Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Accounting and Assurance Standards Update

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Helping You to Keep Up with Changing Accounting and Assurance Standards

Welcome to the 2024 edition of our Office's annual summary of changes to accounting and assurance standards for the public sector.

I'd like to take this opportunity to introduce myself as the new Auditor General of Ontario. It's a pleasure to bring this information to you in this condensed format, which we hope your organization finds useful. Please share your feedback so we can make future editions even better!

In this edition, we highlight the new conceptual framework and reporting model issued by the Canadian Public Sector Accounting Board (PSAB). The new reporting model introduces a number of significant changes to the structure and content of the financial statements. We encourage all entities reporting under Canadian Public Sector Accounting Standards to familiarize themselves with these changes and evaluate the impact on their financial statements.

We also track updates to:

- Public Sector Accounting Standards (PSAS);
- International Financial Reporting Standards (IFRS); and
- Assurance Standards.

In light of PSAB's commitment to basing future Canadian Public Sector Accounting Standards on the principles of International Public Sector Accounting Standards (IPSAS), this edition will introduce a new section featuring IPSAS developments.

Shelley Spence
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This Edition

This Edition at a Glance

Standards Digest

The following future accounting and assurance standards are detailed in this edition:

	Page	Standard	Key Takeaways and Guidance	Effective Date[1]
Public Sector Accounting Standards (PSAS)	4-5	**Conceptual Framework for Financial Reporting in the Public Sector & PS 1202 – Financial Statement Presentation**	• New conceptual framework issued in December 2022. A conceptual framework is a set of core concepts that leads to consistent standards, or the application of consistent concepts in the absence of a specific standard. • In November 2023, PSAB issued PS 1202, *Financial Statement Presentation* to update the financial reporting model.	April 1, 2026
	7	**PSG-8 Purchased Intangibles**	• Guideline issued in November 2020 to address the recognition of purchased intangibles. • Purchased intangibles are defined as identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act. • Recognition prohibition for purchased intangibles that was previously in PS 1000, *Financial Statement Concepts,* was removed.	April 1, 2023
	7	**PS 3160 – Public Private Partnerships**	• Standard issued in April 2021. • Recognition, measurement, presentation and disclosure of public private partnerships. • Applies to partnerships that involve the public sector entity obtaining control of the infrastructure asset and the private sector partner designing, building, acquiring and/or bettering the infrastructure, financing the transaction past the point the infrastructure is ready for use, and operating and/or maintaining the infrastructure on an ongoing basis.	April 1, 2023
	8	**PS 3400 – Revenue**	• Standard issued in June 2018. • Recognition, measurement and presentation of revenues in the public sector that are not government transfers or taxes. • Two categories of public sector revenues: exchange transactions and unilateral (non-exchange) transactions with different recognition criteria.	April 1, 2023

1. The effective date is for financial years beginning on or after the date shown.

	Page	Standard	Key Takeaways and Guidance	Effective Date[1]
International Financial Reporting Standards (IFRS)	9	**IFRS 17 – Insurance Contracts**	• Replaces IFRS 4, *Insurance Contracts*. • Profit from insurance contracts is initially recorded as a liability called the contractual service margin. • Contractual service margin is recognized over the insurance contract's coverage period. • Requires entities to update actuarial assumptions and estimates in measuring insurance contracts in subsequent reporting periods. • Accelerates the recognition of losses on insurance contracts that are expected to be onerous.	January 1, 2023
	9	**Amendment to IFRS 16 – Leases**	• Clarifies that a seller-lessee should not recognize a gain or loss on subsequent measurement of a lease liability arising from a sales and leaseback transaction.	January 1, 2024
	10	**Amendments to IAS 1 – Presentation of Financial Statements**	• *Classification of Liabilities as Current or Non-current* was issued in February 2021 to clarify the requirements for classification of liabilities as current or non-current. • *Disclosure of Accounting Policies* was issued in September 2020 to require entities to disclose material accounting policy information instead of significant accounting policies in the notes to the financial statements. • Additional amendments were issued in October 2022 to improve disclosures relating to long-term debt with covenants.	Various (see details on page 10)
	10	**Amendment to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors**	• Amendment designed to make it easier for entities to distinguish between a change in accounting estimate and a change in an accounting policy.	January 1, 2023
	10	**Amendments to IAS 21 – Effects of Changes in Foreign Exchange Rates**	• Amendments to provide additional guidance for determining when a currency is exchangeable for another currency and for estimating a spot exchange rate when a currency is not exchangeable for another currency.	January 1, 2025
Assurance Standards	11	**CAS 600 (Revised) – Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)**	• Expands on and clarifies existing requirements that apply to group audits. • Reinforces the risk-based approach to group audits and the need for robust communication between the group auditor and component auditors.	December 15, 2023[2]

1. The effective date is for financial years beginning on or after the date shown.
2. For entities with fiscal years ending March 31, these revisions are effective for the year ending March 31, 2025.
For entities with fiscal years ending December 31, the revisions are effective for the year ending December 31, 2024.

