GFSAC–15/10

Meeting of the IMF Government Finance Statistics Advisory Committee

Washington, D.C.

March 9–10, 2015

Accounting Data as Major Source for GFS—Progress and Remaining Issues to Harmonize Accounting and GFS Standards

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Meeting:	Government Finance Statistics Advisory Committee	For:
		☐ Approval
Meeting Location:	Washington DC, USA	☐ Discussion
Meeting Date:	March 9, 2015	☒ Information

IPSASs and GFS Reporting Guidelines

Objective of Agenda Item

To consider the approach the IPSASs/GFS Task Force has taken to issues management and allocation to the new tables related to *IPSASs and GFS Reporting Guidelines: Comparison of Recognition and Measurement Requirements*.

Materials Presented

IPSASB Slides – *Accounting Data as Major Source for GFS*

Table 1 [Draft] – *Potential differences that can be resolved now through adopting a GFS-aligned IPSAS option*

Table 2 [Draft] – *Differences currently needing to be managed that could be resolved in future through an existing IPSASB work-plan project*

Table 3.i [Draft] – *Differences currently needing to be managed that could potentially be resolved through a future IPSASB project*

Table 3.ii [Draft] – *Differences currently needing to be managed that could potentially be resolved through a future SNA/GFS revision project*

Table 3.iii [Draft] – *Differences currently needing to be managed that do not appear capable of resolution*

Accounting Data as Major Source for GFS

Government Finance Statistics
Advisory Committee

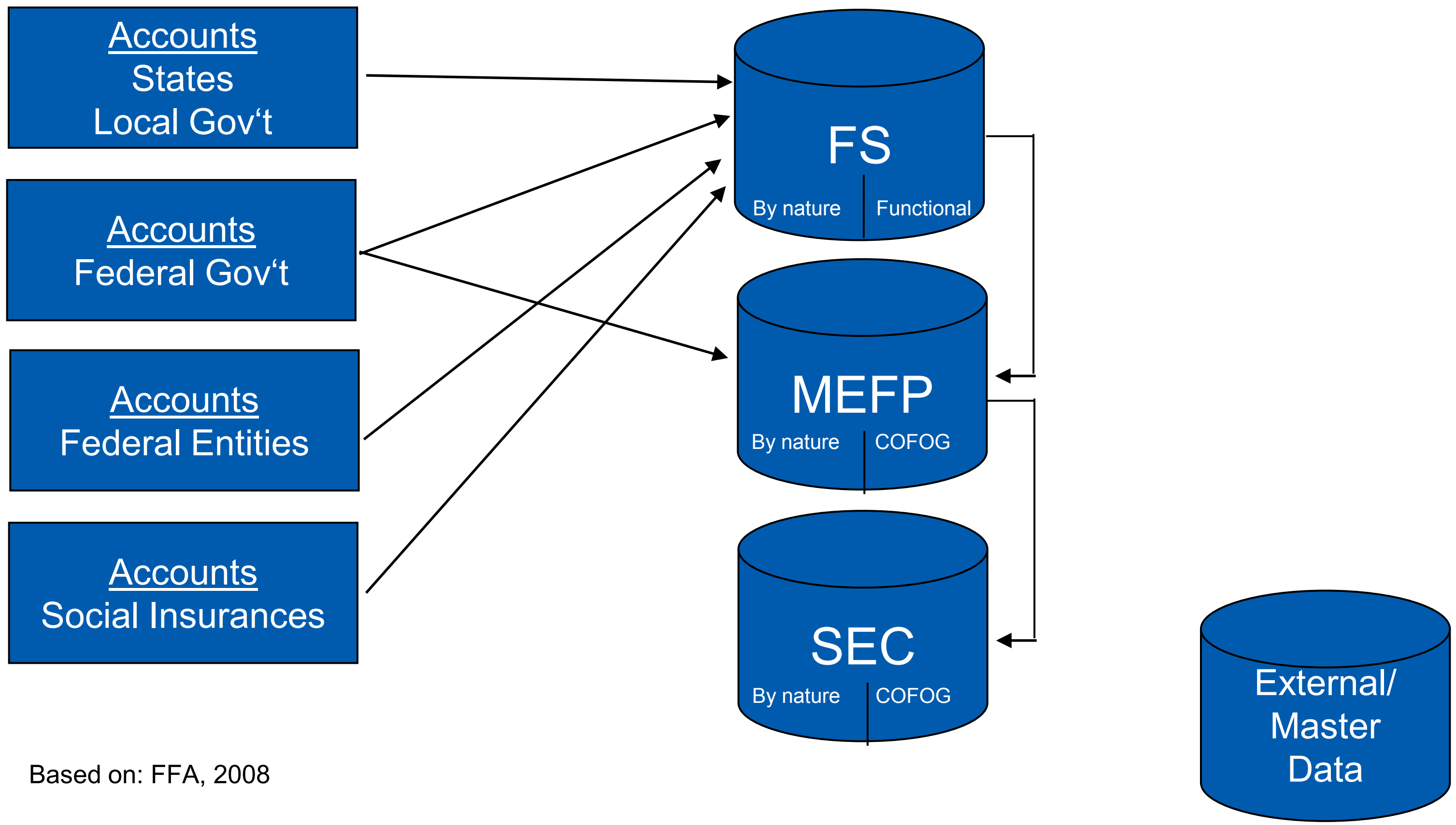
Washington, March 9, 2015

Prof. Dr. Andreas Bergmann,
IPSASB Chair

Background on Harmonization IPSASs and GFS

- 2005: TFHPSA Research Report, *IPSASs and Statistical Bases of Financial Reporting*
- 2006: IPSAS 22, *Disclosure of Financial Information about the General Government Sector*
- 2012: IPSASB Consultation Paper, *IPSASs and Government Finance Statistics Reporting Guidelines*
- 2014: IPSASB Policy Paper, *Process for Considering GFS Reporting Guidelines during Development of IPSASs*

Data Flow



Based on: FFA, 2008

Management of Differences (IPSASs and GFS)

- Table 1 – Can be resolved now through adopting a GFS-aligned IPSAS option
  - The reporting entity (1.A1)
  - Reporting component sectors of the public sector, particularly the general government sector (GGS) (1.A2)
  - Accounting for controlled entities (1.A3)
  - Outside equity interest (1.A4)
  - Borrowing costs (1.B1)
  - Time of recording of tax revenue (1.B2)
  - Investments in associates (Measurement) (1.C1)
  - Measurement of investments in unquoted shares (1.C2)
  - Depreciation vs. consumption of fixed capital (1.C3)

Management of Differences (IPSASs and GFS)

- Table 2 – Could be resolved in future through an existing IPSASB work-plan project
  - Defence weapons (2.B1);
  - Recognition and derecognition of financial instruments: Securitization undertaken by SPEs/SPVs (2.B2))
  - Currency on issue/ seigniorage (2.B3)
  - “Subscriptions” to international organizations (2.B4)
  - IMF Special Drawing Rights (SDRs) (2.B5)
  - Measurement of non cash-generating assets (2.C1)
  - Transaction costs – Acquisition of Assets (2.C2)

Management of Differences (IPSASs and GFS)

- Table 3 – Differences currently needing to be managed that:

i. Could potentially be resolved through a future IPSASB project

- Ex: Determination of:(a) net worth/net assets/ equity (3i.A1) and Transaction costs – Disposing of Assets (3i.C1)

ii. Could potentially be resolved through a future SNA/GFS revision project

- Ex: PPPs (3ii.A2) and Decommissioning/restoration costs (3ii.A3)

