Office of the Auditor General of Ontario

Accounting and Assurance Standards Update

// June 2026

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// Helping You to Keep Up with Changing Accounting and Assurance Standards

Shelley Spence
Auditor General
of Ontario

Welcome to the 2026 edition of *Accounting and Assurance Standards Update*, our Office's annual summary of changes to accounting and assurance standards for the public sector.

We are at a landmark moment in public sector accounting. Fundamental changes to financial reporting are coming into effect for fiscal years beginning on or after April 1, 2026. The changes are rooted in the **new conceptual framework and reporting model** issued by the Canadian Public Sector Accounting Board. Readers can learn more about these changes, and many others, in the pages that follow.

Ten years ago, our Office began distributing this newsletter to highlight changes to Canadian Public Sector Accounting Standards (PSAS), IFRS Accounting Standards and Canadian Assurance Standards. We also summarize developments in International Public Sector Accounting Standards. It is my pleasure to continue to offer you this key information in a condensed format.

We hope your organization finds our synopsis and commentary useful. Your feedback and suggestions are welcome!

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// This Edition at a Glance

Standards Digest

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

Standard	Key Takeaways and Guidance	Effective Date[1]	Page
Canadian Public Sector Accounting Standards			
Conceptual Framework for Financial Reporting in the Public Sector & PS 1202 – Financial Statement Presentation	• A new conceptual framework for the public sector was 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, the Canadian Public Sector Accounting Board (PSAB) issued Section PS 1202, *Financial Statement Presentation,* to update the financial reporting model. • The application of the new conceptual framework and financial reporting model will vary depending on whether a public sector entity is a government organization (GO) or government not-for-profit organization (GNFPO) that applies the PS 4200 series.	April 1, 2026	6
PS 3251 – Employee Benefits	• This standard was issued in March 2026 to provide updated guidance on employee benefits, replacing Section PS 3250, *Retirement Benefits,* and Section PS 3255, *Post-Employment Benefits, Compensated Absences and Termination Benefits.* • Under Section PS 3251, actuarial gains and losses are no longer	April 1, 2029	15

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

Standard	Key Takeaways and Guidance	Effective Date[1]	Page
Canadian Public Sector Accounting Standards			
	amortized. Instead, they are recognized immediately in the statement of financial position. • For defined benefit plans that are not fully funded, the discount rate is based on the market yield of high-quality corporate bonds or government bonds. For fully funded plans, the discount rate is based on the expected market-based return on the related plan assets.		
Amendments to Tangible Capital Assets, PS 3150	• GNFPOs currently applying the 4200 series will need to adopt Section PS 3150 for fiscal years beginning on or after April 1, 2030. • As a result, Section PS 4230, *Capital Assets Held by Not-for-Profit Organizations,* and Section 4240, *Collections Held by Not-for-Profit Organizations* will be withdrawn. • Section PS 3150 will continue to apply to all other public sector entities that follow PSAS. The amendments will become effective for fiscal years beginning on or after April 1, 2030.	April 1, 2030	**16**
IFRS Accounting Standards			
IFRS 18 – Presentation and Disclosure of Financial Statements	• This standard sets out the new requirements for presenting financial statements, replacing IAS 1, *Presentation of Financial Statements.*	January 1, 2027	**17**
Amendments to IAS 21 – Effects of Changes in Foreign Exchange Rates	• The amendments 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	**17**

IFRS Accounting Standards			
Amendments to IFRS 9 – Financial Instruments and IFRS 7 – Financial Instruments: Disclosures	• The amendments address the derecognition of a financial liability settled through the electronic payment system and clarify the classification of financial assets whose contractual cash flow characteristics are linked to environmental, social and governance features.	January 1, 2026	**17**

Assurance Standards			
CAS 570 (Revised) – Going Concern	• These revisions expand on existing requirements for going concern and the implications for the auditor's report. • An assessment of an entity's ability to continue as a going concern is required for all audits. Management is responsible for performing the assessment. Auditors are responsible for evaluating the methods, significant assumptions and data used by management in their assessment. • The required period for management's assessment of going concern is at least 12 months from the date of approval of the financial statements, rather than 12 months from the financial statement date.	The first full fiscal year beginning on or after December 15, 2026	**18**
CAS 240 (Revised) – The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	• These revisions strengthen and clarify the auditor's responsibilities with respect to fraud. • Revisions include an enhanced requirement for the auditor to communicate matters related to fraud to management and the board of directors (or equivalent). • Changes to the auditor's report include an emphasis on communicating Key Audit Matters related to fraud and an update to the description of the auditor's responsibilities.	The first full fiscal year beginning on or after December 15, 2026	**18**

// New PSAB Conceptual Framework and Reporting Model

This overview is designed to assist public sector entities preparing for the adoption of the Conceptual Framework for Financial Reporting in the Public Sector (the conceptual framework) and the new reporting model (Section PS 1202, *Financial Statement Presentation*) issued by PSAB. These changes are effective for fiscal years beginning on or after April 1, 2026.