New PSAB Conceptual Framework and Reporting Model

The Canadian Public Sector Accounting Board (PSAB) approved a new conceptual framework and reporting model for entities in the public sector, effective for fiscal years beginning on or after April 1, 2026. Below, we summarize the key changes. Given the extent and significance of these changes, we urge all entities reporting under Canadian public sector accounting standards to review these new requirements and proactively assess the impact on their financial statements.

New Conceptual Framework for Financial Reporting in the Public Sector

PSAB issued the *Conceptual Framework for Financial Reporting in the Public Sector* (the conceptual framework) in December 2022. It replaces the previous conceptual framework, last updated in 2003.

A conceptual framework is a set of core concepts that leads to consistent standards, or the application of consistent concepts in the absence of a specific standard. A conceptual framework serves as the foundation for principles-based standards rather than detailed, prescriptive rules.

The new conceptual framework is divided into 10 chapters. Key changes include:

- Introduction of the term "non-financial liabilities", which are distinguished from financial liabilities based on how they are settled. A financial liability is a liability that is expected to be settled using existing or future financial assets. For example, accounts payable is a financial liability, while deferred capital contributions are typically non-financial liabilities.
- Revisions to the qualitative characteristics of financial reporting: the concept of prudence replaces conservatism and the concept of faithful representation replaces reliability.
- Removal of the previous recognition exclusion on developed and non-purchased intangibles, Crown lands, natural resources that have not been purchased, art and historical treasures. The recognition exclusions have been relocated to the standards level. PSAB has indicated its intent to reconsider these exclusions as part of PSAB's future technical agenda.

As a result of these changes, the issuance of the new conceptual framework, PSAB withdrew PS 1000, *Financial Statement Concepts* and PS 1100, *Financial Statement Objectives*.

The new conceptual framework may impact those accounting policies developed in the absence of a specific guidance in the Public Sector Accounting Handbook, often referred to as entity-developed accounting polices. Prior to adoption of the new conceptual framework, an entity must review any entity-developed accounting policies to ensure consistency with the new conceptual framework.

New Financial Reporting Model

Section PS 1202, *Financial Statement Presentation*, was issued in October 2023 to replace the guidance in PS 1201. This standard sets out the new requirements for presenting financial statements in the public sector. Significant amendments were made to the statement of financial position and to other key components of the financial statements.

The major changes to the statement of financial position include:

- Assets are presented first, followed by liabilities and then net assets (or net liabilities).
- Liabilities are presented in two categories: financial and non-financial.
- The existing net debt indicator is renamed and presented in its own statement, referred to as the statement of net financial assets or net financial liabilities. Entities applying Section PS 1202 may choose to also report the net financial assets or net financial liabilities indicator on the statement of financial position. If entities elect to do so, this indicator must be presented below the components of the net assets or net liabilities indicator and must be accompanied by a reference to the statement of net financial assets or net financial liabilities.

The new reporting model also introduces a new component of net assets (or net liabilities) termed "accumulated other". This component is used to recognize inflows and outflows that PSAB feels should be recognized outside of the statement of operations. Only PSAB can designate items for recognition within this component. To date, PSAB has not designated any such items.

Other key changes to the financial statements include:

- The new statement of net financial assets or net financial liabilities presents net financial assets less net financial liabilities.
- A statement of changes in net assets (or net liabilities) is introduced to show a reconciliation between the accumulated balance at the beginning and end of the period for each component of net assets (or net liabilities).
- The statement of remeasurement gains and losses is removed; changes in remeasurement gains and losses are reported in the statement of changes in net assets or liabilities.
- The statement of changes of net debt is no longer presented.
- An amended approved budget may be presented for actual-to-budget comparison purposes by a senior government only when there is an election and the newly elected government prepares a new budget that is approved by the appropriate authority. An amended approved budget may also be presented by a government organization only when the majority of its governing body has been newly elected or appointed and a new budget is approved.
- Note disclosure is required when a budget has not been presented because it was not prepared or approved.
- In the statement of cash flows, a subtotal of cash flows before financing activities is presented to isolate financing transactions.

