

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Washington, D.C., USA

Meeting Date: March 18–21, 2025

Agenda Item 6

For:

☒ Approval

☐ Discussion

☐ Information

IPSASB APPLICATION GROUP


Project summary	<p>The objective of the IPSASB Application Group is to:</p> <ul style="list-style-type: none"> Assist in ensuring consistent application of IPSAS Standards by considering application questions submitted by stakeholders; and Assist the IPSASB in identifying areas where changes to existing guidance, or additional guidance, may be required. 	
Project staff lead	<ul style="list-style-type: none"> Edwin Ng, Principal 	
IPSASB Application Group members	<ul style="list-style-type: none"> Andrew van der Burgh, IPSASB Member (Chair) Remaining group members to be determined in Q2 2025 	
Meeting objectives	Topic	Agenda Item
Project management	IPSASB Application Group: Project Management Dashboard	6.1.1
	Instructions up to Previous Meeting	6.1.2
	Decisions up to Previous Meeting	6.1.3
	IPSASB Application Group: Project Roadmap	6.1.4
Decisions required at this meeting	IPSASB Application Group – 2025 Overview	6.2.1
	Supplier Finance Arrangements	6.2.2
	Classification and Measurement of Financial Instruments	6.2.3
	Financial Instrument Amendments from <i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	6.2.4
	Contracts Referencing Nature-Dependent Electricity	6.2.5
Other supporting items	Proposed Amendments for Supplier Finance Arrangements	6.3.1
	Proposed Amendments to the Classification and Measurement of Financial Instruments	6.3.2


Prepared by: Edwin Ng (February 2025)

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	<u>Proposed Amendments from <i>Annual Improvements to IFRS Accounting Standards – Volume 11</i></u>	<u>6.3.3</u>
	<u>Proposed Amendments for Contracts Referencing Nature-Dependent Electricity</u>	<u>6.3.4</u>
	<u>IPSASB Application Group – December 2024 CAG Report Back</u>	<u>6.3.5</u>
	<u>[Draft] IPSASB Application Group: Operating Procedures</u>	<u>6.3.6</u>

**IPSASB APPLICATION GROUP:
PROJECT MANAGEMENT DASHBOARD**

Topic	Past Meetings	Dec 2024	Mar 2025	June 2025 and on ¹
Overall Project Management				
Introduction of the IPSASB Application Group (IAG)	✓			
Finalize the Initial Operating Procedures for the IAG ²		✓		
Commence Operation of the IAG				

Legend	
✓	Task Completed
	Planned IPSASB Discussion
	Page-by-page Review

¹ The IAG will be a standing item on the agenda for all future in-person IPSASB meetings.

² See Agenda Item 6.3.6. The draft document included in this agenda item are current operating procedures and will be evolve as the work of the IAG proceeds. Members are welcomed to provide input to staff or the IAG Chair for consideration.

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
December 2024	1. Process the comments provided by members for the operating procedures for the IPSASB Application Group (IAG).	1. See paragraph 5 and the accompanying table in Agenda Item 6.2.1 .
December 2024	2. Add a 3-year review clause to the operating procedures for the IAG.	2. See paragraph 5 and the accompanying table in Agenda Item 6.2.1 .
December 2024	3. Enable IAG membership to be supplemented with additional expertise as required on specific topics, such as sustainability reporting.	3. See paragraph 5 and the accompanying table in Agenda Item 6.2.1 .

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
December 2024	1. The IPSASB Application Panel should be renamed to the IPSASB Application Group (IAG).	1. N/A – Updated operating procedures to be posted on IPSASB website.
December 2024	2. The IAG should be rolled out in 2025.	2. N/A – Project management decision only.
December 2024	3. Subject to the instructions, finalize the operating procedures for the IAG.	3. N/A – Updated operating procedures to be posted on IPSASB website.

