THOUGHTS ON IPSAS

Go Global with the knowledge of IPSAS- Internationally accepted Accounting Languagefor Governmental Accounting

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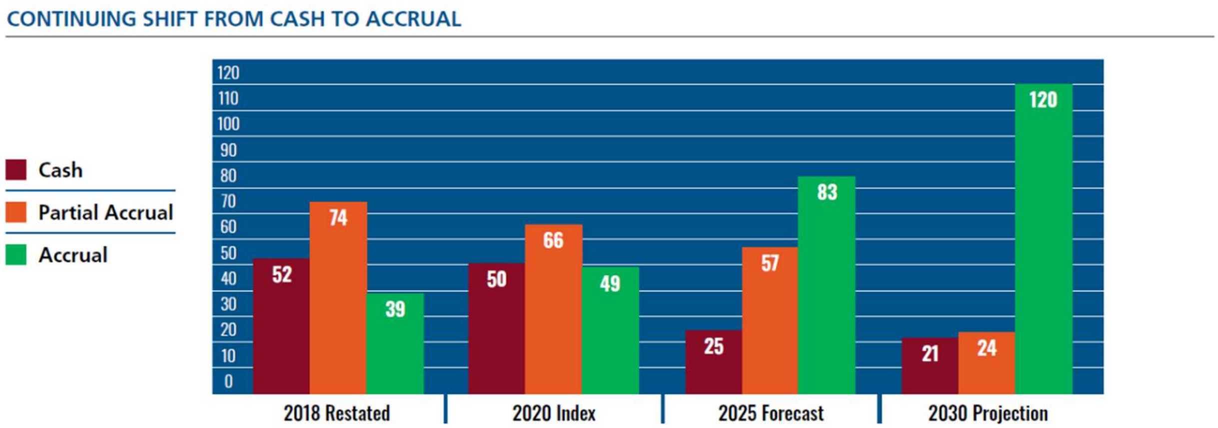
Introduction:

International Public Sector Accounting Standards (IPSASs) are accounting standards developed by the IPSAS Board (IPSASB) for public sector entities globally. Based on International Financial Reporting Standards (IFRS), they are used by national, regional, and local governments, as well as agencies and intergovernmental organizations, including 24 UN System Organizations like the UN, WHO, and WFP. Previously, these organizations used the modified cash basis known as **United Nations System Accounting Standards** UNSAS, which did not fully comply with the accrual principle. IPSASs aim to enhance the quality of financial reporting, promote transparency and accountability, and ensure consistent practices worldwide. However, they do not apply to government business enterprises.

Opportunities for Chartered Accountants in IPSAS

Implementation of accrual accounting in the public sector is a significant priority across many jurisdictions. Accrual accounting promotes more transparency, improves accountability and provides better information for decision-making purposes. According to the latest International Public Sector Financial Accountability Index published in 2021, in 2020, only 30% of governments in the 160 jurisdictions included in the Index reported on an accruals basis, but these are projected to increase to 52% by 2025 and to 75% by 2030. Also, number of jurisdictions following accrual basis in public sector accounting has increased from 39 to 49 between 2018 and 2020.



Source:www.ifac.org/knowledge-gateway/discussion/international-public-sector-financial-accountability-index-2020

Therefore, the knowledge of IPSASs presents following opportunity for Chartered Accountants globally:

- To assist governments and government entities/ programs wishing to report in accordance with the accrual based International Public Sector Accounting Standards.
- Internal Audit of Financial Statements prepared under IPSAS
- Beside, directly assisting the government in adopting IPSAS, Chartered Accountants can explore opportunities in training workforce that would be required to implement IPSASs in these countries. With online training facilities gaining importance all over the globe, this work can be done from India itself.
- Developing Content on IPSASs like Book, Articles, Blogs etc
- Preparation of training material like PPTs, videos on the subject.
- Helping Governments and entities in transition from Cash Basis IPSASs to accrual

basis IPSAS.

With knowledge of IPSAS, supplemented by proper qualifications, CAs my find themselves well versed for roles such as Funds Management Officer, Finance Specialist, Chief of Unit, Finance, Project Control Associate, Finance Officer, Finance and Budget Officer, Internal Auditor, etc.