Early adoption of the reporting model is permitted only if the new conceptual framework is also adopted at the same time.

Government not-for-profit organizations (GNFPOs) electing to follow the standards for not-for-profit organizations in the Public Sector Accounting Handbook continue to refer to PS 4200, *Financial Statement Presentation by Not-for-Profit Organizations*, until such time as PSAB reexamines the financial reporting model for GNFPOs under its planned Government Not-for-Profit Strategy.

Accounting and Assurance Standards Adoption Timeline

The following timeline shows the effective dates for the future Canadian accounting and assurance standards outlined in this edition.[1]

2023	**IAS 1**	Presentation of Financial Statements (Amendments)	January 1
	IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1
	IFRS 17	Insurance Contracts	January 1
	PSG-8	Purchased Intangibles	April 1
	PS 3160	Public Private Partnerships	April 1
	PS 3400	Revenues	April 1
	CAS 600	Special Considerations — Audits of Group Financial Statements (including the Work of Component Auditors)	December 15[2]
2024	**IAS 1**	Presentation of Financial Statements (Amendments)	January 1
	IFRS 16	Leases (Amendment)	January 1
2025	**IAS 21**	The Effects of Changes in Foreign Exchange Rates (Amendments)	January 1
2026	**Chapters 1-10 & PS 1202**	Conceptual Framework for Financial Reporting in the Public Sector and Financial Statement Presentation	April 1

1. The effective date is for financial years beginning on or after the date shown.
2. For entities with fiscal years ending March 31, these revisions are effective for the year ending March 31, 2025.
For entities with fiscal years ending December 31, the revisions are effective for the year ending December 31, 2024.

Public Sector Accounting Standards (PSAS)

Purchased Intangibles

Effective Date:* April 1, 2023
Early Adoption: Permitted

The Public Sector Accounting Board (PSAB) issued Public Sector Guideline 8, *Purchased Intangibles,* in November 2020 to provide general guidance on the recognition of intangibles purchased through an exchange transaction. Purchased intangibles are defined as identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act. Examples of purchased intangibles include licences, trademarks and film and television rights.

PS 1000, *Financial Statement Concepts,* was amended concurrently to remove the recognition prohibition relating to purchased intangibles. PS 1201, *Financial Statement Presentation*, was also amended to remove the requirement to disclose unrecognized purchased intangibles.

Government not-for-profit organizations applying the 4200 series continue to follow the guidance in PS 4230, *Capital Assets Held by Not-for-Profit Organizations*.

Public Private Partnerships

Effective Date:* April 1, 2023
Early Adoption: Permitted

In April 2021, PSAB issued PS 3160, *Public Private Partnerships*, to provide guidance on the recognition, measurement, presentation and disclosure of public private partnerships. This section applies to partnerships in which the public sector entity obtains control of the infrastructure asset and the private sector partner performs all of the following activities:

(i) designs, builds, acquires and/or betters infrastructure on behalf of the public sector entity;
(ii) finances the transaction past the point the infrastructure is ready for use; and
(iii) operates and/or maintains the infrastructure.

An infrastructure asset is recognized when the public sector entity controls all of the following:

(i) the purpose and use of the infrastructure;
(ii) access to the future economic benefits and exposure to the risks of the infrastructure asset; and
(iii) significant residual interest in the infrastructure, if any, at the end of the public private partnership's term.

Infrastructure assets are recognized at cost. The cost, less any residual value, of an infrastructure asset with a limited life is amortized over its useful life.

Upon recognition of the infrastructure asset, a liability is recognized equal to the infrastructure asset, less any amounts previously paid to the private sector partner. The liability is settled by future payments of cash or other financial assets (financial liability), or by granting rights to the private sector partner to earn revenue from the infrastructure asset (user pay model).

A public sector entity discloses the significant terms of the arrangement, the key rights and obligations for the public sector entity and private sector partner, the accounting policy, and changes in the terms of the public private partnership arrangement occurring during the reporting period.

* The effective date is for financial years beginning on or after the date shown.