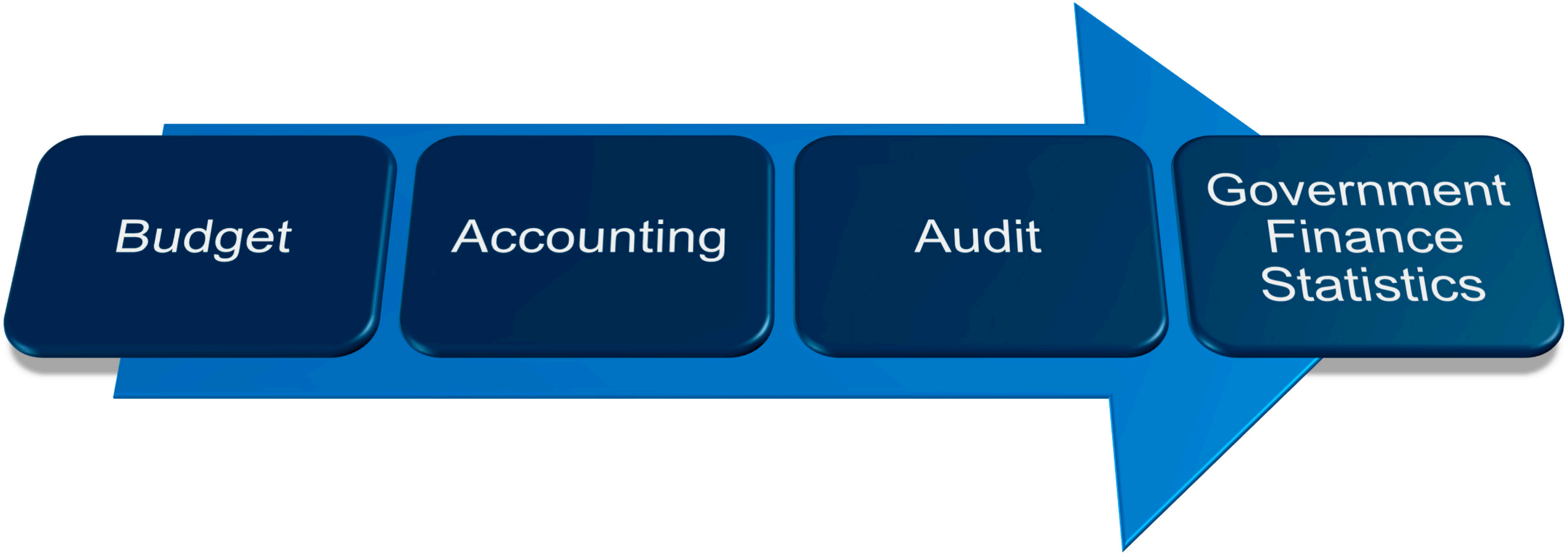
iii. Do not appear capable of resolution

- Ex: Provisions arising from constructive obligations (3iii.B2) and Nonperforming loans (3iii.C1)

Next Steps

- Existing IPSASB projects
  - *Public Sector Specific Financial Instruments, Government Business Enterprises, Emissions Trading* and *Social Benefits*
- Proposed IPSASB projects
  - *Segment reporting, Measurement* and *Public Sector Specific Intangible Assets*
- Potential to reduce differences on GFS side
  - *Decommissioning/Restoration Cost*: Align in details with IPSAS 17
  - *PPP*: Possibly align with IPSAS 32
  - *R&D/Intangibles:* Provide further guidance in line with IPSAS 31
  - *Concessionary loans:* Possibly align with IPSAS 29

Integrated System



Accounting Data as Major Source for GFS

Government Finance Statistics
Advisory Committee

Washington, March 9, 2015

Prof. Dr. Andreas Bergmann, Chair
IPSASB

Thanks!

IPSASs AND GFS REPORTING GUIDELINES: COMPARISON OF RECOGNITION AND MEASUREMENT REQUIREMENTS

1. There are the following tables:
   a) Table 1 – Differences that can be resolved now through adopting a GFS-aligned IPSAS option
   b) Table 2 – Differences currently needing to be managed that could be resolved in future through an existing IPSASB work-plan project
   c) Table 3 – Differences currently needing to be managed that:
      i. Could potentially be resolved through a future IPSASB project
      ii. Could potentially be resolved through a future SNA/GFS revision project
      iii. Do not appear capable of resolution.
2. Each table is organized in four sections according to the following groupings used in Table 1 of the IPSASB 2012 Consultation Paper *IPSASs and GFS Reporting Guidelines* – Summary Comparison of GFS and IPSASs http://www.ifac.org/sites/default/files/publications/files/IPSASB-GFS-Policy-Paper.pdf, that is also used in Appendix 6 of GFSM 2014:
   A. Reporting entity
   B. Recognition criteria
   C. Measurement (valuation)
   D. Revaluations and other value changes
3. Each section starts with the text from Table 1, and then for each individual issue the second and third columns quote the relevant guidance from each framework. The fourth column provides the issue reference in the 2005 research report matrix produced by the Task Force for Harmonisation of Public Sector Accounting https://www.ifac.org/sites/default/files/publications/files/international-public-sector.pdf. The fifth column provides the issue reference in the 2012 CP Table 2 http://www.ifac.org/sites/default/files/publications/files/IPSASs%20and%20GFS%20Guidelines%20FINAL%20October%2016%202012.pdf
4. Issues in the original 2005 matrix that have been resolved are not dealt with in the table. Other issues in the 2005 matrix do not always fit within these four groups. The Matrix's "Outside Ownership Relationships" and "Financial Instruments" categories have been included within "Reporting Entity" and "Recognition Criteria" respectively. "Revaluations and other value changes" includes various financial statement presentation issues in the 2005 matrix. The 2005 matrix also included presentation issues which have been excluded from this table as it focuses on Recognition and Measurement requirements.

TABLE 1 – Potential differences that can be resolved now through adopting a GFS-aligned IPSAS option					
Issue	**IPSAS Treatment as of October 30, 2014**	**Treatment in *GFSM/ESA/EMGDD/SNA***	**2005 Report Ref**	**2012 CP Ref**	**Comments / GFS-aligned IPSAS option**
A) REPORTING ENTITY					
	Economic entity and consolidation: The reporting unit for financial statements is an economic entity, defined as a group of entities that includes one or more controlled entities. Control is the main criterion that determines consolidation. The whole of government reporting entity, at the highest level of consolidation, may include, in addition to government departments, sub-national bodies such as state governments, and government owned businesses that primarily engage in market activities.	**Institutional units and sectors:** The statistical reporting unit is an institutional unit, defined as an entity that is capable, in its own right, of owning assets, incurring liabilities, and engaging in economic activities in its own name. The reporting entity may be an institutional unit, but the primary focus is on a group of institutional units (consolidated sector or subsector). Control and the nature of economic activities determine consolidation and the scope of the reporting entity. The General Government Sector does not include institutional units primarily engaged in market activities.	1	Ch.2	
1.A1 The reporting entity	IPSAS 22, *Disclosure of Financial Information About the General Government Sector* IPSAS 1, *Presentation of Financial Statements* IPSAS 6, *Consolidated Financial Statements and Accounting for Controlled Entities* For financial reporting purposes, an economic entity "is a group of entities comprising the controlling entity and one or more controlled entities". A whole of government report prepared under IPSASs for a central government of a country is not the total public sector for that country, to the extent that other levels of government are not controlled by the central government.	SNA 4.127-4.148 1.1 A statistical unit is an institutional unit, i.e. an (economic) entity that is capable, in its own right, of owning assets, incurring liabilities, and engaging in economic activities and in transactions with other entities. (*GFSM 2014* para 2.22) The reporting entity may be an institutional unit or a group of institutional units. The scope of the reporting entity is not necessarily determined by the notion of control. *SNA* and *ESA same as GFSM 2014. However, European System of National Accounts 2010 (ESA 2010) has developed rules, for example, for identifying public corporations.*	1.1	A1 B1 and D1	By prescribing disclosure requirements for governments that elect to present information about the General Government Sector (GGS) IPSAS 22 provides the guidance necessary for Governments to present the analysis necessary for GFS purposes within their IPSAS-compliant financial statements.
1.A2 Reporting component sectors of the public sector, particularly the general government sector (GGS)	A segment is a "distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of evaluating the entity's past performance in achieving its objectives and for making decisions about the future allocation of resources". Segments are disclosed as a note in the GPFSs.	SNA 4.127-4.148: 1.2 The total economy of a country can be divided into sectors. A sector is a group of institutional units that are resident in the economy. The 5 sectors are: general government, nonfinancial corporations, financial corporations, non-profit institutions serving households, and households. The public sector (for the whole economy or a particular government's jurisdiction) consists of the GGS, public nonfinancial corporations (PNFC) and	1.2	B1 Ch. 2	See comments on IPSAS 22 under 1.A1. Active IPSASB projects with possible implications for this topic: • Interests in Other Entities (definition of control), and • Government Business Enterprises (identification of entities outside of GGS) Potential project with implications:

TABLE 1 – Potential differences that can be resolved now through adopting a GFS-aligned IPSAS option					
Issue	**IPSAS Treatment as of October 30, 2014**	**Treatment in *GFSM/ESA/EMGDD/SNA***	**2005 Report Ref**	**2012 CP Ref**	**Comments / GFS-aligned IPSAS option**
		financial corporations (PFC) subsectors. The GGS and PNFCs can be consolidated to get the nonfinancial public sector. (*GFSM* Chapter 2) *SNA* and *ESA same as GFSM.However, ESA has developed some rules, for example, for identifying public corporations to be classified in government.*			• Revisions to IPSAS 18 *Segment Reporting* • Disclosure of Financial Information about the GGS—IPSAS 22 *(Issue: Differences between the narrative on "control" in IPSAS 6 and the control indicators for the SNA definition. This issue was considered during development of ED49.)*
1.A3 Accounting for controlled entities	1.3 In IPSAS 6 "*Consolidated Financial Statements and Accounting for Controlled Entities*", consolidated Financial Statements are "the financial statements of an economic entity presented as those of a single entity". Exceptions (IPSAS 6, paras 16 and 22) Combination, eliminations and treatment of unrealized losses. (IPSAS 6 paras 39-52) Controlling entity's separate financial statements: (IPSAS 6 para 53)	1.3 Consolidation involves the elimination of all transactions and debtor-creditor relationships that occur among the units being consolidated. (*GFSM 2014* paras 3.153-3.166) In the GGS's financial statements the investment in controlled entities in other sectors should be valued at the current prices of the shares on stock exchanges for traded shares. For equity held in public corporations with untraded shares or quasi-corporations it is equal to the total value of a corporation's and quasi-corporation's assets less the total value of its other liabilities (*GFSM 2014* para 7.229) *SNA 2.69 and ESA 1.107-1.08 As a matter of principle, flows and stocks between constituent units within subsectors or sectors must not be consolidated. However, consolidated accounts may be built up for complementary presentations and analyses.* *Specifically, consolidation is stated to be useful, for example, for the government sector as a whole, thus showing the net relations between government and the rest of the economy.*	1.3	B1 D1 B6	See comments on IPSAS 22 under 1.A1. *(It appears that the new IPSAS standards under development do not have any significant impact on this issue, but to be discussed if the allowance for using the "equity method" in some circumstances could assist convergence in some circumstances.)*

TABLE 1 – Potential differences that can be resolved now through adopting a GFS-aligned IPSAS option					
Issue	**IPSAS Treatment as of October 30, 2014**	**Treatment in *GFSM/ESA/EMGDD/SNA***	**2005 Report Ref**	**2012 CP Ref**	**Comments / GFS-aligned IPSAS option**
1.A4 Outside equity interest	IPSAS 1 "*Presentation of Financial Statements*" " and IPSAS 6 "*Consolidated Financial Statements and Accounting for Controlled Entities* See IPSAS 6 para 50 and IPSAS 1 paras 39 (c), 89 and 101 IPSAS recognizes outside equity interest as net assets/equity.	*GFSM 2014* 7.165 –177, which adopts what is commonly referred to as an entity view. *GFSM 2014* recognizes outside equity interest as a liability (listed equity at market values and other equity and investment fund shares at net asset value); whereas IPSASs recognize it as net assets/equity. *SNA and ESA: Same as GFSM.*	2.1	D9	In GFS equity is presented as a sub-item of liabilities while in IPSAS equity is separately presented. Nevertheless, under both systems it is always possible to identify equity in the financial statements.
B) RECOGNITION CRITERIA					
	Past events with probable outflows recognized: IPSASs recognize liabilities, including provisions, when: • A past economic event has taken place; • The amount can be reliably estimated; and • Future outflows are probable. These factors allow, in certain cases, recognition of items that do not involve a counterparty recognizing a symmetrical amount. For example, so long as criteria are met, IPSASs require recognition of restructuring provisions.	**Economic events recognized:** GFS recognize economic events on the accrual basis of recording when economic value is created, transformed, exchanged, transferred, or extinguished. To maintain symmetry for both parties to the transaction, some provisions recognized in IPSAS reporting may not be recognized under GFS reporting. While not recognized, those provisions may instead be disclosed as GFS memorandum items as is the case, for example, with exposures to explicit one-off guarantees and provisions for doubtful debts.			The key difference relates to certain types of liabilities.
1.B1 Borrowing costs	The benchmark treatment in IPSAS 5 *Borrowing Costs* requires immediate expensing of borrowing costs. Para 6 states: "Borrowing costs may include: (a) Interest on bank overdrafts and short-term and long-term borrowings; (b) Amortization of discounts or premiums relating to borrowings; (c) Amortization of ancillary costs incurred in connection with the arrangement of borrowings; (d) Finance charges in respect of finance	SNA 7.113 -7.126 "Borrowing costs" is not a classification item in *GFSM 2001*. These costs are broken down into their constituent components and each component is treated separately. If an intermediary is involved, all service charges, fees, commissions, and similar payments for services provided in carrying out transactions are expensed. If there is no intermediary, i.e., the government is dealing directly with the lender, the borrowing costs are likely to be inseparable from interest – an expense also, but a different classification within expense.	10.4	A5	Aligned treatment: Choose the "expense borrowing costs" option in IPSAS 5. (Also see Group 2: Consultation project-no link: See page 28 of Strategy CP; Borrowing Costs IPSAS 5.)

TABLE 1 – Potential differences that can be resolved now through adopting a GFS-aligned IPSAS option					
Issue	**IPSAS Treatment as of October 30, 2014**	**Treatment in *GFSM/ESA/EMGDD/SNA***	**2005 Report Ref**	**2012 CP Ref**	**Comments / GFS-aligned IPSAS option**
	leases; and (e) Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs."	For securities issued at a discount or premium, the difference between the issue price and price at maturity is treated as interest accruing over the life of the securities, once again, as an expense. *SNA and ESA: Same as GFSM.*			
1.B2 Time of tax revenue recording			10.15	No ref.	Aligned treatment: Following the release of IPSAS 23, in practice there is no difference. (I*n the EU many countries use a "time adjusted cash" approach to approximate an accrual approach. Experience shows that this differs from revenues recorded in public accounts, even if those jurisdictions follow accrual principles.)*
C) MEASUREMENT (VALUATION)					
1.C1 Investments in associates *(Measurement)*	IPSAS 7, *Accounting for Investments in Associates*, requires fair value when an intention to sell an investment within 12 months exists. IPSAS 7 requires: • Application of the equity method of accounting in consolidated financial statements except where the investment is acquired and held exclusively with a view to its disposal in the near future, in which case it should be accounted for under the cost method; and • In the financial statements of the investor (other than consolidated financial statements), an investment in an associate is accounted for either by the equity method or as an investment. However, if the investment is held for resale it is accounted for by either the cost method or as investment. (IPSAS 17 paras 18, 23-28) The equity method requires that the investment is initially recorded at cost and the carrying amount is increased or decreased to recognize the investor's share of net surpluses or deficits of the investee after the	SNA 13.16 – 13.25: Information from markets may be used to value similar securities that are not traded, by analogy. Other methods are to use net asset value or directors' valuation. (*GFSM 2014* para 7.24-33) Changes in market value of traded shares and changes in the investor's share of the corporation's net worth are recorded as other economic flows. *SNA and ESA: Same principle as GFSM.*	5.6	B6	See comments on IPSAS 22 under 1.A1. Active IPSASB projects with possible implications for this topic: Interests in Other Entities (definition of control), As noted above, the new IPSAS standards should be analyzed in terms of how the equity method works.