The Conceptual Framework for Financial Reporting in the Public Sector

A conceptual framework is a coherent set of interrelated concepts underlying accounting and financial reporting standards. It is not a standard and does not override specific standards in the *CPA Canada Public Sector Accounting Handbook*.

Certain chapters in the conceptual framework may affect how and what information is presented in the financial statements of public sector entities. In the table below, we have highlighted the chapters that may affect how and what information is presented in public sector financial statements:

Conceptual Framework Chapter	Summary of Key Changes for Financial Statement Presentation
Chapter 1: Introduction to the Conceptual Framework	This chapter includes amendments to Section PS 1150, *Generally Accepted Accounting Principles,* that will require auditees to ensure that any **entity-developed accounting policies** (i.e., policies developed when there is no standard that specifically applies to a particular economic resource, economic obligation, transaction or other event) are consistent with the principles in the new conceptual framework.
Chapter 6: Financial Statement Objectives	This chapter sets out amended financial statement objectives (e.g., financial condition, financial performance and the extent to which the entity performed in accordance with its financial authorities and plan/budget), which resulted in the creation of Section PS 1202, *Financial Statement Presentation* (the new reporting model). In addition, this chapter introduces the concept of financial and non-financial economic resources and obligations, which underpins the classification of assets and liabilities as either financial or non-financial.

Chapter 10: Presentation Concepts for Financial Statements	This chapter sets out general financial statement presentation concepts. Entities applying the new presentation concepts may need to review their financial statement disclosures when they adopt the new conceptual framework and PS 1202. For example, one of this chapter's guiding principles is that disclosure is not a proper substitute for recognition and measurement of an item.

Section PS 1202, Financial Statement Presentation

The expected impact of the changes to PSAB's financial reporting model will vary depending on whether a public sector entity applies Canadian public sector accounting standards (PSAS) with or without the PS 4200 series of standards.

The following chart shows the two broad categories applicable to organizations that apply Canadian PSAS.

Type of entity	Explanation
Government organizations (**GO**) *PSAS*	The conceptual framework and reporting model in PS 1202 are applicable to all GOs that apply PSAS **without** the PS 4200 series in preparing their standalone financial statements.
Government not-for-profit organizations (**GNFPO**) *PSAS with the PS 4200 series*	The conceptual framework has general applicability to GNFPOs. However, Section PS 4210, *Contributions – Revenue Recognition,* applies if the requirements to defer the recognition of contributions (e.g., deferred capital contributions) conflicts with the provisions in the conceptual framework. PS 1202 also has general applicability to GNFPOs. It applies for preparing the statement of cash flows and the reconciliation of the accumulated remeasurement gains and losses in the statement of remeasurement of gains and losses. Section PS 4200, *Financial Statement Presentation,* applies for the remaining statements.

The following table highlights some of the major changes that are expected from the adoption of PS 1202. Please note the table is not a comprehensive list of all possible changes that your organization may need to consider.

Description of change	Applicable to GOs	Applicable to GNFPOs	Observations
Classification of financial and non-financial liabilities The classification of liabilities as financial and non-financial is a **new requirement** in Section PS 1202. A financial liability is a liability that is expected to be settled using existing or future financial assets, such as accounts payable. An example of a non-financial liability is a performance obligation that is settled by providing rights to use or access an intangible resource.	Yes	No	GNFPOs that apply PSAS with the PS 4200 series will not be affected by this change because they apply the standards in Section PS 4200, *Financial Statement Presentation,* for the statement of financial position. PSAB did not add the requirement to classify liabilities as financial or non-financial to the PS 4200 series. Currently, Section PS 4200 requires entities to classify assets and liabilities based on their liquidity (as current or non-current) as opposed to their intended settlement basis. However, GNFPOs in Ontario may be requested by their respective ministries to report liabilities classified as financial or non-financial for the purposes of their inclusion in the Province's consolidated financial statements. As a result, GNFPOs should still assess the impact of this new classification on their internal financial reporting processes in the event they are required to provide this financial information.
Net financial assets or net financial liabilities – indicator and statement Net financial assets or net financial liabilities is a **new indicator** that replaces the current net debt indicator. This new indicator is calculated as the difference between financial assets and financial liabilities.	Yes	No	Unlike the existing net debt indicator, the net financial assets or net financial liabilities indicator **is not** required to be reported on the statement of financial position. The net financial assets or net financial liabilities indicator is reported on a **new statement** called the statement of net financial assets or net financial liabilities. In addition, entities may elect to report the net financial assets or net financial liabilities indicator in the statement of financial position. In this case, it must