Popular courses in IPSAS globally

- Certificate course by Chartered Institute of Public Finance and Accountancy (CIPFA) which is an interactive e-learning course offering foundation knowledge of the IPSAS

  https://www.cipfa.org/training/accredited-training/ipsas/ipsas-certificate

- The CIPFA Diploma in IPSAS qualification which provides trainees with a thorough knowledge of the published IPSAS and related documents

  https://www.cipfa.org/training/accredited-training/ipsas/ipsas-diploma

- The ACCA Certificate in International Public Sector Accounting Standards (Cert IPSAS) which has been specifically developed to assist in meeting the challenges of implementing IPSAS. One can buy the full course or opt for only assessment to get the certificate.

  https://www.accaglobal.com/in/en/qualifications/glance/certificate-in-international-public-sector-accounting-standards-/overview.html

- IFAC has released a package of materials collectively titled *Implementing IPSAS: A Guide for Trainers* to assist with equipping designated trainers to teach others about the standards and how to use them.

  https://www.ifac.org/knowledge-gateway/discussion/implementing-ipsas-guide-trainers

  Besides, accounting bodies and private organizations in many judications, that have implemented IPSAS or are in process of implementing them in near future, are also conducting IPSAS training.

International Federation of Accountants

The International Federation of Accountants (IFAC) is a global advocacy organization for the accountancy profession, particularly in financial accounting and auditing. Founded in 1977, IFAC has over 180 members in more than 135 countries, representing over 3 million accountants across various sectors. The organization promotes the development and implementation of international standards for accounting education, ethics, and public sector accounting, and supports four independent standard-setting boards. Additionally, IFAC provides guidance to enhance performance among professional accountants, especially in small and medium businesses. The Institute of Chartered Accountants of India is one of the founding members of IFAC.

To ensure the activities of IFAC and the independent standard-setting bodies supported by IFAC are responsive to the public interest, an international Public Interest Oversight Board (PIOB) was established in February 2005 by the Monitoring Group, which was formed when it became apparent that governance reform of the IFAC was needed.

IFAC is not an accreditation organization. Membership of IFAC is not obtained via an accreditation process, but instead, IFAC membership is obtained via an application process that must be sponsored by at least two current IFAC member organizations.

IFAC has four Standard Setting Boards:

- International Auditing and Assurance Standards Board (IAASB): The IAASB is an independent standard-setting board that develops the International Standards on Auditing covering various services offered by professional accountants worldwide like auditing, review, other assurance, quality control, and related services.
- International Ethics Standards Board for Accountants: The IESBA develops a Code of Ethics for Professional Accountants to be followed by professional accountants

throughout the world.

- International Accounting Education Standards Board: IAESB develops uniform guidelines for education, training, and continuing professional development.National professional accounting organizations are required to consider these educational standards while formulating their educational systems.
- International Public Sector Accounting Standards Board: The International Public Sector Accounting Standards Board or IPSASB develops the **IPSASs based on IFRS, for use by the public sector**.

IPSASB

The IPSASB, formerly the Public Sector Committee, sets International Public Sector Accounting Standards (IPSASs) and Recommended Practice Guidelines (RPGs), IPSASB has so far issued a ConceptualFramework for General Purpose Financial Reporting by Public Sector Entities, 49 standards on accrual basis accounting (of which 5 have been repealed and some will be repealed in near future). Besides, there is also 1 standard on cash basis of accounting along with the introduction to the international public sector accounting standard under the cash basis of accounting. IPSASs relate to the general-purpose financial statements (financial statements) and are authoritative. The IPSASs on accrual accounting issued so far can be classified for facilitating studies as follows:

<u>IPSASs on Assets other than Financial Instruments</u>

- IPSAS 12—INVENTORIES
- IPSAS 13—LEASES (To be superseded by IPSAS 43 *Leases)*
- IPSAS 16—INVESTMENT PROPERTY
- IPSAS 17—PROPERTY, PLANT, AND EQUIPMENT (To be superseded by IPSAS 45 *Property, Plant & Equipment)*

- IPSAS 21—IMPAIRMENT OF NON-CASH-GENERATING ASSETS
- IPSAS 26—IMPAIRMENT OF CASH-GENERATING ASSETS
- IPSAS 27—AGRICULTURE
- IPSAS 31—INTANGIBLE ASSETS
- IPSAS 43 – LEASES (applicable from 1st January, 2025)
- IPSAS 44- NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (applicable from 1st January, 2025)
- IPSAS 45- PROPERTY, PLANT, AND EQUIPMENT (applicable from 1st January, 2025)
- IPSAS 46- MEASUREMENT (applicable from 1st January, 2025)

