents, or otherwise make publicly available, their financial budgets.

The budget documents are widely distributed and promoted.

The budget reflects the financial characteristics of the government's plans for the forthcoming period.

The budget is also;

- a key tool for financial management and control,
- is the central component of the process that provides for government and parliamentary (or similar) oversight of the financial dimensions of operations.

In addition, some individual entities may be required, or may elect, to make publicly available their approved budget(s).

Introduction to IPSAS 24

Objective & Scope

To ensure that public sector entities discharge their accountability obligations and enhance the transparency of their financial statements.

This is through demonstrating compliance with the approved budgets for which they are held publicly accountable and, where the budget and the financial statements are prepared on the same basis, their financial performance in achieving the budgeted results.

Introduction to IPSAS 24

Disclosure

By way of note disclosure, an explanation of material differences between the budget and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements and a cross reference to those documents is made in the notes.

An entity shall present an explanation of whether changes between the original and final budget are a consequence of reallocations within the budget, or of other factors.

By way of note disclosure in the financial statements in a report issued before, at the same time as, or in conjunction with the financial statements, and shall include a cross reference to the report in the notes to the financial statements.

Introduction to IPSAS 24

Disclosure

An entity shall explain in notes to the financial statements;

- the budgetary basis and classification basis adopted in the approved budget,
- the period of the approved budget,
- and the entities included in the approved budget.

An entity shall identify in notes to the financial statements the entities included in the approved budget.

Budget information illustrated

Statement of Comparison of Budget and Actual Amounts				
Mhasibu Government for the Year Ended June 30, 2016				
(Classification of Payments by Funcions)				
*Budget and accounting basis is different				
*Statement of Budget and Actual Amounts is prepared on the budget basis.				
	Budgeted Amounts			
(in currenc yunits)	Original	Final	Actual Amounts on Comparable Basis	Difference: Final Budget and Actual
Receipts				
Taxation	X	X	X	X
Aid Agreements	X	X	X	X
International agencies	X	X	X	X
Other Grantsand Aid	X	X	X	X
Proceeds: Borrowing	X	X	X	X
Proceeds: Disposal of plant and equipments	X	X	X	X
Trading activities	X	X	X	X
Other receipts	X	X	X	X
Total Receipts	X	X	X	X
Payments				
Health	(X)	(X)	(X)	(X)
Education	(X)	(X)	(X)	(X)
Public order / safety	(X)	(X)	(X)	(X)
Social Protection	(X)	(X)	(X)	(X)
Defense	(X)	(X)	(X)	(X)
Housing and community amenities	(X)	(X)	(X)	(X)
Recreational, cultural and religion	(X)	(X)	(X)	(X)
Economic affairs	(X)	(X)	(X)	(X)
Other	(X)	(X)	(X)	(X)
Total payments	(X)	(X)	(X)	(X)
Net Receipts / (Payments)	X	X	X	X

The 'Difference' column in not required. However, a comparison between actual and the original or the final budget, clearly identified as appropraite, may be included.

Questions

Introduction to IPSAS 17 – Plant, Property & Equipment (IAS 16)

The objective of this Standard is to prescribe the accounting treatment for property, plant and equipment so that users of financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment.

Effective Date - Annual periods beginning on or after January 1, 2008

Objective & Scope - To prescribe the principles for the initial recognition and subsequent accounting (determination of carrying amount and the depreciation charges and impairment losses) for property, plant and equipment

Introduction to IPSAS 17 – Plant, Property & Equipment (IAS 16)

An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for property, plant and equipment, except:

(a) When a different accounting treatment has been adopted in accordance with another International Public Sector Accounting Standard; and
(b) In respect to heritage assets. However, the disclosure requirements of paragraphs 88, 89 and 92 apply to those heritage assets that are recognized.

Introduction to IPSAS 17 – Plant, Property & Equipment (IAS 16)

Measurement

Initial recognition at cost, which includes all costs necessary to get the asset ready for its intended use.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

If payment is deferred, interest shall be recognized.

Introduction to IPSAS 17 – Plant, Property & Equipment (IAS 16)

Recognition

The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if:

(a) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and

(b) The cost or fair value of the item can be measure reliably.

Introduction to IPSAS 17 – Plant, Property & Equipment (IAS 16)

Disclosure

The financial statements shall disclose, for each class of property, plant and equipment recognized in the financial statements:

a)The measurement bases used for determining the gross carrying amount;

(b) The depreciation methods used;

(c) The useful lives or the depreciation rates used;

(d) The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and

(e) A reconciliation of the carrying amount at the beginning and end of the period showing:

(i) Additions; (ii) Disposals and (iii) Acquisitions through entity combinations

Interactive Session

END

Thank You!