TABLE 1 – Potential differences that can be resolved now through adopting a GFS-aligned IPSAS option					
Issue	**IPSAS Treatment as of October 30, 2014**	**Treatment in *GFSM/ESA/EMGDD/SNA***	**2005 Report Ref**	**2012 CP Ref**	**Comments / GFS-aligned IPSAS option**
	date of acquisition. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for alterations in the investor's proportionate interest in the investee arising from changes in the investee's equity that have not been included in the statement of financial performance. (IPSAS 7 para 11)				
1.C2 Measurement of investments in unquoted shares (entities that are not controlled or subject to significant influence)	IPSAS 29, IPSAS 1 *Investments in unquoted shares – measurement:* IPSAS 29 requires fair value where there is a reliable measure, otherwise, cost. In practice fair value is used in the majority of cases. *Investments in unquoted shares – presentation of gains and losses from remeasurement.*	SNA 13.70-13.71; SNA 12.73 – 12.121; *Measurement:* The SNA 2008 adopts a "current market price" (fair value) hierarchy across all assets. Information from markets may be used to value similar securities that are not traded, by analogy. Other methods are to use net asset value or directors' valuation. (*GFSM 2014* para 7.24-33) SNA and *ESA:* Same as *GFSM.*	5.7	B8 D4	Aligned treatment in respect of Measurement. Presentation (classification) issue remains.
1.C3 Depreciation vs. consumption of fixed capital				No ref	If assets are valued at market value and if the useful life of the asset is determined based on economic life and not on some tax rule or company law, depreciation will be the same than consumption of fixed capital. A difference may exist depending on the choice of accounting policy employed.

Table 2 – Differences currently needing to be managed that could be resolved in future through an existing IPSASB work-plan project					
Issue	**IPSAS Treatment as of October 30, 2014**	**Treatment in *GFSM ESA/EMGDD/SNA***	**2005 Report Ref**	**2012 CP Ref**	**Comments**
B) RECOGNITION CRITERIA					
	Past events with probable outflows recognized: IPSASs recognize liabilities, including provisions, when: • A past economic event has taken place; • The amount can be reliably estimated; and • Future outflows are probable. These factors allow, in certain cases, recognition of items that do not involve a counterparty recognizing a symmetrical amount. For example, so long as criteria are met, IPSASs require recognition of restructuring provisions.	**Economic events recognized:** GFS recognize economic events on the accrual basis of recording when economic value is created, transformed, exchanged, transferred, or extinguished. To maintain symmetry for both parties to the transaction, some provisions recognized in IPSAS reporting may not be recognized under GFS reporting. While not recognized, those provisions may instead be disclosed as GFS memorandum items as is the case, for example, with exposures to explicit one-off guarantees and provisions for doubtful debts.			The key difference relates to some liabilities.
3: RECOGNITION OF ASSETS (OTHER THAN FINANCIAL INSTRUMENTS)		2005 Matrix: *GFSM 2014* para 3.42-3.50 defines assets: Paragraph 6.1 defines expense.	3	D2	*Table 2, 2012 Consultation Paper*
2.B1 Defence weapons: (a) platforms (b) inventory *2012 CP*: A6, B5	IPSAS 17, *Property, Plant & Equipment*, including paras 3, 20 and 54 IPSAS 12*, Inventories*, which includes requirements for the treatment of inventories including defence weapons that satisfy the definition of inventories. (IPSAS 12 paras 6 and 8)	SNA para.10.87, 10.144 and A3.55-58; *GFSM 2014* para 6.49 and 7.74; SNA and *ESA: Same as GFSM*	3.3	A6 B5	Group 1: Aligned: *Option:* Apply classification and measurement that is consistent with IPSAS measurement. Group 2: Potential Alignment: *Consultation project-linked*: See page 26 of Strategy CP; Military Assets
6: FINANCIAL INSTRUMENTS			6		
2.B2 Recognition and derecognition of financial instruments: (e) Securitization undertaken by SPEs/SPVs *2012 CP*: A7	*Recognition and derecognition of financial* instruments: When an entity assumes a liability, it will: • first consider whether the debit to the transaction meets the definition of a financial instrument (financial claim or an equity instrument), • secondly, the entity will consider whether it there is any other type of asset to be recognised, and	SNA 12.42, 22.122: (a) When a government assumes responsibility for a debt as the primary obligor, or debtor, it incurs a new liability to the creditor and the liability of the original debtor is extinguished. When the government acquires an effective claim on the original debtor, it records an increase in liabilities to the creditor and the acquisition of a financial claim against the original debtor. If the government does not acquire an effective claim, and if the original debtor is a public corporation owned or controlled	6.1	A7	Group 1 Aligned (Note IPSAS 28–30, approved project.) It would be helpful to discuss if there really is full alignment here, given the IPSAS general impairment approach. Securitisation has been raised as an issue in the public financial instruments project, where it has been noted that the EU approach is very strict. (Note that the June 2014 Task Force paper (2

Table 2 – Differences currently needing to be managed that could be resolved in future through an existing IPSASB work-plan project					
Issue	**IPSAS Treatment as of October 30, 2014**	**Treatment in *GFSM* *ESA/EMGDD/SNA***	**2005 Report Ref**	**2012 CP Ref**	**Comments**
	• failing the above, recognize the debit as an expense. The application of the above IPSAS principles may result in the same treatment as required in terms of the GFSM/SNA. In terms of IPSAS 29 (para 41 and 43) a financial liability is derecognized when the obligation is discharged, waived, cancelled or when it expires. When the liability is derecognized the borrower would do the same as specified in IPSAS 23 (para 84 – 87).	by the government and the corporation continues to be a going concern, then the assumption is treated as an increase in the government's equity in the corporation. If the original debtor is bankrupt, no longer a going concern, or not a unit owned or controlled by the government, then the government has made a transfer payment. (*GFSM 2014* Appendix 3, paras A3.26-A3.29) (e) Special Purpose Vehicles (SPVs) can be set up when governments undertake securitization. The classification of SPVs requires clarification. *(e) ESA: EMGDD provides rulings on the treatment of securitization.*			Differences_Tracking Table_Highlights) recommended referring 2012 CP respondents' financial instruments related concerns to IPSASB staff for consideration within the two financial instrument projects (public sector financial instruments and revisions to IPSASs28–30).
2.B3 Currency on issue/ seigniorage: (a) notes (b) coins *2012 CP*: B2 *2014: Central Bank issue from 2012 here:*D11	No applicable IPSAS	There is a liability for notes and coins on issue. For notes it is the central bank and not the GGS that has the liability and for coins the treasury and therefore the GGS. (*GFSM 2014* para 7.135); *GFSM 2014* indicates that seigniorage for the issuer of currency are implicitly included under currency and deposits and ar not treated as revenue. Therefore, paragraph 6.48 states "The issuance of the coins or notes is a financial transaction that does not involve revenue or expense." Seigniorage is the profit on the issue of token coinage by a government, representing the difference between the face value of currency issued and its costs of production including the cost of base metals. (*GFSM 2014*, , Chapter 9 footnote 8) Paragraph 6.48 of *GFSM 2014* states that "Materials to produce coins or notes of the national currency or amounts payable to contractors to produce the currency are included as use of goods and services." *ESA: The ESA 2010 has introduced the explicit convention that central banks hold a*	6.2	B2 D11	Group 2: Potential Alignment *Current project*: Public Sector specific financial instruments.