<u>IPSASs on Revenues</u>

- IPSAS 9—REVENUE FROM EXCHANGE TRANSACTIONS (to be superseded by IPSAS 47-*Revenue)*IPSAS 11—CONSTRUCTION CONTRACTS (to be superseded by IPSAS 47-*Revenue)*
- IPSAS 23—REVENUE FROM NON-EXCHANGE TRANSACTIONS (TAXES AND TRANSFERS) (to be superseded by IPSAS 47-*Revenue)*IPSAS 47 – REVENUE (Applicable from 1st January, 2026)

<u>IPSASs on Expenses & Liabilities</u>

- IPSAS 5—BORROWING COSTS
- IPSAS 19—PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

- IPSAS 32—SERVICE CONCESSION ARRANGEMENTS: GRANTOR
- IPSAS 39—EMPLOYEE BENEFITS
- IPSAS 42—SOCIAL BENEFITS
- IPSAS 48, TRANSFER EXPENSES (Applicable from 1st January, 2026)
- IPSAS 49- RETIREMENT BENEFIT PLANS, (Applicable from 1st January, 2026)

IPSASs on Financial Instruments

- IPSAS 28—FINANCIAL INSTRUMENTS: PRESENTATION
- IPSAS 30—FINANCIAL INSTRUMENTS: DISCLOSURES
- IPSAS 41—FINANCIAL INSTRUMENTS

(NOTE: IPSAS 15 has been replaced by IPSAS 28 & 30 and IPSAS 29 has been replaced by IPSAS 41)

IPSASs on Consolidation and Public Sector Combination

- IPSAS 34—SEPARATE FINANCIAL STATEMENTS
- IPSAS 35—CONSOLIDATED FINANCIAL STATEMENTS
- IPSAS 36—INVESTMENTS IN ASSOCIATES AND JOINT VENTURES
- IPSAS 37—JOINT ARRANGEMENTS
- IPSAS 38—DISCLOSURE OF INTERESTS IN OTHER ENTITIES
- IPSAS 40—PUBLIC SECTOR COMBINATIONS

(NOTE: IPSAS 6, 7 & 8 have been replaced by IPSAS 34 to 38)

IPSASs on Presentation

- IPSAS 1—PRESENTATION OF FINANCIAL STATEMENTS

- IPSAS 2—CASH FLOW STATEMENTS
- IPSAS 3—ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS
- IPSAS 4—THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES
- IPSAS 10—FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES
- IPSAS 14—EVENTS AFTER THE REPORTING DATE
- IPSAS 18—SEGMENT REPORTING
- IPSAS 20—RELATED PARTY DISCLOSURES
- IPSAS 22—DISCLOSURE OF FINANCIAL INFORMATION ABOUT THE GENERAL GOVERNEMENT SECTOR
- IPSAS 24—PRESENTATION OF BUDGET INFORMATION IN FINANCIAL STATEMENTS

IPSAS on First time Adoption of IPSAS

IPSAS 33—FIRST-TIME ADOPTION OF ACCRUAL BASIS INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSASs)

Besides, IPSASB has also issues ***3 Recommended Practice Guidelines*** and an ***Introduction to Recommended Practice Guidelines***. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS, RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected. The RPGs issued so far are:

- RPG 1—REPORTING ON THE LONG-TERM SUSTAINABILITY OF AN ENTITY'S FINANCES (PDF | 468K)

- RPG 2—FINANCIAL STATEMENT DISCUSSION AND ANALYSIS (PDF | 299K)
- RPG 3—REPORTING SERVICE PERFORMANCE INFORMATION

Also, there is a Glossary of Defined Terms. All these materials are freely downloadable from site of IPSASB.

Applicability of IPSAS

It applies to general purpose financial reports of national, regional, state/provincial and local governments. It also applies to a wide range of other public sector entities including:

- Government ministries, departments, programs, boards, commissions, agencies;
- Public sector social security funds, trusts, and statutory authorities; and
- International governmental organizations

Uses of General-Purpose Financial Statements of Public Sector Entities

Most public sector entities operate to deliver services to the public, rather than to make profits and generate a return on equity to investors. Therefore, the performance of such entities cannot be fully evaluated by examination of financial position, financial performance and cash flows. The general-purpose financial reports (GPFRs) provide information to users for accountability and decision-making purposes. They provide information in respect to matters as:

- resources available with the entity for future expenditures, and restrictions or conditions attached to their use, if any;
- extent to which the burden on future-year taxpayers of paying for current services has changed;
- The extent to which management has discharged its responsibilities for safekeeping and managing the resources of the entity;

- The amounts and timing of future cash flows necessary to service and repay existing claims to the entity's resources.
- Extent of compliance with approved budgets and other authority governing its operations
- Expectations regarding service delivery and other activities in future periods, and the long term consequences of decisions made and activities undertaken during the reporting period
- efficiency and effectiveness of services provided to its constituents by the entity; and
- improvement or deterioration in ability of the entity to provide services compared with the previous year.