Description of change	Applicable to GOs	Applicable to GNFPOs	Observations
			be reported below the components of the net assets or net liabilities indicator, with reference to the calculation on the statement of net financial assets or net financial liabilities. These statements are not required under the 4200 series for GNFPOs.
Statement of financial position The following significant changes were introduced to the statement of financial position: • removed the net debt indicator • introduced two categories of liabilities: financial and non-financial • added a third component of net assets or net liabilities: "accumulated other" • restructured the statement to present assets, followed by liabilities, followed by net assets or net liabilities	Yes	No	All GOs that apply PSAS will be affected by these changes. GNFPOs that apply PSAS with the PS 4200 series **will not be affected** because they apply the standards in Section PS 4200, *Financial Statement Presentation,* for the statement of financial position. PSAB did not add the requirement to classify liabilities as financial or non-financial to the PS 4200 series. Currently, Section PS 4200 requires entities to classify assets and liabilities based on their liquidity (as current or non-current) as opposed to their intended settlement basis. Please note that entities that follow the PS 4200 series and are part of the government's consolidated financial statements may be asked to provide financial and non-financial information.
Statement of changes in net assets or net liabilities Section PS 1202 requires public sector entities to present a statement of changes in net assets or net liabilities.	Yes	No	GOs that apply PSAS often elect to present the reconciliation of accumulated surplus or accumulated deficit in their statement of operations. This change will require those organizations to present this reconciliation in a separate statement of changes in net assets or net liabilities.

Description of change	Applicable to GOs	Applicable to GNFPOs	Observations
This **new statement** reports a reconciliation between the opening and ending accumulated balance of net assets or net liabilities for each of the three components (i.e., accumulated deficit or surplus, accumulated remeasurement gains and losses and accumulated other) of net assets or net liabilities. Entities are no longer required to present a separate statement of remeasurement gains and losses, but they may elect to do so.			GNFPOs that apply PSAS with the PS 4200 series are not affected by this change because they apply the standards in Section PS 4200, *Financial Statement Presentation,* for their statement of changes in net assets or net liabilities (or changes in fund balances, as applicable). When a GNFPO has remeasurement gains and losses, it is still required to present a statement of remeasurement of gains and losses.
Isolation of financing activities in the statement of cash flows Public sector entities must report the net cash before financing activities (i.e., the total of all net cash flows from operating, capital and investing activities) as a **new subtotal** on the statement of cash flows.	Yes	Yes	This new subtotal is only required if an entity has financing transactions. This is the only significant change to the statement of cash flows in Section PS 1202. Please note that GNFPOs that apply PSAS with the PS 4200 series apply the requirements in Section PS 1202 for the statement of cash flows. As a result, this change will impact GNFPOs that have financing transactions.

Description of change	Applicable to GOs	Applicable to GNFPOs	Observations
Aggregation and disaggregation Section PS 1202 contains **new guidance** on the level aggregation and disaggregation of information in the financial statements. Items are aggregated based on shared characteristics to the extent that this aggregation does not obscure relevant information or reduce the information presented in the financial statements. Each material group of similar items should be presented separately in the financial statements. Items of a dissimilar nature or function should be presented separately unless they are immaterial.	Yes	Yes	The new guidance on aggregation and disaggregation applies to the financial statements and accompanying note disclosures of both GOs and GNFPOs.
Line items and subtotals Section PS 1202 requires specific line items and subtotals (e.g., net assets or net liabilities indicator on the statement of financial position, surplus or deficit on the statement of operations). Additional (non-mandatory) line items, headings and subtotals may be used when necessary to provide a clear overview of the entity's	Yes	Yes	The new guidance about line items and subtotals is applicable to both GOs and GNFPOs. These requirements guide entities in assessing the usefulness and appropriateness of introducing additional line items and subtotals on their financial statements for clarity and ease of reading.