**IPSASB APPLICATION GROUP:
PROJECT ROADMAP**

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
September 2023	1. Present key considerations document regarding the IPSASB Application Group (IAG) to the IPSASB
December 2024	1. Finalize the process documentation for the IAG
March 2025	1. Commence operation of the IAG 2. Improvements to IPSAS (Part 1 of 3)
June 2025	1. Improvements to IPSAS (Part 2 of 3) 2. Analysis of Queries and Updates from the IASB or IFRS Interpretations Committee (IFRIC) (If Applicable)
September 2025	1. Improvements to IPSAS (Part 3 of 3) 2. Approval of ED, <i>Improvement to IPSAS 2025</i> 3. Analysis of Queries and Updates from the IASB or IFRIC (If Applicable)
December 2025	1. Finalize Improvements to IPSAS 2025 2. Analysis of Queries and Updates from the IASB or IFRIC (If Applicable)

IPSASB Application Group – 2025 Overview

Purpose

1. To provide the IPSASB with an overview of the IPSASB Application Group's activities and its workplan for 2025.

Background

2. At the December 2024 meeting, staff presented the IPSASB with the draft operating procedures for the IPSASB Application Group (IAG). In response, the IPSASB provided staff with feedback and instructions as summarized in [Agenda Item 6.1.2](#). Based on the feedback from the IPSASB, staff proceeded to move forward with the establishment of the IAG. This paper summarizes the developments since the December 2024 meeting.

Progress on Setting Up the IAG

3. In January 2025, Andrew van der Burgh agreed to act as the inaugural IAG Chair. Andrew was selected by the IPSASB Chair and the IPSASB's Program and Technical Director for his excellent technical background, leadership skills, and interest in the initiative. This process is consistent with the select of all Task Force Chairs and Members. Staff will be working with the IPSASB Chair and the IAG Chair to select the remainder of the IAG members in the second quarter of 2025.
4. Staff has also been working with the Communications department at IFAC to set up the IAG's website. In addition to allowing constituents to submit queries application issues, the website will host materials relating to the roll-out of the IAG and its operating procedures. The website is planned to go live in the second quarter of 2025.

Addressing the December 2024 Instructions

5. Staff revised the IAG's operating procedures based on the IPSASB's instructions. The key changes are as follows:
 - (a) Changed the name to IPSASB Application Group;
 - (b) Removed all references to IPSASB SRS Standards and added a clause to review the operating procedures every three years. As instructed, the review clause specifies that the IPSASB will consider the expansion of the operating procedures to address issues relating to the application of IPSASB SRS Standards in the first triennial review;
 - (c) Clarified that the IAG will consist of four to six members and that individuals may be added on an ad hoc basis when additional expertise is required. The operating procedures also clarified that the members' terms will be reviewed annually and that the IPSASB Chair and Program and Technical Director will re-appoint members or appoint new members as needed;
 - (d) Clarified that the IAG's analysis, deliberations on whether issues should be brought forward to the IPSASB, and its recommendations will be published on the IPSASB's website and, when appropriate, communicated to the constituent who submitted the issue; and
 - (e) Other editorial or administrative changes, such as clarifying that any information that is made public will be anonymized, were also made.

6. A draft version of the operating procedures is included in [Agenda Item 6.3.6](#). While the procedures are included for informational purposes only and not for discussion at the current meeting, should members have comments on the document, they are welcomed to reach out to staff or the IAG Chair to discuss. The operating procedures will be posted on the IAG's website (see paragraph 4 above) once finalized.

Other IAG Activities for 2025 (Improvements to IPSAS)

7. As the IAG has not yet been formally rolled out to constituents, staff took the opportunity to address potential amendments to IPSAS resulting from amendments to IFRS from the IASB's narrow scope projects or other amendments to IFRS from the IASB's *Annual Improvements to IFRS Accounting Standards – Volume 11*.
8. As at the writing of this paper (February 2025), there are 12 potential amendments for the IPSASB to consider. To provide IPSASB members with enough time to analyze the potential changes, staff grouped the amendments into three categories to be addressed at the March 2025, June 2025, and September 2025 meetings: amendments relating to financial instruments (6); amendments relating to public sector combinations and consolidation (4); and amendments impacting first-time adoption (2).
9. The individual amendments are as follows:

Amendments Relating to Financial Instruments (6)

- (a) *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)* – released as a narrow scope amendment by the IASB in May 2023;
- (b) *Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)* – released as a narrow scope amendment by the IASB in May 2024;
- (c) *Amendments to IFRS 7, Financial Instruments: Disclosures* – released as part of *Annual Improvements to IFRS Accounting Standards—Volume 11* in July 2024;
- (d) *Amendments to the Guidance on Implementing IFRS 7, Financial Instruments: Disclosures* – released as part of *Annual Improvements to IFRS Accounting Standards—Volume 11* in July 2024;
- (e) *Amendments to IFRS 9, Financial Instruments* – released as part of *Annual Improvements to IFRS Accounting Standards—Volume 11* in July 2024;
- (f) *Contracts Referencing Nature-Dependent Electricity (Amendments to IFRS 9 and IFRS 7)* – released as a narrow scope amendment by the IASB in December 2024;

Amendments Relating to Public Sector Combinations and Consolidation (4)

- (g) *Definition of a Business (Amendments to IFRS 3)* – released as a narrow scope amendment by the IASB in October 2018;
- (h) *Reference to the Conceptual Framework (Amendments to IFRS 3)* – released as a narrow scope amendment by the IASB in May 2020;
- (i) *Amendments to IFRS 10, Consolidated Financial Statements* – released as part of *Annual Improvements to IFRS Accounting Standards—Volume 11* in July 2024;

- (j) Amendments to IAS 7, *Statement of Cash Flows* – released as part of *Annual Improvements to IFRS Accounting Standards—Volume 11* in July 2024;

Amendments Impacting First-Time Adoption (2)

- (k) *Lack of Exchangeability (Amendments to IAS 21 and IFRS 1)* – released as a narrow scope amendment by the IASB in August 2023; and
 - (l) Amendments to IFRS 1, *First-Time Adoption of International Financial Reporting Standards* – released as part of *Annual Improvements to IFRS Accounting Standards—Volume 11* in July 2024.
10. Since the amendments relating to financial instruments are mostly clarifications and the addition of application or implementation guidance, staff will present all six items relating to financial instruments at the March 2025 meeting (see Agenda Items [6.2.2](#), [6.2.3](#), [6.2.4](#), and [6.2.5](#)).
 11. The amendment to the definition of a business, which could impact the definition of an operation in public sector combinations, may lead to significant changes in the accounting resulting from IPSAS 40, *Public Sector Combinations*. As a result, staff require additional time to analyze the amendments and will present the two items relating to public sector combinations at the June 2025 meeting.
 12. Finally, as IPSAS 33, *First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS)*, is an active project, staff will wait until the project is completed and present the last two amendments at the September 2025 meeting.

Approving the Amendments

13. To manage the number of approvals at each meeting, the analysis of each potential amendment will be accompanied by the full text of the proposed amendments, and the IPSASB will be asked to approve each proposed amendment as they are presented at the March 2025, June 2025, and September 2025 meetings.
14. The exposure draft, which will include all the proposed amendments approved by the IPSASB throughout the year, will be presented at the September or December 2025 meeting. As part of this formal approval, staff will present recommendations on the effective date of the amendments, as well as an analysis of whether each amendment should be included in one exposure draft as a suite of improvements to IPSAS Standards, or as separate exposure drafts on narrow scope amendments.

Decision Required

15. No decision required—for information purposes only.

Supplier Finance Arrangements

Question

1. Does the IPSASB agree to amend IPSAS 2, *Cash Flow Statements*, and IPSAS 30, *Financial Instruments: Disclosures*, for additional disclosures on supplier finance arrangements?

Recommendation

2. Staff recommend incorporating the proposed disclosure requirements for supplier finance arrangements, as set out in [Agenda Item 6.3.1](#).