Characteristics of the Public Sector Reporting Entities

A public sector reporting entity is a government or other public sector organization, program or identifiable area of activity (hereafter referred to as an entity or public sector entity) that prepares GPFRs. A public sector reporting entity may comprise two or more separate entities that present GPFRs as if they are a single entity—such a reporting entity is referred to as a group reporting entity. Certain characteristics peculiar to Public Sector Entities are:

- Profit not the main aim of the entity
- Significance of Non-Exchange Transactions
- Importance of the Approved Budget
- Lengthy Public Sector Programs
- The primary reason for holding assets is for their service potential rather than their ability to generate cash flows
- The Regulatory Role of Public Sector Entities

Qualitative Characteristics of Information in GPFRs

GPFRs present financial and non-financial information about economic and other phenomena. The qualitative characteristics of information included in GPFRs are the attributes that make that information useful to users and support the achievement of the objectives of financial reporting. The qualitative characteristics of information included in GPFRs of public sector entities are

- relevance,
- faithful representation,
- understandability,
- timeliness,
- comparability, and
- verifiability.

Constraints on Information in GPFRs

Pervasive constraints on information included in GPFRs are

- materiality,
- cost-benefit, and
- achieving an appropriate balance between the qualitative characteristics.

Users of General-Purpose Financial Statements

General purpose financial statements are developed primarily to respond to the information needs of service recipients and resource providers and representatives of these users including:

- citizens,
- residents,

- taxpayers and ratepayers,
- members of the legislature and members of parliament
- donor agencies,
- lenders and
- others that provide resources to, or benefit from, services of governments.

Besides, government statisticians, analysts, media houses, financial advisers, public interests and lobby groups, regulatory and oversight bodies, rating agencies, etc may find the information useful.

Elements of Financial Statements

Elements are the building blocks from which financial statements are constructed. They are broad classes which share common economic characteristics. The 6 elements that are relevant for GFPR by Public Sector Entities are:

1. **Assets:** An asset is a resource presently controlled by the entity as a result of a past event. Here, a resource is a right to either service potential or the capability to generate economic benefits or both.
2. **Liabilities**: A liability is a present obligation of the entity for an outflow of resources that results from a past event. The obligation is said to exist when the entity has little or no realistic alternative to avoid them. The obligation may or may not be legally binding and may arise from exchange or non- exchange transactions.
3. **Revenue:** Revenue is increases in the net financial position of the entity, other than increases arising from ownership contributions.
4. **Expense:** Expense is decreases in the net financial position of the entity, otherthan decreases arising from ownership distributions
5. **Ownership contributions:** Ownership contributions are inflows of resources to an entity, contributed by external parties in their capacity as owners, which establish

or increase an interest in the net financial position of the entity.

6. **Ownership distributions**: Ownership distributions are outflows of resources from the entity, distributed to external parties in their capacity as owners, which return or reduce an interest in the net financial position of the entity.

Net Financial Position, Other Resources, and Other Obligations: In some circumstances, to ensure that the financial statements provide information that is useful for a meaningful assessment of the financial performance and financial position of an entity, recognition of economic phenomena that are not captured by the elements as defined above may be necessary. In these cases, the IPSASs may require or allow these resources or obligations to be recognized as other resources or other obligations, which are items additional to the six elements defined above. Net financial position is the differencebetween assets and liabilities after adding other resources and deducting other obligations recognized in the statement of financial position.

Surplus or Deficit for the Period: The entity's surplus or deficit for the period is the difference between revenue and expense reported on the statement of financial performance.

Recognition and **Derecognition**

Recognition is the process of incorporating and including in amounts displayed on the face of the appropriate financial statement an item that meets the definition of an element and can be measured in a way that achieves the qualitative characteristics and takes account of the constraints on information included in GPFRs. All items that satisfy the recognition criteria are recognized in the financial statements. The recognition criteria arethat:

- An item satisfies the definition of an element; and
- Can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in GPFRs.