Description of change	Applicable to GOs	Applicable to GNFPOs	Observations
financial position and changes in financial position. There are specific requirements when presenting additional subtotals.			
New component of net assets: "accumulated other" Only items prescribed in standards in the Public Sector Accounting Handbook may be recognized directly in accumulated other.	Yes	Yes	There are currently no standards in the Public Sector Accounting Handbook that permit items to be recognized directly in the accumulated other component of net assets or net liabilities.
Going concern Section PS 1202 includes enhanced guidance on assessing whether the going concern assumption is appropriate and explicit disclosure requirements if there are material uncertainties related to this presumption.	Yes	Yes	Financial statements continue to be prepared on a going concern basis unless the entity intends to cease operating or has no realistic alternative but to do so. When there are material uncertainties related to the going concern assumption they should be disclosed in the notes to the financial statements. In the extremely rare circumstances when financial statements are not prepared on a going concern basis, that fact should be disclosed, together with the basis on which the financial statements are prepared and the reason why the basis has changed.

Description of change	Applicable to GOs	Applicable to GNFPOs	Observations
Additional guidance for presenting budgeted amounts PSAB clarified that the comparison of actual financial performance is with that originally budgeted. For a board-governed organization, use of an amended budget for actual-to-budget comparisons is only permitted when the majority of its governing body has been newly elected or appointed and a new budget is approved. If a budget is not prepared or approved, entities are now required to acknowledge this fact on the statement of operations and the statement of net financial assets or net financial liabilities, and in the notes to the financial statements. If an entity does not elect to report the changes in net financial assets or net financial liabilities in the statement of net financial assets or net financial liabilities, it is required to disclose a comparison of actual-to-budgeted capital expenditures in the notes to the financial statements.	Yes	No	GOs that apply PSAS without the PS 4200 series already report actual-to-budget comparisons in their financial statements in accordance with Section PS 1201. Section PS 1202 clarifies the basis for presenting budgeted amounts in the statement of operations and statement of net financial assets and net financial liabilities. Most GNFPOs in Ontario that apply PSAS with the PS 4200 series do not present actual-to-budget comparisons in their financial statements. We expect this to continue to be the practice when those entities adopt PS 1202. We note that there is nothing in the PS 4200 series that precludes a GNFPO from presenting actual-to-budget comparisons.

// 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]

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
	IFRS 7 and IFRS 9	Amendments to the Classification and Measurement of Financial Instruments	January 1
	CAS 240	The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements (Revised)	December 15[2]
	CAS 570	Going Concern (Revised)	December 15[2]
2027	IFRS 18	Presentation and Disclosure in Financial Statements	January 1
2029	PS 3251	Employee Benefits	April 1
2030	PS 3150	Tangible Capital Assets (Amendments)	April 1

1. The effective date is for fiscal years beginning on or after the date shown.
2. The effective date is the first full fiscal year beginning on or after December 15, 2026.

Public Sector Accounting Standards

Employee Benefits

Effective Date: April 1, 2029

Early Adoption: Permitted

In March 2026, PSAB issued Section PS 3251, *Employee Benefits,* to replace Section PS 3250, *Retirement Benefits,* and Section PS 3255, *Post-Employment Benefits, Compensated Absences and Termination Benefits*.

Section PS 3251 introduces significant changes from existing practice, especially in relation to defined benefit plans, such as defined benefit pensions. More specifically:

- The new guidance eliminates the current practice of deferring and amortizing actuarial gains and losses, renamed revaluations. Instead, revaluations are recognized immediately in the accumulated remeasurements line, a component of the net assets (or net liabilities) section of the statement of financial position. There is no initial or subsequent recognition of revaluations in the annual surplus or deficit.
- The discount rate used in the measurement of a defined benefit plan is determined by the plan's funding status at the end of each fiscal year. For defined benefit plans that are not fully funded, the discount rate is based on the market yield of high-quality corporate bonds or government bonds (underfunded plan discount rate). For fully funded plans, the discount rate is based on the expected market-based return on the related plan assets.