Table 2 – Differences currently needing to be managed that could be resolved in future through an existing IPSASB work-plan project					
Issue	**IPSAS Treatment as of October 30, 2014**	**Treatment in *GFSM ESA/EMGDD/SNA***	**2005 Report Ref**	**2012 CP Ref**	**Comments**
		liability for coins, but then hold a claim on the government for that liability.			
2.B4 "Subscriptions" to international organizations *2012 CP*: B3, C5	Apply IPSAS concepts. (No IPSAS explicitly addresses the topic.) The costs of subscriptions will be recognized as an asset if they satisfy the definition and recognition criteria for assets, including the reliability of measurement. Whether an asset is recognized will depend on whether the subscription provides future economic benefit or service potential. If it does not, an expense is recognized.	2008 SNA guidance indicates that transactions with international and supranational organizations, including membership dues and subscription fees payable to international organizations, may not be treated as transfers but as payments for a service, recorded on an accrual basis. Exceptionally, and when there is a possibility even if unlikely, of repayment of the full amount, the payment may be represented as a financial asset. Similar guidance in GFSM 2014, paragraph 6.42 clarify that, depending on their nature, "subscriptions" to international non-monetary organizations could give rise to expenses or equity assets. *ESA: The guidelines are that subscriptions are treated as financial flows (equity) unless the receiving entity operates on a concessional basis (in which case an expenditure is recorded).*	10.6	B3 C5	Group 2: Potential Alignment *Current project*: Public Sector specific financial instruments
2.B5 IMF Special Drawing Rights (SDRs)			10.13	No ref	This issue is part of the project on public sector financial instruments.
C) MEASUREMENT (VALUATION)					
5: MEASUREMENT OF ASSETS, LIABILITIES AND NET ASSETS/ EQUITY *2012 CP:* A2, B6 **C1, D3**	**Fair value, historic cost and other bases:** Fair value, historic cost or other bases are used for the measurement of assets and liabilities. Similar assets and liabilities must be valued consistently and the bases disclosed. Where an entity reports an item using historic cost, IPSASs often encourage disclosure of fair value if there is a material difference between the reported cost and the item's fair value. Often IPSASs also allow entities to choose between fair value and historic cost.	**Current market prices:** Current market prices are used for all flows, and stocks of assets/liabilities, but allowance is made for the use of alternative valuation methods where an active market does not exist. (SNA 13.16 – 13.25 comprehensive requirement for current market value SNA 2008 continues the primacy of market valuation with a hierarchy similar to GAAP, including a range of valuation methods.)	5	A2 B6 C1 D3	Group 2: Potential Alignment Also Group 1. Choose aligned Options: For each of the following three IPSASs, (a) Aligned option for recognition of heritage (investment) assets is to recognize such assets; and (b) Aligned option for valuation of noncash-generating assets is the revaluation option: IPSAS 16, Investment Property: IPSAS 17, Property, Plant & Equipment

Table 2 – Differences currently needing to be managed that could be resolved in future through an existing IPSASB work-plan project					
Issue	**IPSAS Treatment as of October 30, 2014**	**Treatment in *GFSM ESA/EMGDD/SNA***	**2005 Report Ref**	**2012 CP Ref**	**Comments**
					IPSAS 31, Intangible Assets
2.C1 Measurement of non cash-generating assets *2012 CP*: A4, D3	IPSAS 16, IPSAS 17 and IPSAS 31. Revaluation options in IPSAS 17 and IPSAS 31. IPSASs make recognition of heritage assets optional.	SNA: All assets are to be valued at market value. The *GFSM 2014* provides some guidance on ways to estimate market value for assets that are non cash flow assets. (*GFSM 2014* paras 7.20 - 7.33) With respect to heritage assets, statistical reporting recognizes heritage assets, *SNA and ESA: Same as GFSM.*	10.7	A4 D3	Group 1 Aligned treatment *Option:* Choose the heritage asset recognition option in IPSASs 17 and 31. Apply revaluation options in IPSASs. Group 2 Potential to align in this area. *Consultation project-no link*: See page 24 of Strategy CP; Heritage Assets; *Consultation project-linked*: See page 25 of Strategy CP; Measurement–public sector specific. (Related to A4 in Table 2)
2.C2 Transaction costs: (a) acquisition of nonfinancial assets (b) acquisition of financial assets	(a) IPSAS 17 prescribes that "an item of property, plant and equipment which qualifies for recognition as an asset should initially be measured at its cost." Cost includes any directly attributable costs of bringing the asset to working condition for its intended use, e.g. cost of site preparation, initial delivery and handling costs, installation costs, and professional fees for architects and engineers. (IPSAS 17 paras 22 and 26) (b) There is no IPSAS dealing with the initial recognition of financial assets. The relevant IASB Standard is IAS 39. IAS 39 requires transaction costs for financial instruments measured at fair value with changes in fair value recognized through profit/loss to be recognized in the profit/loss as incurred.	(a) Transactions costs (includes all transport and installation charges and all costs of ownership transfer) are capitalized for nonfinancial assets. (*GFSM 2014* paras 6.60, 7.22, 8.6, 8.42 & 10.83) (b) Transactions costs are called costs of ownership transfer in the *GFSM*. They are expensed for financial assets and liabilities. They are excluded from the current market value as counterpart financial assets and liabilities refer to the same financial instrument and should have the same value. (*GFSM 2014* paras 9.8) *SNA ESA: Same as GFSM.*	10.9	B7	Group 2 Potential to align in this area. *Consultation project- linked*: See page 25 of Strategy CP; Measurement-public sector specific *(GJ: This issue prompted significant comment by Task Force and is wider than the description below, which dates from the 2005 Matrix.)*

Table 3 – Differences currently needing to be managed that: i. Could potentially be resolved through a future IPSASB project					
Issue	**IPSAS Treatment as of October 30, 2014**	**Treatment in *GFSM/ESA/EMGDD/SNA***	**2005 Report Ref**	**2012 CP Ref**	**Comments**
A) REPORTING ENTITY					
2: OUTSIDE OWNERSHIP RELATIONSHIPS					
3i.A.1 Determination of:(a) net worth/net assets/ equity; and	IPSAS 1, *Presentation of Financial Statements* and IPSAS 23, *Revenue from Non-Exchange Transactions*	*(a) Net assets/equity*: 2008 SNA continues to treat equity as a liability. This difference is expected to remain, and will need to be managed.	2.2	D9 D10	Group 3 Unresolved *Consultation project-no link*: See page 27 of Strategy CP; Role of Government as Owner rather than Government
(b) contributions from owners for commercial government operations *CP 2012:* No reference, see D9 and D10.	*(b) Contributions from owners for commercial government operations*: IPSASs and SNA agree conceptually on capital injections and both make identification by reference to economic substance rather than legal form.	SNA para. *7.131*, 11.83-11.93 *GFSM 2014* para 6.91, Box 6.3 *GFSM 2014* paras 9.47-9.52 *ESA Manual on government deficit and debt (EMGDD) provides rulings on the treatment of capital injections.*			*(There may be differences, in practice, in terms of the substance of a transaction.)*
3i.A.2 (a) Distributions payable to owners as holders of equity instruments (b) Distributions receivable from controlled entities.	IPSAS 28, *Financial Instruments Presentation,* IPSAS 9 "*Revenue from Exchange Transactions*", para 33-34, and IPSAS 14 *Events After the Reporting Date*, para 13	SNA para.7.131, para.11.83-11.93 *GFSM 2014* para 5.111-5.119, 6.109-6.112, 9.48, Box 6.3 *ESA: (a) & (b) EMGDD provides rulings on the treatment of dividends.* The relevant MGDD references are to be found in Chapters III.2, III.3 and III.4. The overall rules are in III.2 (there's a helpful decision tree), whereas the other two deal with specific cases of injections into public quasi-corporations and injections in kind.	2.3	No ref	Group 3 Unresolved This issue could be disclosed as a reconciling difference (to the extent that *GFSM 2014* recognises a return of capital that IPSASs would treat as a dividend, or vice versa). A consistent way to distinguish dividends from return of contributed capital is needed; consider *GFSM and EMGDD* principles for distinguishing between dividends and withdrawal of equity. (a) Distributions payable: Original issue was difference between GFSM 2001 expensing dividends and IPSASs treating them as a direct reduction of net assets/equity. In addition, the amounts of dividends recognized and the timing of their recognition may be different under GFSM and IPSASs.
B) RECOGNITION CRITERIA					
3: RECOGNITION OF ASSETS (OTHER THAN FINANCIAL INSTRUMENTS)		2005 Matrix: *GFSM 2014* para 3.42-3.50 defines assets: Paragraph 6.1 defines	3	D2	*Table 2, 2012 Consultation Paper*