The failure to recognize items that meet the definition of an element and the recognition criteria is not rectified by the disclosure of accounting policies, notes or other explanatory detail. However, disclosure can provide information about items that meet many, but not all the characteristics of the definition of an element. Disclosure can also provide information on items that meet the definition of an element but cannot be measured in way it is required.

Derecognition is the process of evaluating whether changes have occurred since the previous reporting date that warrant removing an element that has been previously recognized from the financial statements, and removing the item if such changes have occurred. In evaluating uncertainty about the existence of an element the same criteria are used for derecognition as at initial recognition.

Measurement

The objective of measurement is to select those measurement bases that most fairly reflect the cost of services, operational capacity and financial capacity of the entity in a manner that is useful in holding the entity to account, and for decision-making purposes. Measurement are required both at the time of initially recognizing an asset or liability in books of accounts and subsequently, at the time of financial reporting.

There is no single measurement basis (or combination of bases) for all transactions, events and conditions. (IPSAS) 46 provides new guidance in a single standard addressing how commonly used measurement bases. It brings in generic guidance on fair value for the first time, and introduces current operational value, a public sector specific current value measurement basis addressing constituents' views that an alternative current value measurement basis to fair value is needed for certain public sector assets.

Measurement Bases for Assets

Initial Measurement for an asset is at transaction price plus transaction cost unless there is no reliable transaction price data available and there is any other measurement basis that faithfully represent the value of the asset to be recognized.

The commonly used measurement bases for assets are:

- **Historical cost**: Historical cost for an asset is the consideration given to acquire or develop an asset, which is the cash or cash equivalents or the value of the other consideration given, at the time of its acquisition or development. It is an entry, entity-specific value.
- **Current operational value:** The current operational value is the amount the entity would pay for the remaining service potential of an asset at the measurement date. It is entity specific.
- **Fair Value:** Fair value is the price that would be received to sell an asset in an orderly transaction between the market participants at the measurement date.
- **Value-in use:** Value in use is used for assessment of impairment. For cash generating assets, it is the present value of the estimated future cash – flows expected to be derived from the use of the asset and from its sale at the end of useful life. Value in use for non-cash generating assets is the asset's remaining service potential at the measurement date.

Measurement Bases for Liabilities

Initial Measurement for a liability is at transaction price minus transaction cost unless there is no reliable transaction price data available and there is any other measurement basis that faithfully represent the value of the asset to be recognized.

The commonly used measurement bases for liabilities are:

- **Historical Cost**: Historical cost for a liability is the consideration received to assume an obligation minus transaction cost at the time the liability is incurred. The transaction cost is cash or cash equivalents, or the value of the other consideration received.

- **Cost of Fulfillment**; Cost of fulfillment is the costs that the entity will incur in fulfilling the obligations represented by the liability, assuming that it does so in the least costly manner.
- **Fair Value**: Fair value for liabilities is the amount that would be paid to transfer the liability between market participants, at the measurement date. c

Components of Financial Statements

A complete set of financial statements prepared in line with IPSASA comprises of:

- A statement of financial position;
- A statement of financial performance;
- A statement of changes in net assets/equity;
- A cash flow statement;
- When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements;
- Notes, comprising a summary of significant accounting policies and other explanatory notes; and
- Comparative information in respect of the preceding period.

General Features of Financial Statements under IPSAS

Fair presentation and compliance with IPSASs: Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other eventsand conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses. The application of IPSASs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

An entity whose financial statements comply with IPSASs shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with IFRSs unless they comply with all the requirements of all the IPSASs.

An entity cannot rectify inappropriate accounting policies either by disclosure of the accounting policies used or by notes or explanatory material.

In the extremely rare circumstances in which management concludes that compliance with a requirement in an IPSAS would be so misleading that it would conflict with the objective of financial statements, the entity shall depart from that requirement by giving proper disclosures, if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.

When an entity has departed from a requirement of an IPSAS in a prior period, and that departure affects the amounts recognised in the financial statements for the current period**.**

Going Concern: When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.

Consistency of presentation

An entity shall retain the presentation and classification of items in the financial statements from one period to the next unless:

- it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies

- an IPSAS requires a change in presentation.

Materiality and aggregation: An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial.

Offsetting: An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an IPSAS.