Public sector entities may participate in a defined benefit plan that shares risks between entities under common control. If there is an existing contractual agreement, binding arrangement or stated policy for charging the net defined benefit cost for the whole plan to each of the participating public sector entities, the net defined benefit cost is recognized in the financial statements. If no agreement exists, the participating public sector entities recognize the cost on a defined contribution basis, equal to the contribution payable for the period. In this case, only the controlling entity recognizes the net defined benefit cost in the financial statements.

Public Sector Accounting Standards

Amendments to Tangible Capital Assets, Section PS 3150

Effective Date: April 1, 2030
Early Adoption: Permitted

In May 2025, PSAB amended Section PS 3150, *Tangible Capital Assets*. Key amendments include:

- The definition of tangible capital assets was amended to clarify that tangible capital assets in the scope of this standard may be acquired, constructed or developed.
- Contributed materials or labour that form part of the cost of a constructed or developed tangible capital asset is recognized at its fair value at the date of contribution.
- A tangible capital asset acquired at substantially below fair value is recognized at its fair value, with the difference between the fair value and the consideration paid recorded as a contribution.
- Works of art, historical treasures and collections are not recognized in the financial statements, but their existence is disclosed in the notes to the financial statements.

Effective for fiscal periods beginning on or after April 1, 2030, GNFPOs that currently apply the 4200 series will be required to adopt Section PS 3150. Section PS 4230, *Capital Assets Held by Not-for-Profit Organizations,* and Section 4240, *Collections Held by Not-for-Profit Organizations,* will be withdrawn.

For all other public sector entities that apply PSAS, these amendments are effective for fiscal periods beginning on or after April 1, 2030.

IFRS Accounting Standards

IFRS 18 – Presentation and Disclosure of Financial Statements

Effective Date: January 1, 2027
Early Adoption: Permitted

In April 2024, the International Accounting Standards Board (IASB) published IFRS 18, *Presentation and Disclosure in Financial Statements*, replacing IAS 1, *Presentation of Financial Statements*. This standard sets out the new requirements for presenting financial statements.

Key changes include:

- new categories and required subtotals in statement of profit or loss;
- required disclosures for management-defined performance measures, defined as subtotals of income and expenses not specified by IFRS Accounting Standards that are used by management in public communications outside the financial statements; and
- additional guidance on aggregation and disaggregation of information.

On adoption of IFRS 18, prior period amounts would need to be restated to conform to the new requirements.

Amendments to IAS 21 – The 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), which includes guidance on 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. The amendments also require additional disclosure when a currency is not exchangeable.

Amendments to IFRS 9 – Financial Instruments and IFRS 7 – Financial Instruments: Disclosures

Effective Date: January 1, 2026
Early Adoption: Permitted

In May 2024, the IASB published *Amendments to the Classification and Measurement of Financial Instruments* (Amendments to IFRS 9 and IFRS 7). These amendments address financial liabilities settled through the electronic payment system, permitting the derecognition of these financial liabilities before the settlement date only when specific criteria are met. These amendments also clarify the classification of financial assets whose contractual cash flow characteristics are linked to environmental, social and governance features.

Assurance Standards

CAS 570 (Revised) – Going Concern

Effective Date: Audits of financial statements for fiscal years beginning on or after December 15, 2026
Early Adoption: Permitted

Revisions to CAS 570 expand on and clarify existing requirements relating to going concern and the implications for the auditor's report.

Revised CAS 570 requires the auditor to obtain and evaluate management's assessment of going concern for each audit, regardless of whether any events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern. Management is responsible for performing the assessment of the entity's ability to continue as a going concern. The auditor is responsible for evaluating the methods, significant assumptions and data used by management in their assessment.

Under revised CAS 570, the required period for management's assessment of going concern was extended to at least 12 months from the date of approval of the financial statements. Under the existing standard, the required period is 12 months from the date of the financial statements.

The revisions to CAS 570 also introduce a separate section in the auditor's report to address going concern. The wording varies depending on the auditor's determination of whether a material uncertainty related to going concern exists.

CAS 240 (Revised) – The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

Effective Date: Audits of financial statements for fiscal years beginning on or after December 15, 2026
Early Adoption: Permitted

Revised CAS 240 enhances and clarifies the auditor's responsibilities with respect to fraud in an audit of financial statements.