Table 3 – Differences currently needing to be managed that:					
i. Could potentially be resolved through a future IPSASB project					
Issue	**IPSAS Treatment as of October 30, 2014**	**Treatment in *GFSM/ESA/EMGDD/SNA***	**2005 Report Ref**	**2012 CP Ref**	**Comments**
		expense.			
					Respondent to CP R001's explanation. (Recognition relates to assets created by sovereign power, e.g. water rights and electromagnetic spectrum[1] *Consultation project-no link*: See page 27 of Strategy CP; Sovereign Powers SNA describes the criteria under which assets are recognised and recorded for permits and licences. A key criterion is transferability. It is possible that recognition and measurement in IPSAS would be different (to discuss).
C) MEASUREMENT (VALUATION)					
3i.C1[2] Transaction costs *(Measurement?)*: (a) costs of issuing equity instruments (b) determination of carrying amount – costs of disposing of non-financial assets (c) determination of carrying amount – costs of disposing of financial assets 2012 CP: B7	Various IPSASs (IPSAS 27, IPSAS 28, IPSAS 29 and IPSAS 31) IPSAS requires such costs to be capitalized in some cases. In respect to financial assets and liabilities IPSAS 29 excludes transaction costs from the initial recognition of the asset and/or liability. IPSAS 28 requires transaction costs to be a direct deduction from equity. Following initial recognition, sales costs are not deducted. IPSAS 31, *Intangible Assets*, requires certain conditions. IPSAS 27, *Agriculture*, requires assets to be measured at fair value less point of sale costs. In the majority of cases there is no difference	SNA expenses transaction costs, SNA 10.158-10.160; SNA para. 11.35 (a) Transactions costs (costs of ownership transfer) are expensed for financial assets and liabilities. (*GFSM 2014* paras 9.8) *ESA 7.61: Same as GFSM.* (b) Transactions costs (including costs of disposing of assets) are included in cost of ownership transfer) are capitalized for nonfinancial assets. (*GFSM 2014* paras 6.60, 7.22, 8.6, 8.42 & 10.83) These costs should be written off over the time the asset is used. If not, costs of ownership transfer (COT) on disposal are capitalised (transaction in nonfinancial assets) then immediately written-off as a revaluation loss on disposal. The balance sheet value of the asset immediately before the disposal (and incurrence of any	5.2	B7	Group 2: Potential Alignment *Consultation project-linked*: See page 25 of Strategy CP; Measurement-public sector specific

[1] R001: Initial recognition of naturally occurring assets not acquired or donated that previously were not known to exist and can now be meaningfully measured, such as water resources and the electromagnetic spectrum (issue 8.4(g) in the matrix).

[2] 5.1 from the Matrix has been excluded because the differences related to presentation i.e. taking losses to income versus treating them as an other economic flow.

Table 3 – Differences currently needing to be managed that: i. Could potentially be resolved through a future IPSASB project					
Issue	**IPSAS Treatment as of October 30, 2014**	**Treatment in *GFSM/ESA/EMGDD/SNA***	**2005 Report Ref**	**2012 CP Ref**	**Comments**
	with both types of reporting stating that transaction costs should be excluded from measurement of the asset when the asset is measured at fair value. But IPSAS requires that transaction costs be included in the asset's measurement, when subsequent measurement is at cost.	COT associated with the disposal) was the exchange value of the asset plus any COT that would have had to be incurred to acquire the asset at that time and in its existing condition. The difference between the balance sheet value and the disposal value (exchange value less COT on disposal) is the sum of the two types of COT. To bridge this difference, a holding loss is recorded, at time of disposal. (*GFSM 2014* para 10.20) *ESA: Same as GFSM.* (c) See 5.2(a) above. ESA: *Same as GFSM.*			
3i.C2 Inventory *(Measurement)* 2012 CP: B4	IPSAS 12, *Inventories*, requires inventories to be measured at the lower of cost and net realisable value for inventories held for sale, and at the lower of cost and current replacement cost for inventories held for distribution in a non-exchange transaction. (IPSAS 12 paras 11 and 12)	SNA requires market values. SNA 10.118 – 10.148 Inventories are valued at current market prices on the balance sheet date. Additions and withdrawals to inventory are recorded as transactions in non-financial assets. Withdrawals are valued at current market prices prevailing at the time of the transaction rather than acquisition prices. Any change in the value of inventories between the time of acquisition and withdrawal are recorded as holding gains or losses. (*GFSM 2014* paras 7.75 – 7.86, 8.44 – 8.47) *ESA: Same as GFSM.*	5.5	B4	Group 2: Potential Alignment *Consultation project-linked*: See page 25 of Strategy CP; Measurement-public sector specific
D) REVALUATIONS AND OTHER VALUE CHANGES					
8: FINANCIAL STATEMENTS FOR THE REPORTING ENTITY (AND/OR SECTORS THEREOF)					See 2005 Matrix for detailed list of specific *presentation* issues as of 2005.
3i.D1 **General** *2012 CP*: Chap. 2 D4, B8	IPSAS 1 prescribes that a complete set of financial statements includes the following components - Statement of Financial Position; Statement of Financial Performance; Statement of Changes in Net Assets/Equity; Cash Flow Statement; and Accounting Policies and Notes to the Financial Statements. IPSAS 1 states that financial statements must provide information about an entity's assets,	Financial information under *GFSM 2014* is presented in 4 financial statements – Statement of Operations, Statement of Sources and Uses of Cash, Statement of Other Economic Flows, and Balance Sheet (*GFSM 2001* Chapter 4) The analytical framework is presented in the form of a set of interrelated statements derived from the SNA and that integrate stocks and flows. (*GFSM 2014* para 4.8-	8.1	D4 B8	Group 2: Potential Alignment B8: Financial statements —presentation, including classification, and aggregates: Subject to development of the IPSASB Conceptual Framework, consider whether a project to review presentation that could reduce differences with GFS should be included in the IPSASB's work program. *Consultation project-no link*: See page 30 of Strategy CP; Presentation of Financial Statements IPSAS 1