Public Sector Accounting Standards (PSAS)

PS 3400 – Revenue

Effective Date:* April 1, 2023
Early Adoption: Permitted

In June 2018, PSAB approved Section PS 3400 to provide guidance on the recognition, measurement and presentation of revenues that arise in the public sector, but are outside the scope of PS 3410, *Government Transfers*, and PS 3510, *Tax Revenues*.

Section PS 3400 separates public sector revenues into two categories: exchange transactions and unilateral (non-exchange) transactions. The distinguishing feature is the existence of a performance obligation, an enforceable promise to provide a good or service to a payor. Exchange transactions are characterized by one or more performance obligations. By contrast, unilateral transactions, such as fines and penalties, are not associated with a performance obligation.

Revenues from an exchange transaction are recognized as or when the public-sector entity satisfies the performance obligation. Performance obligations may be satisfied at a point in time or over a period of time, depending on which method best depicts the transfer or goods or services to the payor.

Unilateral revenues are recognized when there is the authority and a past event that gives rise to a claim of economic resources.

* The effective date is for financial years beginning on or after the date shown.

International Financial Reporting Standards (IFRS)

IFRS 17 – Insurance Contracts

Effective Date:* January 1, 2023
Early Adoption: Permitted
(with adoption of IFRS 9)

IFRS 17 was issued by the IASB (International Accounting Standards Board) in May 2017 to replace IFRS 4, *Insurance Contracts*. Under IFRS 4, entities were permitted to continue to use accounting policies for insurance contracts that were in place prior to the entity's adoption of IFRS. IFRS 17 increases comparability across reporting entities by standardizing accounting for insurance contracts.

Under IFRS 17, profit from insurance contracts is initially recorded as a liability called the contractual service margin. The contractual service margin is recognized over the insurance contract's coverage period.

IFRS 17 also requires entities to update actuarial assumptions and estimates in measuring insurance contracts in subsequent reporting periods. It also accelerates the recognition of losses on insurance contracts that are expected to be onerous.

The standard was originally approved by the IASB for fiscal years beginning on or after January 1, 2021. In March 2020, the IASB deferred the effective date of IFRS 17 to fiscal years beginning on or after January 1, 2023.

The IASB also announced that it will extend the exemption currently in place for some insurers regarding the application of IFRS 9 *Financial Instruments* to enable them to implement both IFRS 9 and IFRS 17 at the same time.

Amendments to IFRS 16 – Leases

Effective Date:* January 1, 2024
Early Adoption: Permitted

In September 2022, the IASB issued *Lease Liability in a Sale and Leaseback* (Amendment to IFRS 16). The amendment clarifies that a seller-lessee should not recognize a gain or loss on subsequent measurement of a lease liability that arose in a sales and leaseback transaction.

* The effective date is for financial years beginning on or after the date shown.

International Financial Reporting Standards (IFRS)

Amendments to IAS 1 – Presentation of Financial Statements

Effective Date:* Various (as indicated below)
Early Adoption: Permitted

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1). These amendments clarified that the criteria for classifying a liability as current or non-current is based on the right to defer settlement of the liability for at least 12 months after the reporting period. This amendment was originally effective for fiscal periods beginning on or after January 1, 2022. In July 2020, the IASB deferred the effective date for this amendment by one year to fiscal periods beginning on or after January 1, 2023. Subsequently, the IASB further deferred the effective date of these amendments to fiscal periods beginning on or after January 1, 2024.

In February 2021, the IASB issued *Disclosure of Accounting Policies* to require entities to disclose material accounting policy information instead of significant accounting policies. The IASB also amended IFRS Practice Statement 2, *Making Materiality Judgements*, first issued in October 2017, in order to assist entities in applying materiality judgments to accounting policy disclosures. These amendments are effective for fiscal periods beginning on or after January 1, 2023.

In October 2022, the IASB issued *Non-current Liabilities with Covenants* (Amendments to IAS 1). These amendments require disclosure in the notes to the financial statements in certain circumstances to enable users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within 12 months after the reporting period. These amendments are effective for fiscal periods beginning on or after January 1, 2024.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

Effective Date:* January 1, 2023
Early Adoption: Permitted

In February 2021, the IASB published *Definition of Accounting Estimates* (Amendments to IAS 8). Amendments include a new definition of an accounting estimate, and guidance to distinguish changes in accounting estimates from changes in accounting policies.