Comparative information: Except when IPSASs permit or require otherwise, an entity shall present comparative information in respect of the preceding period for all amounts reported in the current period’s financial statements. An entity shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period’s financial statements. An entity shall present, as a minimum, one statement of financial position with comparative information for the preceding period, one statement of financial performance with comparative information for the preceding period, one cash flow statement with comparative information for the preceding period and one statement of changes in net assets/equity with comparative information for the preceding period, and related notes.

Frequency of reporting: An entity shall present a complete set of financial statements (including comparative information) at least annually. When an entity changesthe end of its reporting period and presents financial statements for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:

- the reason for using a longer or shorter period, and
- the fact that amounts presented in the financial statements are not entirely comparable.

IPSAS under The Cash Basis of Accounting

The cash basis of accounting recognizes transactions and events only when cash or cash equivalents is received or paid by the entity. Financial statements prepared under the cash basis provide readers with information about the sources of cash raised during the period, the purposes for which cash was used and the cash balances at the reporting date. The measurement focus in the financial statements is balances of cash and changes therein. Notes to the financial statements may provide additional information about liabilities, such as payables and borrowings, and some non-cash assets, such as receivables, investments and property, plant and equipment.

Beside the IPSASs on accrual basis, the IPSASB issues IPSAS dealing with financial reporting under the cash basis of accounting and the accrual basis of accounting to improve both the quality and comparability of financial information reported by public sector entities around the world. It is an important step forward in improving the consistency and comparability of financial reporting under the cash basis of accounting and encourages the adoption of the Standard. The Cash Basis IPSAS has been developed as an intermediate step to assist in the transition to the accrual basis of financial reporting and adoption of accrual IPSAS. The Cash Basis standard is in two parts. Part 1 is mandatory whereas Part 2 identifies additional accounting policies and disclosuresthat a public sector entity is encouraged to adopt. Financial statements should be described as complying with this IPSAS only if they comply with all the requirementsof Part 1 of the IPSAS under Cash Basis issued by IPSASB.

Component of Financial Statement under Cash Basis

An entity shall prepare and present financial statements which include the following components:

- A statement of cash receipts and payments which recognizes all cash receipts, cashpayments and cash balances controlled by the entity;

- Accounting policies and explanatory notes; and
- When the entity makes publicly available it's approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the statement of cash receipts and payments.

Statement of Cash Receipts and Payments

The statement of cash receipts and payments shall present the following amounts for the reporting period:

- Total cash receipts of the entity showing separately a sub-classification of total cash receipts using a classification basis appropriate to the entity's operations;
- Total cash payments of the entity showing separately a sub-classification of total cash payments using a classification basis appropriate to the entity's operations; and
- Beginning and closing cash balances of the entity.

Accounting Policies and Explanatory Notes

The notes to the financial statements of an entity shall:

- Present information about the basis of preparation of the financial statements and the specific accounting policies selected and applied for significant transactions and other events; and
- Provide additional information which is not presented on the face of the financial statements but is necessary for a fair presentation of the entity's cash receipts, cash payments and cash balances.

Difference between IPSAS & IFRS

International Financial Reporting Standards (IFRS) and IPSAS are two well-known frameworks in the accounting industry. Even though IPSAS has been framed based

IFRS, they are incomparable at many place as they differ in their purpose, focus, and intended users. Both have completely different applications, as where IFRS is used by profit making entities, IPSAS are used by governments and public sector organization. This have led to various core differences between the two standards, notable being:

A. Service Delivery vs. Profit

Financial Statements prepared in conformity with IFRS are intended to inform lenders, investors, and other stakeholders about a company's profitability, financial standing and prospects for growth thereby making assessment of correct profit most important aspect of the financial statement. On the other hand, IPSAS are designed for public sector entities whose main objectives are to provide goods and services to benefit society. The user of financials prepared using IPSAS are often citizens and tax payers who need to know how well and efficiently taxes paid by them are being used. Thus, correct evaluation of effectiveness of service delivery is of paramount significance, in such reporting.

B. Exchange & Non-Exchange Transactions

For a normal business entity wherein IFRS are used, transactions take place at arm's length, i.e., each party gets something about equivalent in return. However, in public sector, transactions in which value is transmitted without a direct exchange of commodities or services are common. This has necessitated a distinct category of transactions referred to as non-exchange transactions in IPSAS. Currently, IPSAS 23-Revenue from non-exchange transactions deals with transactions like levies, fines, grants, and taxes.