Background

3. Supplier finance arrangements involve an entity's use of one or more finance providers to pay amounts owed to the entity's suppliers, then paying the finance providers on a potentially different and later date. These arrangements could be used to provide the entity with extended payment terms or for an entity to meet a supplier's early payment terms.
4. In May 2023, the IASB issued *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)*. These amendments require an entity to disclose the use of supplier finance arrangements and the liquidity risks which could result from these arrangements.
5. These amendments are relevant to IPSAS 2 and IPSAS 30, which are aligned with IAS 7 and IFRS 7.

Analysis

What is the Nature of the Amendments?

6. The amendments to IAS 7 describe the characteristics of a supplier finance arrangement and require the disclosure of information on how these arrangements effect an entity's liabilities, cash flows, and its exposure to liquidity risk.
7. The application guidance and implementation guidance of IFRS 7 was amended to explicitly address the liquidity risk that could result from supplier finance arrangements.

Are the Amendments Aligned with IPSAS Standards?

8. The amendments to IAS 7 add new paragraphs not currently in IPSAS 2. The additional text clarifies the disclosure principles and requirements that are already in the IPSAS Standard. That is, they explicitly note that the existing disclosure requirements on liabilities, cash flows, and liquidity are applicable to supplier finance arrangements.
9. The amendments to IFRS 7 updates paragraphs that exist and are aligned with IPSAS 30. The IPSASB had not omitted or amended the related IFRS 7 paragraphs in the past for public sector differences.

Are the Amendments Applicable to the Public Sector?

10. Supplier finance arrangements are used by public sector entities to provide liquidity or additional flexibility in meeting a supplier's early payment terms. As noted in paragraphs 8-9, the amendments do not introduce new principles, but clarify that existing principles and requirements are applicable to supplier finance arrangements. These amendments require the disclosure of additional liquidity risks

that a public sector entity assumes when it uses a third party to pay its liabilities, which is useful to users of the financial statements.

11. Based on these reasons, these amendments are applicable and appropriate for the public sector, will maintain alignment with IFRS, clarify existing guidance, and have been tested through the IASB's due process.
12. A full text of the amendments, adapted for inclusion in IPSAS 2 and IPSAS 30, can be found in [Agenda Item 6.3.1](#).

Decision Required

13. Does the IPSASB agree with the staff's [recommendation](#)?

Classification and Measurement of Financial Instruments

Question

1. Does the IPSASB agree to amend IPSAS 41, *Financial Instruments*, and IPSAS 30, *Financial Instruments: Disclosures*, with the proposed amendments for the classification and measurement of financial instruments?

Recommendation

2. Staff recommend amending IPSAS 41 and IPSAS 30 to:
 - (a) Clarify that a financial liability whose payment instruction has been initiated in an electronic payment system can be deemed to be discharged before settlement date if certain conditions are met;
 - (b) Provide additional application guidance on the assessment of whether the contractual cash flows of a financial assets are consistent with a basic lending arrangement;
 - (c) Require the disclosure of contractual terms that could change the timing or amount of contractual cash flows based on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in basic lending risks and costs; and
 - (d) Expand the disclosure of the fair value gain or loss presented in net assets/equity for investments in equity instruments designated at fair value through net assets/equity.

These amendments are set out in [Agenda Item 6.3.2](#).

Background

Derecognition of Financial Liabilities

3. As a result of an issue analyzed by the IFRS Interpretations Committee (IFRIC), the IASB confirmed that IFRS 9 requires an entity to: 1) derecognize a trade receivable when the receivable's contractual rights to cash flow expires; and 2) recognize the cash or financial asset received as the settlement of the trade receivable on the same date.
4. The IASB's constituents were concerned with this outcome, as it would imply that financial liabilities can only be considered 'discharged' upon settlement. This could result in operational challenges if there is a difference in timing between when an entity instructs its financial institution to settle a liability and when cash is ultimately received by the holder of the related receivable.

Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest and Related Disclosures

5. Separate from the analysis by the IFRIC, the IASB conducted their post-implementation review of the classification and measurement requirements in IFRS 9. In response, the IASB's constituents noted difficulties in the assessment of whether the contractual cash flows of a financial asset are solely payments of principal and interest on the principal amount outstanding (and therefore, whether the instrument can be measured at amortized cost). This assessment, commonly referred to as the "SPPI test", was particularly difficult to perform when the contractual cash flows linked to the achievement of certain environmental, social and governance targets. In addition, constituents asked the IASB to

clarify the term 'non-recourse' and the difference between contractually linked instruments and non-recourse features in the context of the application guidance on the SPPI test.