Amendments to IAS 21 – Effects of Changes in Foreign Exchange Rates

Effective Date:* January 1, 2025
Early Adoption: Permitted

In August 2023, the IASB published *Lack of Exchangeability* (Amendments to IAS 21). Amendments include providing guidance for determining when a currency is exchangeable for another currency and for estimating a spot exchange rate when a currency is not exchangeable for another currency. Additional disclosure is required when a currency is not exchangeable.

* The effective date is for financial years beginning on or after the date shown.

Assurance Standards

CAS 600 (Revised) – Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)

Effective Date: Audits of financial statements for periods beginning on or after December 15, 2023
Early Adoption: Permitted

Revisions to CAS 600 expand on and clarify existing requirements that apply to group audits.

Revised CAS 600 requires the group auditor to obtain group management's acknowledgment of their responsibility to provide access to all information relevant in the preparation of group financial statements, as well as unrestricted access to persons within the group whom the group auditor determines is necessary to obtain audit evidence.

The revisions to CAS 600 also reinforce the risk-based approach to group audits and the need for robust communication between the group auditor and component auditors.

Auditors may also adapt CAS 600 (Revised) as necessary when the auditor involves other auditors in the audit of financial statements that are not group financial statements.

Developments in International Public Sector Accounting Standards (IPSAS)

This section is designed to keep you informed of the latest changes to International Public Sector Accounting Standards (IPSAS). Please keep in mind that the pronouncements of the International Public Sector Accounting Board (IPSASB) can vary significantly from Canadian Public Sector Accounting Standards.

IPSAS 43 – Leases

Effective Date:* January 1, 2025
Early Adoption: Permitted
(with adoption of IPSAS 41, Financial Instruments*)*

In January 2022, the IPSASB issued IPSAS 43, *Leases*. IPSAS 43 requires a lessee to recognize a lease obligation and a corresponding right-of-use asset at the inception of most leases. This approach differs considerably from the previous guidance in IPSAS 13 that distinguished between financing and operating leases and required a lease obligation be recorded only for those leases that met the criteria of a financing lease.

There are two circumstances in which lessees may elect to not recognize a lease liability and right-of-use asset: if the lease has a duration of 12 months or less from the initial start date ("short-term lease"), or if the leased asset is considered low value.

Lease obligations are measured at the present value of future lease payments at the commencement of the lease. The right-of-use asset is initially recognized at the value of the lease obligation at inception, adjusted for certain lease-related costs. Subsequently, the right-of-use asset is amortized in a rational matter over its useful life.

IPSAS 44 – Non-current Assets Held for Sale and Discontinued Operations

Effective Date:* January 1, 2025
Early Adoption: Permitted
(with adoption of IPSAS 43, Leases*)*

In May 2022, the IPSASB issued IPSAS 44, *Non-current Assets Held for Sale and Discontinued Operations*. IPSAS 44 addresses the accounting for assets held for sale and the presentation and disclosure of discontinued operations.

IPSAS 44 states that a non-current asset (or disposal group) is classified as held for sale if the "carrying amount will be recovered principally through a sale transaction rather than through continuing use" (IPSAS 44.11). The asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable.

A non-current asset classified as held for sale is measured at the lower of the carrying amount and fair value less costs to sell. Once an asset (or disposal group) is classified as held for sale, depreciation is no longer recorded.

An asset classified as held for sale is presented separately in the statement of financial position. The results of discontinued operations are presented separately in the statement of financial performance (the equivalent of the statement of operations).

* The effective date is for financial years beginning on or after the date shown.

Developments in International Public Sector Accounting Standards (IPSAS)

IPSAS 45 – Property, Plant and Equipment

Effective Date:* January 1, 2025
Early Adoption: Permitted
(with adoption of IPSAS 43, IPSAS 44 and IPSAS 46)

In May 2023, the IPSASB issued IPSAS 45, *Property, Plant and Equipment,* to replace IPSAS 17. After initial recognition, IPSAS 45 permits an item of property, plant and equipment to be recognized either under the historical cost or the new current value model. Under the current value model, after initial recognition, property, plant or equipment is measured at “its current operational value or fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses” (IPSAS 45.27).

Other significant changes introduced by IPSAS 45 include:

- Assets acquired through non-exchange transactions are measured at their deemed cost at the date of acquisition. Previously, under IPSAS 17 these assets were required to to be measured at the fair value at the date of acquisition.
- Heritage assets can be recognized provided meet the definition of an asset and can be measured reliably. Previously, under IPSAS 17, heritage assets were excluded from recognition.