Table 3 – Differences currently needing to be managed that: i. Could potentially be resolved through a future IPSASB project					
Issue	**IPSAS Treatment as of October 30, 2014**	**Treatment in *GFSM/ESA/EMGDD/SNA***	**2005 Report Ref**	**2012 CP Ref**	**Comments**
	liabilities, net assets/equity, revenue, expenses, and cash flows and prescribes the minimum information that must be presented on the face of the various statements and in the notes. This information is supplemented by specific disclosures in IPSASs that deal with specific issues. Disclosures required include the amount of: • Major classes of assets and liabilities, non-current liabilities, net assets/equity; and • Revenue from operations, surplus/(deficit) from operating activities, surplus/(deficit) from ordinary activities, and net surplus/(deficit) for the period. (IPSAS 1 paras 19,75, 76, 79, 83, 86, 89, 90, 95, 97,100, 101, 104,105, 111, 113-115, 122,123, 128 & 133) IPSAS 18 “Segment Reporting” (issued June 2002) includes requirements for the disclosure of information about segments of the reporting entity.	4.14) In addition to the core statements of the gFS framework, two supplementary statements are included in the framework due to their analytic usefulness. These statements are the Statement of Total Changes in Net Worth, and the Summary Statement of Explicit contingent Liabilities and net Implicit Obligations for future Social Security Benefits. Key aggregates are net operating balance (being the results of transactions that change net worth), net lending/borrowing, net worth, and cash surplus/deficit. (*GFSM 2014* Chapter 4) Additional information is available as memorandum items, for example, other aggregates derived from the balance sheet (e.g. net financial worth, debt) or fiscal indicators not included in the balance sheet could be calculated from the framework (e.g., primary balance, fiscal burden). (*GFSM 2014, Annex to Chapter 4*) The classifications of the GFS system are (1) revenue, expense, and flows and stocks in assets and liabilities by economic type, (2) expense transactions and transactions in nonfinancial assets by functions of government, and (3) transactions in financial assets and liabilities by sector. (*GFSM 2014* Appendix 8) GFS distinguishes transactions from other economic flows and reports transactions (revenues, expenses and transactions in financial and nonfinancial assets and liabilities) in a Statement of Operations and other economic flows in a Statement of Other Economic Flows.			Further actions depend on outcome of consultation Or Group 3: Unresolved? D4: Financial statements— presentation, including classification, and aggregates: There is scope to manage presentation differences through mapping/reconciling amounts from the IPSAS financial statements to the appropriate SNA statements: *Or* Group 1 Aligned *Option*: Align presentation to extent possible given IPSAS 1 requirements and wider IPSAS considerations.

Table 3 – Differences currently needing to be managed that:					
i. Could potentially be resolved through a future IPSASB project					
Issue	**IPSAS Treatment as of October 30, 2014**	**Treatment in *GFSM/ESA/EMGDD/SNA***	**2005 Report Ref**	**2012 CP Ref**	**Comments**
		Flows reflect the creation, transformation, exchange, transfer, or extinction of economic value. All flows are classified as transactions or as other economic flows. A transaction is an interaction between two units by mutual agreement or an action within a unit that is analytically useful to treat as a transaction. Mutual agreement means that there was prior knowledge and consent by units, but it does not mean that both units entered into the transaction voluntarily. (*GFSM 2014*, paras 3.4 & 3.5). An "other economic flow" is a change in the volume or value of an asset or liability that does not result from a transaction. (*GFSM 2014*, para 3.31) *SNA and ESA: Similar concepts to GFSM but presented as a sequence of interconnected flow accounts linked to different types of economic activity taking place within a given period of time, together with balance sheets at the beginning and end of the reference period.*			

Table 3 – Differences currently needing to be managed that: ii. Could potentially be resolved through a future SNA/GFS revision project					
Issue	**IPSAS Treatment as of October 30, 2014**	**Treatment in *GFSM/ESA/EMGDD/SNA***	**2005 Report Ref**	**2012 CP Ref**	**Comments**
A) RECOGNITION CRITERIA					
	Past events with probable outflows recognized: IPSASs recognize liabilities, including provisions, when: • A past economic event has taken place; • The amount can be reliably estimated; and • Future outflows are probable. These factors allow, in certain cases, recognition of items that do not involve a counterparty recognizing a symmetrical amount. For example, so long as criteria are met, IPSASs require recognition of restructuring provisions.	**Economic events recognized:** GFS recognize economic events on the accrual basis of recording when economic value is created, transformed, exchanged, transferred, or extinguished. To maintain symmetry for both parties to the transaction, some provisions recognized in IPSAS reporting may not be recognized under GFS reporting. While not recognized, those provisions may instead be disclosed as GFS memorandum items as is the case, for example, with exposures to explicit one-off guarantees and provisions for doubtful debts.			The key difference relates to some liabilities.
3: RECOGNITION OF ASSETS (OTHER THAN FINANCIAL INSTRUMENTS)		2005 Matrix: *GFSM 2014* para 3.42-3.50 defines assets: Paragraph 6.1 defines expense.	3	D2	*Table 2, 2012 Consultation Paper*
3ii.A1 Costs of intangibles: (a) Research and development; (b) Other intangibles: (i) computer software. (ii) other classes *2012 CP:* A8, C6, D12	IPSAS 31, *Intangible Assets* IPSAS 31 expenses research costs...	SNA 13.33, 13.36, and 10.98-10.117; *GFSM 2014* paras 6.46, 7.66 and 8.37-8.41; *ESA Same as GFSM.* Statistical guidelines capitalize of government investment in research and development in the category intellectual property products except in cases where it is clear that the activitiy does not create any future economic benefits for its owners. , creating a difference.	3.1	A8 C6 D12	Group 2: Potential Alignment *Consultation project-linked*: See page 25 of Strategy CP; Intangible Assets–Public Sector Most differences for intangible assets have been resolved.
3ii.A2 Public private partnerships (such as BOOT schemes)	IPSAS 32, *Service Concession Arrangements: Grantor:* The IPSAS approach focuses on control.	SNA para. 22.154-22.163; *GFSM 2014, para A4.58-A4.65* prescribe treatment for these schemes. First principles based on economic ownership of the assets are applied to the contract arrangements. Such economic	3.4	C4	Group 3 Unresolved[3] Note that the SNA has this issue on its research agenda, and may consider whether there is scope to align with IPSAS 32, *Service Concession Arrangements: Grantor*.

[3] Classified as Group 3 because not susceptible to resolution through *IPSAS* developments.

Table 3 – Differences currently needing to be managed that: ii. Could potentially be resolved through a future SNA/GFS revision project					
Issue	**IPSAS Treatment as of October 30, 2014**	**Treatment in *GFSM/ESA/EMGDD/SNA***	**2005 Report Ref**	**2012 CP Ref**	**Comments**
		ownership is determined by assuming the majority of the risks and rewards. *EMGDD also provides rulings on the treatment of public private partnerships based on a risk and reward approach.*			
4: COUNTER-PARTY/ SYMMETRY AND RECOGNITION			4	D2, Ch 2	
3ii.A3[4] Decommissioning/ restoration costs *2012 CP:* C3	IPSAS 19 "*Provisions, Contingent Liabilities and Contingent Assets*" IPSAS 17, *Property, Plant and Equipment*, paras 22 and 27, Appendix C example 3. IPSAS 17 para 26(e)) IFRIC Interpretation 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*	SNA para. 10.51-1055 includes decommissioning/restoration costs as costs incurred on acquisition and disposal of assets. The same guidance is in *GFSM 2014, para 8.6.*	4.2	C3	Group 3 Unresolved C3 Consider whether revisions to related GFS guidelines could further reduce differences.
B) MEASUREMENT (VALUATION)					
3ii.B1 Low interest and interest free loans *(Measurement?)* *2012 CP*: C7	IPSAS 23 and IPSAS 29 deal with concessional loans. The entity needs to assess whether an arrangement is an exchange or non-exchange transaction. Normal impairment applies. Under IPSAS 29, an entity is required to determine the fair value of the loan by discounting the expected cash flows using a market-related rate of interest for a similar instrument. The difference between this fair value and the transaction price represents the subsidy element of the loan and is either recognised as non-exchange revenue (where the public sector entity is the recipient of the loan) or as an expense (where the public sector entity is the lender). The expense would be classified as a current transfer.	SNA para. 22.123-22.124, A4.44; The SNA 2008 deals specifically with concessional loans, with impairment and write off rules as discussed above in 5.3. In practice there is no difference except in respect to impairment. 2008 SNA, (paragraph 22.123-22.124) defines concessional terms and states that concessional interest rates to a foreign government could be seen as providing a transfer equal to the difference between the actual interest and the market equivalent interest. If such a transfer is recognized, it is usually recorded as current international cooperation. The interest recorded would be adjusted by the same amount. But the means of incorporating the impact into the SNA has not been developed and, until this is done, information on concessional debt is shown in	5.4	C7	Status Group 3 Unresolved Current project: Public Sector Specific Financial Instruments *(Note that the treatment of concessionary loans is on the research agenda of the SNA, and Eurostat is trying to resolve this issue. Not classified as Group 2 because resolution does not relate to IPSAS changes.)*

[4] Item 4.3 (tax effect accounting) excluded from table on basis that there is no applicable IPSAS.