Disclosure for Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income

6. The post-implementation review also indicated that the prohibition in IFRS 9 to reclassify certain amounts accumulated in other comprehensive income to profit or loss potentially obscured information regarding the disposal of investments in equity instruments designated at fair value through other comprehensive income.

Amendments Resulting from the Above Issues

7. In response to the above issues, the IASB issued *Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)* in May 2024. The amendments included:
 - (a) Permitting an entity to deem a financial liability that will be settled using an electronic payment system as discharged under certain conditions;
 - (b) Clarifications on the determination of whether the contractual cash flows of a financial asset are consistent with a basic lending agreement, along with expanded disclosures on contractual terms that could change the timing or amount of contractual cash flows; and
 - (c) Expanded disclosures for fair value gains and losses from investments in equity instruments designated at fair value through other comprehensive income.
8. These amendments are relevant to IPSAS 41 and IPSAS 30, which are aligned with IFRS 9 and IFRS 7.
9. *Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)* also included amendments to IFRS 19, *Subsidiaries Without Public Accountability: Disclosures*. However, as public sector entities are typically publicly accountable, the amendments to IFRS 19 are not relevant.

Analysis

What is the Nature of the Amendments?

Derecognition of Financial Liabilities

10. In response to the concerns noted in paragraphs 3-4, the IASB amended IFRS 9 to provide an entity with the option to deem a financial liability to be discharged before settlement date if the entity has initiated a payment instruction in an electronic payment system and:
 - (a) The entity has no practical ability to withdraw, stop or cancel the instruction;
 - (b) The entity has no practical ability to access the cash to be used for settlement; and
 - (c) The settlement risk associated with the electronic payment system is insignificant.

Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest and Related Disclosures

11. To address these constituents' concerns on the SPPI test as noted in paragraph 5, the IASB provided additional application guidance on the determination of whether an instrument's contractual cash

flows are solely payments of principal and interest on the principal amount outstanding. These amendments:

- (a) Clarified that for contractual terms that change the timing or amount of contractual cash flows based on a contingent event, an entity should consider whether all possible cash flows, from contractually specified scenarios, irrespective of probability, would differ significantly from a basic lending arrangement without the contractual terms that would change its cash flows;
 - (b) Clarified that for a financial asset to have a 'non-recourse feature', the creditor's ultimate right to receive cash flows is contractually limited to the cash flows generated by specific assets; and
 - (c) Clarified the distinction between transactions with non-recourse features from transactions which use multiple contractually linked instruments to prioritize payments to holders with differing subordination rankings (i.e., a waterfall payment structure that prioritizes payments to certain tranches).
12. Accompanying the IFRS 9 amendments for the SPPI test, the IASB also amended IFRS 7 to require the disclosure of contract terms that could change the amount of contractual cash flows based on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in basic lending risks and costs. These disclosures are required for each class of financial asset measured at amortized cost or fair value through net assets/equity, and each class of financial liability measured at amortized cost.

Disclosures for Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income

13. To address the issue noted in paragraph 6, the IASB also amended IFRS 7 to expand the disclosure of fair value gains and losses in other comprehensive income for these investments. Specifically, fair value gains and losses from investments that have been derecognized in the period will need to be separately disclosed from the gains and losses from investments that are still held by the entity at the end of the period.

Are the Amendments Aligned with IPSAS Standards?

14. The amendments relate to classification, measurement, and disclosure requirements that are aligned with IPSAS 41 and IPSAS 30, and the IPSASB had not removed the related IPSAS 41 or IPSAS 30 paragraphs in the past for public sector differences.
15. Although IPSAS does not have the concept of other comprehensive income, IPSAS 41 requires the recognition of revenue and expenses from certain investments in equity instruments in net assets/equity. The accounting and disclosure requirements for these instruments in IPSAS 41 are the same as those in IFRS 9, including the prohibition to reclassify amounts accumulated in net assets/equity to surplus or deficit.