C. Non- Cash Generating Assets

Under IFRS accounting standards, an asset is defined as a resource that is controlled by an entity as a result of past events, and from which *future economic benefits* are expected to flow to the entity. In contrast, in IPSAS an item can be classified as an asset even if it is not expected to generate future cash flows for the entity, if it has service delivery potential. In order to determine whether the recognized assets are impaired, IPSAS 21 Impairment of Non-Cash Generating Assets is put into practice. However, no such standard is there in IFRS as non- cash generating assets are not recognized under IFRS.

D. **Budget Information**

The IPSAS 24 Presentation of Budget Information in Financial Statements requires public sector entities to make their annual budgets publicly available. This is necessary to allow for a comparison of budgeted and actual information as part of their financial statements. Such disclosure is not required under IFRS accounting standards.

Besides, the above there are many other major differences between the two standards. Some standards dealing with transactions that are peculiar to private sector, like share-based payments and income taxes has been eliminated under IPSAS.

Conclusion

Analyzing data captured by IFAC International Public Sector Financial Accountability Index, in 2023 Status Report analyzes information from 165 jurisdictions across the globe to develop an understanding of public sector financial reporting. The report suggests that By 2025, 83 jurisdictions will Report on Accrual basis. There is significant accrual adoption activity underway across all regions of the world. Based on the Index findings, the number of governments reporting on accrual was projected more than double in years between 2018 and 2025. The report projected that, by 2030, 120 governments (a75% of the Index population) will report fully on accrual basis.

The regions expected to see the greatest increases in accrual adoption between 2020 and 2025 include:

- **Africa: 9 jurisdictions (2 in 2020)**
- **Latin America and the Caribbean: 15 jurisdictions (9 in 2020)**
- **Asia: 17 jurisdictions (7 in 2020)**

The data above confirms that the knowledge of the IPSASs is going to be a great opportunity for the accounting professionals worldwide. So, it’s time to gear up and acquire knowledge in this relatively new domain.

Let see how the Knowledge of IPSAS can create professional opportunities in several ways:

1. **Increased Demand for Expertise**: As more governments and public sector entities adopt IPSAS, the need for qualified professionals who understand these standards will rise. This can lead to job opportunities in accounting, auditing, and financial management.
2. **Enhanced Career Growth**: Professionals with IPSAS knowledge can differentiate themselves in the job market, potentially leading to promotions or higher-level positions within organizations that require compliance with international standards.
3. **Consulting Opportunities**: Many governments and organizations may seek consultants to help them transition to IPSAS. This opens avenues for accountants to provide advisory services during this critical change.
4. **Global Mobility**: IPSAS is recognized internationally, allowing professionals with this knowledge to pursue opportunities in various countries, particularly where public sector reforms are underway.
5. **Contribution to Transparency and Accountability**: Working with IPSAS can enable professionals to play a vital role in improving financial reporting and accountability in the public sector, enhancing their job satisfaction and professional reputation.
6. **Development of Training Programs**: Professionals can also leverage their knowledge to develop and deliver training programs on IPSAS, expanding their reach within the industry.

By acquiring expertise in IPSAS, accounting professionals can position themselves at the forefront of a significant global shift in public sector financial management.

In conclusion, embracing the knowledge of IPSAS positions accounting professionals to thrive in an increasingly globalized environment. As governments around the world adopt these internationally accepted standards, the demand for expertise in IPSAS will only grow. This presents a unique opportunity to enhance career prospects, engage in impactful consulting work, and contribute to greater financial transparency and accountability in the public sector. By equipping themselves with IPSAS knowledge, professionals can effectively navigate the complexities of governmental accounting, facilitating their advancement in a competitive job market and making a meaningful difference in their organizations and communities. Now is the time to go global with IPSAS and become part of a transformative movement in public financial management.

Important Links and websites

- International Public Sector Accounting Standards Board (IPSASB): ipsasb.org
- Government Accounting Standards Advisory Board (GASAB): gasab.gov.in
- International Federation of Accountants (IFAC): ifac.org
- International Accounting Standards Board (IASB): ifrs.org
- United Nations Office for Project Services (UNOPS): unops.org
- World Bank – Public Sector Accounting: worldbank.org
- International Organization of Supreme Audit Institutions (INTOSAI): intosai.org
- Chartered Institute of Public Finance and Accountancy (CIPFA): cipfa.org
- European Commission – Public Financial Management: ec.europa.eu