It strengthens the requirement to communicate matters related to fraud to management and the board of directors (or equivalent). This includes timely communication of suspected or actual fraud involving management, employees or third parties.If key audit matters are included in the auditor's report, the auditor must consider the fraud-related matters communicated to the board of directors (or equivalent) in determining which matters were of most significance. When identified as a key audit matter, fraud-related matters must be reported under a subheading that clearly indicates that the matter relates to fraud.

In addition, the description of the auditor's responsibilities within the auditor's report has been updated to reflect the enhanced fraud requirements.

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 PSAS.

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 for only 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 manner 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).

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 be measured at the fair value at the date of acquisition.
- Heritage assets can be recognized provided they meet the definition of an asset and can be measured reliably. Previously, under IPSAS 17, heritage assets were excluded from recognition.

IPSAS 46 – Measurement and Related Amendments

Effective Date: Various (as indicated below)
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 46 is effective for fiscal periods beginning on or after January 1, 2025.

In August 2025, the IPSASB issued *Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement* to provide guidance on the application of current operational value across existing IPSAS standards**.** As a result, IPSAS 12, *Inventories*, and IPSAS 21, *Impairment Non-Cash Generating Assets* were amended. In addition, a definition of accounting estimates was added to IPSAS 3, *Accounting Policies Changes in Accounting Estimates and Errors*. These amendments are effective for fiscal periods beginning on or after January 1, 2028.

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).

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 are recognized when (or as) the entity satisfies any enforceable obligations associated with the inflow (or right to inflow) of resources that meet 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, 2025
Early Adoption: Permitted

In May 2023, the IPSASB issued IPSAS 48*, Transfer Expenses*, to provide guidance on the recognition, measurement, presentation and disclosure of transfer expenses.

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 to enforce the terms of the binding 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 satisfies 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 on the date that the resource is transferred to the recipient.

IPSAS 49 – Retirement Benefit Plans

Effective Date: January 1, 2025
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 only applicable to the financial statement of a retirement benefit plan. Employers that participate in retirement benefit plans continue to refer to IPSAS 39, *Employee Benefits.*

Amendments to IPSAS 43, 47 and 48 – Concessionary Leases and Other Arrangements Conveying Rights Over Assets

Effective Date: January 1, 2027
Early Adoption: Permitted

In October 2024, the IPSASB issued *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, 47 and IPSAS 48). These amendments provide guidance on identifying leases that are at below-market terms (concessionary leases), as well as the initial measurement of the related right-of-use asset and lease liability and the related disclosures. For lessees, the concession is measured as the difference between the present value of the payments for the lease at market rates based on the current use of the underlying asset (the right-of-use-asset) and the present value of contractual payments. Concessions are accounted for in accordance with IPSAS 47, *Revenue*.

IPSAS 51 – Tangible Natural Resources Held for Conservation

Effective Date: January 1, 2028
Early Adoption: Permitted

In January 2026, the IPSASB issued IPSAS 51, *Tangible Natural Resources Held for Conservation*, to provide guidance on the recognition, measurement, presentation and disclosure of natural resources with physical substance that are held to prevent their degradation. Under IPSAS 51, a tangible natural resource held for conservation is recognized as an asset only if:

- it is probable that the service potential associated with the resource will flow to the entity;
- the entity controls the resource as a result of past events; and
- the resource can be measured reliably.

If control of the tangible natural resource was obtained in an exchange transaction, it is initially measured at cost. If control was obtained in a non-exchange transaction or by the exercise of sovereign rights, it is measured at current value.

In subsequent periods, the entity can elect to measure a class of tangible natural resources held for conservation at historical cost or current value.

IPSAS 51 also introduces a rebuttable presumption that tangible natural resources have an indefinite useful life and, as a result, are not subject to amortization.

* This newsletter includes extracts from IPSAS 43, *Leases* (January 2022); IPSAS 44, *Non-current Assets Held for Sale and Discontinued Operations* (May 2022); IPSAS 45, *Property, Plant and Equipment* (May 2023); IPSAS 46, *Measurement* (May 2023); IPSAS 47, *Revenue* (May 2023); IPSAS 48, *Transfer Expenses* (May 2023); IPSAS 49, *Retirement Benefit Plans* (November 2023) and IPSAS 51, *Tangible Natural Resources Held for Conservation* (January 2026) of the International Public Sector Accounting Standards Board, published by the International Federation of Accountants (IFAC) and is used with permission from IFAC. Contact **Permissions@ifac.org** for permission to reproduce, store or transmit, or to make other similar uses of these documents.