

€ TRAINING

IPSAS - International Public Sector
Accounting Standards

6 - 10 May 2024
Tbilisi (Georgia)



IPSAS - International Public Sector Accounting Standards

REF: F1618 DATE: 6 - 10 May 2024 Venue: Tbilisi (Georgia) - Fee: 5830 Euro

Introduction:

This course provides an in-depth review of IPSAS 41, Financial Instruments published by the International Public Sector Accounting Standards Board IPSASB in 2018. IPSAS 41 replaces IPSAS 29, Financial Instruments: Recognition and Measurement for periods beginning on or after 1 January 2023.

There are currently three International Public Sector Accounting Standards that must be applied for accounting and disclosure of financial instruments by public sector entities: IPSAS 28, Financial Instruments: Presentation; IPSAS 29, Financial Instruments: Recognition and Measurement; and IPSAS 30, Financial Instruments: Disclosures.

The three IPSASs are primarily drawn from the International Accounting Standards Board's IASB standards. The IASB replaced IAS 39, its equivalent standard to IPSAS 29, with IFRS 9 from 2018. In line with its practice, where appropriate, of maintaining consistency with IFRSs, the IPSASB published IPSAS 41. It is closely based on IFRS 9 but also includes public sector-specific guidance and illustrative examples. It addresses a number of public sector-specific issues, including financial guarantee contracts provided for nil or nominal consideration and concessionary loans.

Compared to IPSAS 29, IPSAS 41 has a logical, principles-based approach to classification and measurement of financial assets based on the management model and nature of the cash flows. The new forward-looking impairment model requires earlier and more timely recognition, and ongoing assessment of credit losses. The hedge accounting requirements are more principles-based and aligned to common risk management activities. This course provides an explanation of the requirements for accounting, reporting and disclosures for financial instruments in clear, simple language, illustrated with financial statements and other real-world examples.

The course considers both requirements that will be applicable to most public entities; such as identifying which assets and liabilities and off balance sheet items are in scope of the standards and their recognition and measurement, as well as considering more advanced issues; such as the use of derivatives and hedge accounting. It also examines the extensive disclosure requirements required in IPSAS 30 as a result of IPSAS 41 and how these can be implemented in practice, considering the scale and complexity of different reporting entities.

The guidance published on some transactions which are unique to the public sector Public Sector Specific Financial Instruments, such as monetary gold, currency in circulation, IMF quota subscriptions and special drawing rights SDRs is also covered.

Course Objectives:

- Apply the principles for presenting financial instruments as liabilities or equity
- Comply with the principles for offsetting financial assets and financial liabilities
- Classify and measure financial assets and financial liabilities in accordance with IPSAS

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- Analyze the impact IPSAS 41 has on current classification as per IPSAS 29
- Evaluate the principles of fair value measurement
- Understand and analyses in-depth the principles in relation to the requirements for the measurement of expected credit losses impairment allowance in IPSAS 41
- Analyze the principles of accounting for the buying or selling non-financial items
- Understand the uses of derivatives to manage risk
- Determine whether to use hedge accounting
- Understand the IPSAS 41 transition requirements
- Learn how to implement the changes in IPSAS 41 and its impact on the financial statements
- Evaluate the significance of the financial instruments in the entity's financial position and performance
- Understand the nature and extent of risks arising from financial instruments to which the entity is exposed and how those risks are managed

Targeted Audience:

- Finance and accounting managers
- Government officials and project managers responsible for IPSAS transition
- Accountants and finance staff of entities in the process of adopting IPSAS or IPSAS 41
- Internal and external auditors of entities that have adopted IPSAS or are in the process of doing so
- Accounting academics
- Staff with treasury responsibilities who wish to enhance their understanding of accounting
- Risk and IT staff involved in IPSAS 41 implementation projects
- First-time adopters of IPSAS, seeking to analyze the implications of adopting IPSAS 41 initially for accounting for their financial instruments

Course Outlines:

Unit 1:

- **Introduction**

- Issues with IPSAS 29 Financial Instruments: Recognition and Measurement
- Overview of IPSAS 41 Financial Instruments
- Measurement bases in the Conceptual Framework, measurement of fair value and application to financial instruments
- IPSAS 28 Financial Instruments: Presentation
 - Scope of the standard; defining and identifying financial instruments
 - Distinguishing between financial liabilities and equity instruments
 - Offsetting financial assets and financial liabilities
 - Summary of areas covered by IPSAS 28 rarely encountered by public entities

Unit 2:

- **IPSAS 41 Classification and Measurement**

- Recap of IPSAS 29 Classification
- IPSAS 41 Classification: Amortised cost, Fair value through net assets/equity, Fair value through surplus or deficit
 - Management Models criteria
 - Solely Payments of Principal and Interest SPPI
 - Classification of financial liabilities
- Measurement of financial assets and financial liabilities
 - Initial recognition including treatment of transaction costs
 - Subsequent measurement
 - Amortised cost
 - Fair value
 - Reclassification of financial assets
 - Fair value movements due to own credit risk in financial liabilities at fair value through surplus or deficit

Unit 3:

- **Amortised cost financial instruments**

- Computing the effective interest rate
- Applying the effective interest method to fixed and variable rate instruments
- Accounting for financial guarantees granted
- Accounting for concessionary loans and waivers by the grantor and grantee
- Loan commitments
- Public sector specific financial instruments
 - Types of instruments
 - Guidance on classification, recognition and measurement
- Derecognition principles
 - Derecognition of financial assets
 - Transfers of financial assets and the evaluation of risks and rewards of ownership
 - Retaining “control” and measurement of continuing involvement
 - Derecognition of financial liabilities

Unit 4:

- **Impairment of financial assets**

- Recap of IPSAS 29 impairment based on incurred loss
- Introduction to IPSAS 41 expected credit loss model - background, scope and impact of the model
- Application of IPSAS 41 expected credit loss model
 - 12-month and lifetime expected credit losses
 - Staging of financial assets
 - Determination of significant increases in credit risk
 - Measurement of expected credit losses

- Modified financial assets
- Simplification and practical expedients
- Purchase/origination of credit-impaired financial assets
- Loan commitments and financial guarantee contracts

Unit 5:

• **Derivatives and hedge accounting**

- Accounting for derivatives and embedded derivatives in IPSAS 41 and IPSAS 29
- Impact of embedded derivatives on the SPPI test in IPSAS 41
- Overview of hedging and accounting for three types of hedges - fair value, cash flow and net investment hedge
- Impact of hedge accounting for interest rate and foreign exchange risk
- Overview of changes in IPSAS 41 hedge accounting model
- IPSAS 30 Disclosures including updates as a result of IPSAS 41
 - Scope of disclosure
 - Significance of financial instruments
 - Risks of financial instruments
- IPSAS 41 Transition
 - Effective date
 - Transition requirements for classification expected credit loss impairment, and hedge accounting
- Implications of adopting IPSAS 41 initially for first-time adopters of IPSAS