IPSAS 46 – Measurement

Effective Date:* January 1, 2025
Early Adoption: Permitted

In May 2023, the IPSASB issued IPSAS 46, *Measurement*, to provide detailed guidance on the application of commonly used measurement bases. IPSAS 46 addresses the application of fair value, and introduces the concept of current operational value, a public-sector specific alternative to fair value that represents the amount the entity would pay for the remaining service potential of an asset at the measurement date.

IPSAS 47 – Revenue

Effective Date:* January 1, 2026
Early Adoption: Permitted

In May 2023, the IPSASB issued IPSAS 47, *Revenue*, to provide guidance on the recognition, measurement, presentation and disclosure of revenues. IPSAS 47 replaces IPSAS 9, *Revenue from Exchange Transactions*, IPSAS 11, *Construction Contracts*, and IPSAS 23, *Revenue from Non-Exchange Transactions* (Taxes and Transfers).

In accounting for revenues, IPSAS 47 distinguishes between revenues arising from transactions with binding arrangements and revenue arising from transactions without binding arrangements. IPSAS 47 defines a binding arrangement as “an arrangement that confers both rights and obligations, enforceable through legal or equivalent means, on the parties to the arrangement” (IPSAS 47.04).

* The effective date is for financial years beginning on or after the date shown.

Continued on page 14

For revenue from transactions with binding arrangements, it is important to identify the related compliance obligation. IPSAS 47 defines a compliance obligation as an "entity's promise in a binding arrangement to either use resources internally for distinct goods or services or transfer distinct goods or services to a purchaser or third-party beneficiary" (IPSAS 47.04). Revenue is recognized when (or as) the entity satisfies the related compliance obligation.

Revenues from transactions without binding arrangements is recognized when (or as) the entity satisfies any enforceable obligations associated with the inflow (or right to inflow) of resources that met the definition of a liability. If there is no enforceable obligation associated with the transaction, revenue is recognized immediately.

IPSAS 48 – Transfer Expenses

Effective Date:* January 1, 2026
Early Adoption: Permitted
(with adoption of IPSAS 47, Revenue*)*

In May 2023, the IPSASB issued IPSAS 48, *Transfer Expenses*, to provide guidance on the recognition, measurement, presentation and disclosure of transfer expenses. IPSAS 48 defines transfer expenses as "expenses arising from a transaction in which an entity provides a good, service, or other asset to another entity (including an individual) without directly receiving any good, service, or other asset in return" (IPSAS 48.06).

In accounting for transfer expenses, IPSAS 48 distinguishes between transfers with binding arrangements and those without binding arrangements. A binding transfer arrangement is defined as "a transfer arrangement that is enforceable through legal or equivalent means. Enforceability can arise from various mechanisms, so long as the mechanism(s) provide(s) the entity with the ability of the entity to enforce the specified terms and conditions of the arrangement and hold the parties accountable for the satisfaction of stated obligations" (IPSAS 48.10).

For transactions with binding transfer arrangements, the entity needs to determine the related transfer rights in the arrangement. A transfer right is defined as "the entity's enforceable right to have the transfer recipient satisfy its obligation in the manner specified under the binding arrangement or face the consequences as specified in the binding arrangement" (IPSAS 48.06). If the entity transfers resources prior to the transfer recipient satisfying its obligation, the resource transferred to the recipient is derecognized and a transfer right asset is recognized simultaneously. The transfer expense is recognized once the transfer rights are extinguished. However, if the transfer recipient were to satisfy its obligations prior to the entity transferring resources to recipient, the entity recognizes a transfer obligation liability and a transfer expense.

For transactions without binding transfer arrangements, transfer expenses are generally recognized when the entity ceases to control the resources, usually the date that the resource is transferred to the recipient.

* The effective date is for financial years beginning on or after the date shown.

Developments in International Public Sector Accounting Standards (IPSAS)

IPSAS 49 – Retirement Benefit Plans

Effective Date:* January 1, 2026
Early Adoption: Permitted

In November 2023, the IPSASB issued IPSAS 49, *Retirement Benefit Plans*, to provide guidance for public sector retirement benefit plans. IPSAS 49 is applicable to the financial statement of a retirement benefit plan. Employers that participate in retirement benefit plans reporting continue to refer to IPSAS 39, *Employee Benefits*.

* The effective date is for financial years beginning on or after the date shown.