Are the Amendments Applicable to the Public Sector?

16. The amendments were made by the IASB to address their constituents' concerns and to provide additional transparency in IFRS. The same transactions exist in the public sector, and because the guidance between IFRS 9 and IPSAS 41 are aligned, the same interpretation challenges exist. To support public sector stakeholders interpret IPSAS 30 and IPSAS 41, the amendments are

Agenda Item 6.2.3

necessary. Staff has revised the amendments (see [Agenda Item 6.3.2](#)) to account for the lack of other comprehensive income in IPSAS, as noted in paragraph 15.

17. Based on these reasons, the revised amendments are applicable and appropriate for the public sector, will maintain alignment with IFRS, clarify existing guidance, and have been tested through the IASB's due process.
18. A full text of the amendments, adapted for inclusion in IPSAS 41 and IPSAS 30, can be found in [Agenda Item 6.3.2](#).

Decision Required

19. Does the IPSASB agree with the staff's [recommendation](#)?

Financial Instruments Amendments from *Annual Improvements of IFRS Accounting Standards—Volume 11*

Question

1. Does the IPSASB agree with amending IPSAS 41, *Financial Instruments*, and IPSAS 30, *Financial Instruments: Disclosures*, for the financial instruments-related amendments from *Annual Improvements of IFRS Accounting Standards—Volume 11*?

Recommendation

2. Staff recommend:
 - (a) Amending the application guidance of IPSAS 30 for better consistency with the wording from IPSAS 46, *Measurement*;
 - (b) Amending the implementation guidance of IPSAS 30:
 - (i) To clarify that the implementation guidance does not necessarily illustrate all of the requirements in the referenced paragraphs from the core text; and
 - (ii) To be consistent with the wording in the core text, which was previously amended by IPSAS 46;
 - (c) Amending IPSAS 41:
 - (i) To clarify that the difference between the carrying amount of a derecognized lease liability and consideration paid is within the scope of IPSAS 41; and
 - (ii) For consistency with the initial measurement requirements in IPSAS 47, *Revenue*.

These amendments are set out in [Agenda Item 6.3.3](#).

Background

3. In July 2024, the IASB issued *Annual Improvements of IFRS Accounting Standards—Volume 11* (2024 Improvements). The 2024 Improvements included minor amendments relating to financial instruments which impact areas that are also relevant to IPSAS 41 and IPSAS 30.

Analysis

What is the Nature of the Amendments?

4. The 2024 Improvements included the following financial instrument-related amendments:

Amendment to the Application Guidance of IFRS 7:

 - (a) Amended a paragraph reference in IFRS 7 to refer to guidance that was moved to IFRS 13, *Fair Value Measurement*;

Amendments to the Implementation Guidance of IFRS 7:

 - (b) Amended the introduction to the implementation guidance in IFRS 7 to clarify that the guidance does not necessarily illustrate all the requirements of the referenced core text paragraphs;
 - (c) Amended the implementation guidance in IFRS 7 to be consistent with the wording in the core text of IFRS 7, which was previously amended by IFRS 13;

Amendments to IFRS 9:

- (d) Clarified that the difference between the carrying amount of a lease liability and the consideration paid for its extinguishment is within the scope of the IFRS 9; and
 - (e) Revised the initial measurement requirements in IFRS 9 to be consistent with IFRS 15, *Revenue from Contracts with Customers*.
5. The above amendments are editorial in nature and do not change the accounting or disclosure requirements in IFRS 9 or IFRS 7.

Are the Amendments Aligned with IPSAS Standards?

6. The IASB's amendments to IFRS 9 and IFRS 7 are editorial changes to clarify the interpretation of existing principles. The editorial changes to paragraphs in IFRS 9 and IFRS 7 exist and are aligned with IPSAS 41 and IPSAS 30, respectively. Other than terminology (e.g., the use of 'transaction consideration' instead of 'transaction price' in IPSAS), the IPSASB had not omitted or amended the related IFRS 9 or IFRS 7 paragraphs in the past for public sector differences.