Table 3 – Differences currently needing to be managed that:					
ii. Could potentially be resolved through a future SNA/GFS revision project					
Issue	**IPSAS Treatment as of October 30, 2014**	**Treatment in *GFSM/ESA/EMGDD/SNA***	**2005 Report Ref**	**2012 CP Ref**	**Comments**
		supplementary tables. *ESA and GFSM : Same as SNA .*			
3ii.B2 Biological assets (that is, living animals and plants) *(Measurement?)* *2012 CP*: D8	IPSAS 27, *Agriculture* requires that biological assets be measured at fair value, net of point of sale costs. There is also a definitional difference: IPSAS 27 classifies animals and plants for one-time use as fixed assets, until they are harvested/slaughtered, at which point they become "agricultural produce," which is classified as inventory.	SNA 2008 deals with biological assets. The market value hierarchy applies. SNA generally classifies animals and plants for one-time use as inventories. *ESA and GFSM: Same as SNA.*	5.8	D8	Group 3: Unresolved *Consultation project-no link*: See page 24 of Strategy CP; Biological Assets Held for the Provision or Supply of Services *Definitional difference: IPSAS 27 covers a wider set of assets than SNA's definition of biological and agricultural assets.*
3ii.B3 Extractive Industries (development and production) *(Measurement?)* *2012 CP*: C2	*Extractive industries exploration & evaluation; development & production:* IPSAS 29 requires recognition at fair value for forward sales arrangements. There is no IPSAS on extractive industries.	SNA 10.106 -10.108; 13.49, 13.50 Subsoil assets are proven reserves of oil, natural gas, coal, and metallic and nonmetallic mineral reserves. Their discovery is recorded as an other volume change (*GFSM 2014* para 10.52) and their value is usually estimated as the present value of the expected net returns resulting from their commercial exploitation, but if ownership changes frequently on markets, then it may be possible to obtain appropriate market prices (*GFSM 2001* paras 7.68). Other units may extract the deposits over a specified period of time in return for a payment or series of payments. Resource leases of subsoil assets are treated as rent (*GFSM 2014* para A4.16) and depletion of these assets is treated as an other economic flow (*GFSM 2014* para 10.52). Under *GFSM 2014*, the nature of the contractual arrangements needs to be examined in order to determine the classification of any receipts and depletion of subsoil assets. For example, is the subsoil asset being extracted (rent) or have the subsoil assets been sold, i.e., a sale of a non-financial asset. (*GFSM 2014* paras A4.35) *ESA: Same as GFSM.*	5.10	C2	Group 3: Unresolved *Not classified as Group 2 because resolution does not relate to IPSAS changes.*

Table 3 – Differences currently needing to be managed that: iii. Do not appear capable of resolution					
Issue	**IPSAS Treatment as of October 30, 2014**	**Treatment in *GFSM ESA/EMGDD/SNA***	**2005 Report Ref**	**2012 CP Ref**	**Comments**
B) RECOGNITION CRITERIA					
3: RECOGNITION OF ASSETS (OTHER THAN FINANCIAL INSTRUMENTS)		2005 Matrix: *GFSM 2014* para 3.42-3.50 defines assets: Paragraph 6.1 defines expense.	3	D2	*Table 2, 2012 Consultation Paper*
3iii.B1 Extractive Industries (exploration and evaluation) *2012 CP*: C2	IFRS 6 applies, through the IPSAS hierarchy. IPSAS 29 requires recognition at fair value for forward sales arrangements.	SNA 10.106 -10.108; 13.49, 13.50; *GFSM 2014* para 7.68; SNA and *ESA: Same as GFSM.* Exploration costs are treated as investment.	3.2	C2	Group 3 Unresolved[1] *Consultation project-no link*: See page 32 of Strategy CP; Extractive Industries Consider whether scope to clarify statistical guidance.
4: COUNTER-PARTY/ SYMMETRY AND RECOGNITION			4	D2, Ch 2	
3iii.B2 Provisions arising from constructive obligations *2012 CP:* D5	IPSAS 19 "*Provisions, Contingent Liabilities and Contingent Assets*": IPSAS recognizes all constructive obligations.	SNA para. 17.207-17.214: The 2008 SNA (paragraphs 17.207-17.214) has a three-way treatment of guarantees. Standardized guarantees are treated similarly to non-life insurance and provisions for such claims are recognized. In all other cases constructive obligations are not recognized. Contingencies are recorded as memorandum items. *ESA and GFS :* Same as *SNA*	4.1	D5	Group 3 Unresolved
C) MEASUREMENT (VALUATION)					
3iii.C1 Nonperforming loans *(Measurement?)* *2012 CP*: D7	IPSAS 29 requires that loans and other receivables be assessed for impairment and, if evidence indicates impairment, a provision created, with the decrement in value going to revenue. Where the loans are measured at amortized cost, the loans are assessed at every reporting date for impairment. The impairment is calculated based on the present value of the estimated future cash flows, discounted using the original effective	SNA para. 11.130, 13.66); 2008 SNA (paragraph 11.130) recommends nonperforming loans to be disclosed as memorandum items, rather than recognized, while paragraph 13.66 elaborates on identifying these. In practice, no provision will exist until both counter parties agree to debt relief (a mutually agreed write off). Thus, loans remain on balance sheet until a debt cancellation, write-off, or write-down has	5.3	D7	Status Group 3 Unresolved Current project: Public Sector Specific Financial Instruments (*The difference is between loans and receivables measured at amortised cost in terms of IPSAS 29 and loans measured at nominal value in the terms of the SNA. If loans were measured at fair value in terms of the SNA then there would be no difference in treatment as the impairment would be included in the*

Table 3 – Differences currently needing to be managed that:					
iii. Do not appear capable of resolution					
Issue	**IPSAS Treatment as of October 30, 2014**	**Treatment in *GFSM ESA/EMGDD/SNA***	**2005 Report Ref**	**2012 CP Ref**	**Comments**
	interest rate. Any impairment losses are either recognized as a direct reduction of the asset, or through the use of an allowance account.	taken place. (*GFSM 2014, para 7.262-7.263*) All loans are recorded at nominal value in the *SNA. ESA is the same as GFSM.*			*fair value measurement.*)
3iii.C2 Extractive industries (exploration and evaluation) *(Measurement?)* *2012 CP*: C2	*Extractive industries exploration & evaluation; development & production:* IPSAS 29 requires recognition at fair value for forward sales arrangements. (IFRS 6 also applies through hierarchy.)	SNA 10.106 -10.108; 13.49, 13.50 For mineral exploration the value of the resulting asset is measured by the value of the resources allocated to exploration as it is not possible to value the information obtained. The resources allocated include the costs of actual test drilling and boring, prelicense, license, acquisition and appraisal costs, costs of aerial and other surveys, and transportation and other costs incurred to make exploration possible. (; *GFSM 2014* para 7.68;); *ESA Same as GFSM.*	5.9	C2	Group 3: Unresolved *Not classified as Group 2 because resolution does not relate to IPSAS changes.)* (Note: C2: Extractive industries—exploration and evaluation; development and production: Consider whether there is scope to clarify statistical guidance. For example, GFSM is expected to clarify some applicable treatment, based on the 2008 SNA treatment of contract leases and licenses.)
D) REVALUATIONS AND OTHER VALUE CHANGES					
10: ITEMS CONSIDERED AND FOUND NOT TO OR NOT EXPECTED TO BE A CAUSE OF A DIFFERENCE[5]			10		*Generally issues in this section were excluded from the 2012 Table 2, because they were viewed as not causing a significant difference. They are excluded from this table, for the same reason, except where an issue did appear in Table 2.*
3iii.D1 Prior period adjustments/back casting: voluntary changes in accounting policies			10.14	No ref	

[5] Category 10 items for which there is no reference in the 2012 CP's Table 2 have been deleted from this table, after review against CP respondents' comments.