Are the Amendments Applicable to the Public Sector?

7. As noted in paragraph 5, the IASB's amendments to IFRS 9 and IFRS 7 were made for editorial corrections and for better consistency with IFRS 13, IFRS 15, and IFRS 16, *Leases*. Making the corresponding amendments to IPSAS 41 and IPSAS 30 would also resolve editorial issues and inconsistencies with IPSAS 46, IPSAS 47, and IPSAS 43, *Leases*. This benefits public sector users with more clear guidance.
8. Based on these reasons, the amendments are applicable and appropriate for the public sector, will maintain alignment with IFRS, clarify existing guidance, and have been tested through the IASB's due process.
9. A full text of the amendments, adapted for inclusion in IPSAS 41 and IPSAS 30, can be found in [Agenda Item 6.3.3](#).

Decision Required

10. Does the IPSASB agree with the staff's [recommendation](#)?

Contracts Referencing Nature-Dependent Electricity

Question

1. Does the IPSASB agree to amend IPSAS 41, *Financial Instruments*, and IPSAS 30, *Financial Instruments: Disclosures*, to clarify the accounting and disclosures for contracts referencing nature-dependent electricity?

Recommendation

2. Staff recommend:
 - (a) Amending IPSAS 41 to describe contracts referencing nature-dependent electricity;
 - (b) Add application guidance to IPSAS 41 for determining whether such contracts meet the own-use exception from financial instrument accounting;
 - (c) Clarify the hedge accounting requirements to permit the designation of nature-dependent electricity contracts as hedging instruments in IPSAS 41 and add an illustrative example on the designation of a contract referencing nature-dependent electricity as a hedging instrument; and
 - (d) Amending IPSAS 30 to require the disclosure of information enabling users to understand the effects of nature-dependent electricity contracts.

These amendments are set out in [Agenda Item 6.3.4](#).

Background

3. Under IFRS 9, contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument are typically treated as financial instruments. However, paragraph 2.4 of IFRS 9 exempts such contracts from financial instrument accounting if the contract results in the receipt or delivery of the non-financial item in accordance with the entity's expected purchase, sale, or usage requirements. This exemption is commonly referred to as the 'own-use exception'.
4. In June 2023, the IFRS Interpretations Committee (IFRIC) received a query on how an entity would apply the guidance in paragraph 2.4 of IFRS 9 to contracts to buy and take electricity generated from nature-dependent sources (i.e., contracts to purchase green energy). The IFRIC noted that such contracts are becoming widespread and is expected to have a material impact on entities who are parties to these contracts. As a result, the matter was referred to the IASB.
5. In response, the IASB issued *Contracts Referencing Nature-Dependent Electricity (Amendments to IFRS 9 and IFRS 7)* in December 2024. These amendments are relevant to IPSAS 41 and IPSAS 30, which are aligned with IFRS 9 and IFRS 7.
6. *Contracts Referencing Nature-Dependent Electricity (Amendments to IFRS 9 and IFRS 7)* also include amendments to IFRS 19, *Subsidiaries Without Public Accountability: Disclosures*. However, as public sector entities are typically publicly accountable, the amendments to IFRS 19 are not relevant.

Analysis

What is the Nature of the Amendments?

7. In response to the issue noted in paragraph 3, the IASB decided to amend IFRS 9 as follows:

- (a) Describe contracts referencing nature-dependent electricity as 'contracts that expose an entity to variability in the underlying amount of electricity because the source of electricity generation depends on uncontrollable natural conditions'. The description also explicitly includes contracts to buy or sell nature-dependent electricity and financial instruments that reference such electricity;
 - (b) Expand the core text and application guidance to include considerations when applying the own-use exception to nature-dependent electricity contracts. In summary, the added guidance requires an entity to consider reasonable and supportable information on its past, present and expected future electricity transactions over a reasonable amount of time (up to a maximum of 12 months) to determine if such contracts are held in accordance with its expected electricity usage; and
 - (c) Amend the hedge accounting requirements to permit an entity to designate a contract referencing nature-dependent electricity as a hedging instrument in hedges of forecasted electricity transactions. To assist in the application of the new requirements, an illustrative example was also added to IFRS 9.
8. Regardless of whether nature-dependent electricity contracts are settled with the delivery of electricity or settled net in cash or another financial instrument, such contracts expose an entity to variability as the source of electricity generation depends on uncontrollable natural conditions. As a result, the IASB also amended the disclosures in IFRS 7 to require greater transparency on how such contracts can impact an entity's future cash flows and financial performance.

Are the Amendments Aligned with IPSAS Standards?

9. The amendments to IFRS 9 and IFRS 7 were made to paragraphs that exist and are aligned with IPSAS 41 and IPSAS 30. In addition, the new paragraphs that were added to IFRS 9 and IFRS 7 expand on existing principles that were already aligned with IPSAS 41 and IPSAS 30. The IPSASB had not omitted or amended the related IPSAS 41 or IPSAS 30 paragraphs in the past for public sector differences.

Are the Amendments Applicable to the Public Sector?

10. Contracts referencing nature-dependent electricity are becoming more prevalent in both the private and public sector. As a result, the issues addressed by the amendments are expected to become applicable to the public sector as more public sector entities enter into these contracts.
11. The own-use exception in paragraph 5 of IPSAS 41 is aligned with the guidance in the unamended version of IFRS 9. As a result, public sector entities who enter contracts referencing nature-dependent electricity will need clarification on how the exception should be applied to these contracts.
12. Similarly, the hedge accounting requirements in IPSAS 41 are also aligned with the unamended requirements in IFRS 9. Incorporating the amendments and adding the illustrative example into IPSAS 41 would clarify how public sector entities should account for contracts referencing nature-dependent electricity that have been designated as hedging items.
13. In addition, IPSAS 30 is aligned with IFRS 7, so the amendments to disclosures will result in greater transparency for public sector entities who enter into contracts referencing nature-dependent electricity.

14. Based on these reasons, the amendments are applicable and appropriate for the public sector, will maintain alignment with IFRS, clarify existing guidance, and have been tested through the IASB's due process.
15. A full text of the amendments, adapted for inclusion in IPSAS 41 and IPSAS 30, can be found in [Agenda Item 6.3.4](#).

Decision Required

16. Does the IPSASB agree with the staff's [recommendation](#)?

Supporting Document 1 – Proposed Amendments for Supplier Finance Arrangements

1. The proposed amendments for Supplier Finance Arrangements are posted separately for easier readability.

Supporting Document 2 – Proposed Amendments for the Classification and Measurement of Financial Instruments

1. The proposed amendments for the classification and measurement of financial instruments are posted separately for easier readability.

Supporting Document 3 – Proposed Amendments from *Annual Improvements to IFRS Accounting Standards—Volume 11*

1. The proposed financial instruments-related amendments from *Annual Improvements to IFRS Accounting Standards—Volume 11* are posted separately for easier readability.

**Supporting Document 4 – Proposed Amendments for Contracts Referencing
Nature-Dependent Electricity**

1. The proposed amendments for Contracts Referencing Nature-Dependent Electricity are posted separately for easier readability.

**Supporting Document 5 – IPSASB Application Group – December 2024 CAG
Report Back**

1. The Consultative Advisory Group discussed the proposed operating procedures for the IPSASB Application Group at the December 2024 meeting. A summary of the advice provided by CAG members and how the IPSASB has responded to the CAG member comments is posted separated for easier readability.

Supporting Document 6 – [Draft] IPSASB Application Group: Operating Procedures

1. The [draft] IPSASB Application Group: Operating Procedures is posted separately for easier readability. As noted in Agenda Item 6.3.1, the [draft] document was included for informational purposes and will not be discussed at the March 2025 IPSASB meeting. IPSASB members who have comments on the draft document are asked to contact staff or the Chair of the IPSASB Application Group.